

SUMMARY RECORD  
OF DISCUSSIONS OF THE  
NATIONAL DEVELOPMENT COUNCIL (NDC)  
MEETINGS

**Five Decades of Nation Building  
(Fifty NDC Meetings)**

Vol - I  
(1st to 14th Meetings)



सत्यमेव जयते

GOVERNMENT OF INDIA  
PLANNING COMMISSION

***Please Note:***

Every effort has been made to ensure that the contents of this publication, which has been compiled for making available at one place the Record of Discussions of fifty Meetings of the National Development Council, are as accurate as possible. However, considering that this voluminous publication has been brought out from the Records, some of which are very old, users are requested to refer to the original text in case of any doubt/dispute.

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प्रधान मंत्री  
Prime Minister

**FOREWORD**

The National Development Council (NDC) was set up on August 6, 1952 to strengthen and mobilize the effort and resources of the nation in support of the Plan, to promote common economic policies in all vital spheres, and to ensure the balanced and rapid development of all parts of the country. The Council, which was reconstituted on October 7, 1967, is the highest decision-making authority in the country on development matters.

The Fiftieth Meeting of the NDC was held on December 21, 2002. This was an important occasion, not only because it marked the Golden Jubilee of NDC meetings, but also as an affirmation of our belief of achieving the country's all-round progress through planned development.

To mark this momentous occasion, the Planning Commission thought it appropriate to bring out the Summary Record of Discussions of the 50 meetings of the NDC in five volumes. These volumes chronicle the range of issues and the richness of the discussions that have taken place over the years on economic development of our country, beginning with the first meeting chaired by Prime Minister, Jawaharlal Nehru on November 8-9, 1952. I am confident that this document will prove to be a valuable one for scholars and historians and would also be of interest to all concerned with Planning and Administration in our country.

  
(Manmohan Singh)

New Delhi  
October 15, 2005

एम. एस. आहलुवालिया  
MONTECK SINGH AHLUWALIA



उपाध्यक्ष  
योजना आयोग  
भारत  
DEPUTY CHAIRMAN  
PLANNING COMMISSION  
INDIA

## **PREFACE**

The National Development Council (NDC) has a special role in our federal polity. It is the apex body for decision making and deliberations on development matters, presided over by the Prime Minister of India and comprising of all Union Ministers, Chief Ministers of all the States and Administrators of Union Territories and Members of the Planning Commission. Ministers of State with independent charge are also invited to the deliberations of the Council. The functions of the Council are (i) to prescribe guidelines for the formulation of the National Plan, including the assessment of resources for the Plan; (ii) to consider the National Plan as formulated by the Planning Commission; (iii) to consider important questions of social and economic policy affecting national development; and (iv) to review the working of the Plan from time to time and to recommend such measures as are necessary for achieving the aims and targets set out in the National Plan.

The NDC held its 50th Meeting on December 21, 2002, when it unanimously adopted the Tenth Five Year Plan. To mark the Golden Jubilee, the Planning Commission decided to publish the 'Summary Record of Discussions of 50 Meetings of the NDC' in five volumes. This compilation should be of interest to scholars and to every one interested in Indian planning. National planning has been one of the pillars of our approach to economic development and growth since independence. Approaches to economic development and strategies for development have naturally evolved over time but the process of planning as a conscious effort at guiding the directions of the economy to achieve the goals of development with social justice has been a common thread. These volumes provide a ready means of looking back over more than 50 years of the planning process in the country. These volumes record what was said by national and state leaders at different times bringing out the flavour of the perceptions and specific preoccupations at different times. They convey the richness and diversity of the issues that have come up in the course of our planned development, the bottlenecks faced and the measures required for

taking corrective action to achieve the broad objectives laid down by the National Development Council.

Compiling the Summary Record of Discussions of the 50 NDC Meetings has been an arduous process. The records in respect of the earlier meetings were scattered, and there was no uniformity in their form. Some of them were bound in booklet form and some were merely stapled photocopies. Maintenance and retrieval of these records was becoming increasingly difficult. With a view to making these volumes more reader friendly, a common format has been followed, necessitating, in some cases, changes in the original sequence of contents. Minor editorial corrections, which did not materially change the contents of the records and facilitated avoiding duplication, have also been made, at a few places, to make the volumes presentable and error free, as far as possible.

It is hoped that the effort made by the Planning Commission would yield rich dividends in providing a deep insight into the evolution of the Planned Development of the country during the last more than half a century, analysis of the progress and shortfalls, and contribution and effectiveness of the unique institution of the National Development Council in its efforts to build the best possible future for the people of India.

  
(Montek Singh Ahluwalia)

New Delhi

October 15, 2005




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(Montek Singh Ahluwalia)

New Delhi

October 15, 2005

**FIRST MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
NEW DELHI : NOVEMBER, 1952**

**SUMMARY RECORD**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

# SUMMARY RECORD OF THE PROCEEDINGS OF THE FIRST MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON THE 8th AND 9th NOVEMBER, 1952, IN ROOM NO. 62, PARLIAMENT HOUSE.

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## AGENDA & SUMMARY RECORD

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The National Development Council held its first meeting to consider the draft of the Final Report on the Five Year Plan on November 8 and 9, 1952. The Chief Ministers and other representatives of States were present.

### 1. CONSIDERATION OF THE DRAFT OF THE FINAL REPORT ON THE FIRST FIVE YEAR PLAN

The **Prime Minister** welcomed the members to the first meeting of the National Development Council and observed that the National Development Council was essentially a forum for intimate cooperation between the State Governments and the Central Government for all the tasks of national development. It has been set up with three objects:-

1. to strengthen and mobilise the effort and resources of the nation in support of the Plan;
2. to promote common economic policies in all vital spheres, and
3. to ensure the balanced and rapid development of all parts of the country;

Its functions would be

1. to review the working of the National Plan from time to time;
2. to consider important questions of social and economic policy affecting national development; and
3. to recommend measures for the achievement of the aims and targets set out in the National Plan.

Continuing, the Prime Minister stated that they all had to bear intimate responsibility for the Plan in all its phases. As Chief Ministers they shouldered heavy responsibility in their States and naturally had to think of their States. But, at the same time, as members of the Council they had to shoulder responsibility for the whole of India, and not merely for their States, and had to look upon every question from a national point of view. Referring to the draft report, he observed that it was obviously essential that both State Governments and the Centre should accept certain basic principles; agree on certain major policies and programmes in the Plan. Then alone could the Plan be 'finalised'. Referring to the preparation of the Plan, he felt that the Planning Commission had, during the preceding 14 months, succeeded in making the country planning-conscious. The draft report had been finalised after consulting various political organisations, economists, industrialists and women's organisations, and so on. By and large, through this democratic process the structure of the Plan had been very largely accepted by the country. Its implementation would also have to be a

democratic. It had to become not merely a Government's plan but a people's plan. It would, therefore, be necessary to reach the people and explain to them the main principles of Planning in the language they understood. Suitable literature in popular style would have to be produced. The Plan would also have to be explained to the people through discussions, talks and speeches.

The Minister of Planning **Shri Gulzarilal Nanda** explained the basic consideration which had determined the formulation of the Plan.

The Finance Minister **Shri C. D. Deshmukh** read out the summary of Chapters III and IV of the draft of the Final Report which had been circulated to the meeting. The Finance Minister added that the Central assistance assumed for the purposes of these calculations was Rs. 229 crores; Rs. 140 crores for Part A States, Rs. 46 crores for Part B States; Rs. 10 crores for Jammu & Kashmir and nearly Rs. 32 crores for Part C States. He further pointed out that the report of the Finance Commission might make a change in these figures if, what was shown as Central assistance might, to the disadvantage of the Centre take, the form of permanent resources allotted to the States.

A general discussion then followed.

The Chief Minister, West Bengal, **Dr. B. C. Roy** enquired whether the report was final in the sense that it was unalterable? Would the Planning Commission consider suggestions for inclusion of new schemes after the Final Report had been published either because some additional resources had become available or by transferring allocations for existing schemes in favour of new schemes? Secondly, he wished to ascertain the nature of the Central assistance that would be given to the States? Thirdly, he asked whether in case a State were able to increase resources from the small savings above their quota figures or in any other way, the additional amount could be taken into account for any new development schemes.

The Finance Minister pointed out that if the conditions in which the report was being formulated were, on review, found to have been changed, the Plan might have to be altered. The new schemes would, however, be included only if there were a net addition to the resources after meeting the needs of existing schemes in the Plan. If, however, there were a net shortfall in the resources for the Plan, the gap would have to be covered either through foreign assistance or by cutting out some schemes or, if conditions permitted, by means of larger deficit financing than had been visualised. There could be no definite answer to this question except to say that it would be necessary to review the working of the Plan at least once a year.

As regards the second question, the Finance Minister observed that the categories for which Central assistance had been indicated were illustrative.

As regards the third question, Finance Minister explained that if there were a net addition to resources, such additional resources would be available for supplementing the Plan. The Finance Minister referred to the proposal to allocate about Rs 15 crores for famine and flood relief work all over the country. This would mean that a State Plan would not be disturbed as a result of diversion to relief work of resources allocated for the Plan.

The Chief Minister, Uttar Pradesh, **Pandit Govind Ballabh Pant** observed that the U.P. Plan, as accepted by the Planning Commission, was not adequate for meeting U.P.'s minimum needs in view of recurring famine and food scarcity conditions in eastern U.P. On the other hand, the U.P. Government would not be able to raise more resources than had been agreed to. Their request for additional Central assistance should be sympathetically considered. On his part he

was prepared to carry out the suggestions of the Government of India for raising additional resources and for imposing new taxes wherever possible.

Shri Pant suggested for the establishment of a non-lapsible fund for the Plan to which all sums received for the Plan, whether from the Government of India or through additional taxation or in other ways could be appropriated. It might be left to the States to accelerate the rate of progress if they could do so on their own resources but there should be a definite understanding that the schemes included in the Plan would be carried out. He felt these steps would lead to more economic use of funds than otherwise. Shri Pant also suggested that there should be a compulsory scheme for saving. Such compulsory loans should be repayable and should have higher rate of interest than was usually allowed on public loans.

The Chief Minister, Mysore, **Shri Hanumanthaiah** suggested that there should be a separate fund for the amelioration of the depressed classes. The Union Finance Minister observed that the depressed classes represented six crores out of the population of the country and that it was not possible to allot separate amounts to be used for expenditure for promoting the development of the depressed classes except in various specific matters like education, scholarships and so on. There would be provision under the head 'Education' for that. For the rest the Plan would benefit the depressed classes as well as other sections of the community.

The Chief Minister, Assam, **Shri Bishnuram Medhi** pleaded for increased Central assistance for Assam as the State Government was not in a position to raise extra resources from the people. He also pleaded for the development of coal fields in Garo Hills.

The Chief Minister, Hyderabad, **Shri Rama Krishna Rao** inquired whether the targets of resources and the scale of development expenditure mentioned in the Plan were subject to further modification as a result of closer examination by the Planning Commission. He pleaded for more Central assistance because on the one hand, the Hyderabad Government could not raise more resources, as agreed to and, on the other hand, the Hyderabad Government had reached such a state in their schemes that these could not be stopped.

The Chief Minister, Punjab, **Shri Bhim Sen Sachar** enquired as to what part of the Central assistance would be subsidy and what part would be loans. The Finance Minister replied that assistance under Grow More Food would continue to comprise both loans and grants. Other assistance from the Centre would be in the form of loans. Shri Sachar suggested that the Central assistance should be made known to the States well in time for the budget estimates to be prepared. The Finance Minister gave the assurance that this matter would be attended to.

The Chief Minister, Madhya Pradesh, **Shri Ravi Shankar Shukla** pointed out that even though Madhya Pradesh was full of natural resources, the Central Government was not assisting in their exploitation. The State Government's own resources were inadequate. Proposals for railway lines through Sarguja State to Chirimiri from Barwadih had been dropped. He suggested that provision for a new iron and steel plant in Madhya Pradesh should be made out of the sum of Rs. 40 crores provided for basic industries and transport. Thirdly, since Madhya Pradesh had a very large tribal area more Central assistance should be given for tribal welfare.

The Chief Minister, Bombay, **Shri Morarji Desai** explained that the increase in Bombay's revenues was not reflected in increased expenditure on development because the Bombay Government had to spend Rs. 118 lakhs on scarcity relief and had to give taccavi loans to the

extent of Rs. 4 crores.

The Chief Minister, Orissa, **Shri Nabakrushna Chaudhri** observed that from the national point of view States like Madhya Pradesh, Orissa, Assam, and others having natural resources and scope for industrial development should be the concern of the whole country. Referring to the Hirakud Project, he pointed out that the Centre should assist in the industrial development of Orissa, otherwise the Hirakud power might not be fully utilised. The Orissa State had no resources either to assist or to undertake such industrial development. He referred to the difficulty in finding matching funds for schemes initiated by Central Ministries, after the resources of the State had been allocated for the Plan. It was suggested that the State Governments could make adjustments in their Plan and thus accommodate schemes sponsored with Central assistance.

The Chief Minister, Rajasthan, **Shri Jainarain Vyas** suggested that the question of giving assistance to Part B States, which could not make their two ends meet from their existing resources should be considered.

The Chief Minister, Bihar, **Dr. Srikrishna Sinha** agreed that he could not regard the scales of development expenditure visualised in the draft report as unreasonable. He was, nevertheless, disappointed. So far as Bihar was concerned, according to the Plan as it stood, the Bihar State would have practically made no progress during the five years regarding social services and cottage and other industries. He mentioned that a scheme for the development of fisheries for which there was scope in Bihar had been omitted from the Plan. The Bihar State was deficit in foodgrains because of erratic monsoon. He pleaded that the Kosi should be taken up earlier than had been visualised. With regard to the resources for the Plan, their difficulty was that the resources earmarked for the execution of schemes in the Plan had to be diverted to give relief for famine and floods. The Bihar State had already imposed agricultural income taxes; had doubled the rate of irrigation charges and were even prepared to explore further sources of revenue.

Dr. Sinha said that Central assistance was not available in time and in some cases, where schemes had already been started during the post-war years on the assumption that Central aid would be available, funds were subsequently denied. He suggested that the State Governments should be informed regarding Central assistance in the beginning of the financial year. The Finance Minister replied that the State Governments would be informed in February every year.

The Prime Minister suggested that where the funds were not being used, whether on account of lack of administrative arrangements or for other reasons, on having high priority schemes, States might be allowed to spend money on schemes having a lower priority.

The Minister for Public Works, Madras, **Shri Ranga Reddi** pointed out that so far as Madras was concerned, they had no difficulty in utilising hydro-electric power or in spending money. In fact, the Central assistance to them was inadequate in view of their needs and their spending capacity. He conveyed, a suggestion from his Chief Minister that Development Secretary, Madras (Shri Lobo Prabhu) might be permitted to express his views on deficit financing and development currency. Shri Lobo Prabhu explained his proposals for a development currency and was asked by the Chairman to give a note to the Planning Minister so that his proposal could be considered on the following day.

The Chief Minister, Coorg, **Shri C. M. Poonacha** pleaded for inclusion in the Five Year Plan of a scheme for regeneration and rehabilitation of forests at a cost of Rs. 22 lakhs and a 2 crores

scheme for generating 47,700 k.w. of firm power out of which 36,000 k.w. could be supplied to Madras and Mysore.

The Chief Minister, Pepsu, **Sardar Gian Singh Rarewala** explained the difficulties of raising finances for the Plan in view of the unpopularity of measures for additional taxation.

The Chief Minister, Travancore-Cochin, **Shri A. J. John** pointed out that in view of the density of population in Travancore-Cochin and in view of the problem of educated unemployment in his state some new industries should be started in Travancore-Cochin.

The Chief Minister, Madhya Bharat, **Shri Gangwal** suggested that the Central assistance for States like Madhya Bharat and Rajasthan should be mainly in the form of grants with only a small proportion in the form of loans.

The Chief Minister, Bhopal, **Shri Sharma** wanted the Burna and Kolar schemes for irrigation to be included in the Five Year Plan.

**Shri Rasiklal Parikh**, Home Minister, Saurashtra desired that more funds should be allocated for their reclamation scheme and for four irrigation schemes which had no been included in the Plan. He suggested that Central assistance allotted to States which remained unused should be made available to those States which could complete the Plan ahead of schedule.

The National Development Council adjourned until 10.30 A.M on the 9th November, 1952.

The National Development Council reassembled in Room No. 62 of the Parliament House on the 9th November, 1952 at 10-30 A.M under the Chairmanship of the Prime Minister.

## II. AGRICULTURAL DEVELOPMENT

The Prime Minister requested Shri V. T. Krishnamachari to initiate the discussion on agricultural development. **Shri Krishnamachari** explained that as a result of reassessment of the targets of additional production contemplated in the Draft Outline of the Five Year Plan, it was found that instead of 7.2 million tons of anticipated production, 6 million tons was likely to be obtained. The Plan had, therefore, been strengthened through additional allotments for minor irrigation works, for construction of tube-wells and through the provision for Community Projects and the National Extension Service. Regarding credit facilities for agriculture, it was proposed that instead of the present figure of Rs. 35 crores per annum, the short-term credit available should be raised to Rs. 100 crores per annum by 1955-56 by means of extension of the cooperative movement and, where that was not possible, by short-term advances to States. The position would be reviewed from year to year to see what steps should be taken to ensure that this programme was fulfilled. The Plan also had provisions for Rs. 5 crores for medium-term credit and Rs. 5 crores for long-term credit. A small provision of Rs. 2 crores had been made for soil conservation measures.

The Prime Minister asked what was proposed to be done by the Planning Commission to stop shifting cultivation in the hills in the north-eastern areas of Assam? Shri Krishnamachari explained that this problem would be attended to under the provision for soil conservation. Secondly, those people who practised shifting cultivation in the catchment areas should be trained in method of settled cultivation.

A discussion followed, Shri Deshkukh made a reference to the system of cultivation adopted



near Dehra Dun, where after removing the forests certain species of forests were planted and while the tree grew old for five or six years, small colonies of Land could be cultivated. Later when trees grew, other parts of forests were cleared for cultivation. This system should be adopted. In Madhya Pradesh, explained Shri Shukla, the forest people were being given facilities like bullocks, houses, etc. for persuading them to settle down in one place. Shri Hanumanthaiya observed that forests were cut because people needed fuel and timber. He welcomed the proposal to encourage use of soft-coke in the Gangetic delta. In the South, however, where coal or coke was not available the solution lay in encouraging people to use electricity for heating and cooking purposes. He suggested that the Mysore Government should be assisted in starting a factory at a cost of about Rs. 8 crores for manufacturing electrical appliances. Dr. Roy suggested that since the factory would be a commercial concern, the Mysore Government should raise funds by selling shares. Shri Morarji Desai recommended the use of the gas plant which would cost about Rs. 1,000 per household and could supply sufficient gas for heating and cooking for one household with the dung of 5 cattle. The Finance Minister felt that the capital involved would be tremendous. Shri Desai replied that this could be reduced to Rs. 300 to Rs. 400 per household, if done on a large scale.

### III. IRRIGATION AND POWER DEVELOPMENT

The Prime Minister then asked Shri Krishnamachari to initiate the discussion on Chapter on 'Irrigation & Power'. Shri Krishnamachari briefly explained the programme in the Plan for Irrigation Power and other suggestions relating to the financial aspects of the Projects. Referring to problem of maintenance of minor irrigation works, Shri Krishnamachari pointed out that on account of neglect in keeping such works in proper repair, the area irrigated by minor irrigation work in the country had remained more or less constant in spite of large expenditure on new works. He suggested that the responsibility for maintenance of minor irrigation work should be placed by law on village communities.

**Shri T.M.S. Mani**, Madras pointed out that the maintenance of tanks had been neglected due to lack of cooperation from the people and in the case of chain of tanks on account of rivalry between different villages. The Madras Government proposed to introduce an Irrigation Bill which would provide for the maintenance and proper repair of minor irrigation works through the levy of cess the payment of which would exempt villagers from the compulsory maintenance of the tanks.

The Minister of Food and Agriculture **Shri Rafi Ahmed Kidwai** referred to the targets for increased production of foodgrains and observed that, on the one hand, in the Draft Outline the Planning Commission had stated that in spite of the increase in the output of 7.2 million tons 3 million tons of imports would be required; whereas the draft of the Final Report on the Plan had claimed that an increase of 7.6 million tons in the production of foodgrains would help to reduce considerably dependence on foreign grain. How could that be explained, Shri Nanda explained that if the country were to maintain the existing level of consumption of food there would be no need to import foodgrains even according to the Draft Outline.

Shri Krishnamachari then raised the question of public cooperation in irrigation & power schemes and explained that in one or two States; where excavation of canals had been entrusted to villagers on village wage rates there had been a saving of about 16 per cent on the P.W.D. estimates.



Shri Mani, Madras said that the experience of the Madras Government of getting canal excavation work done through cooperative societies had not succeeded, but on the Bhawani Sagar, the system of contract on a piece-work basis by groups of villagers has worked satisfactorily.

Shri Mani represented that the two major schemes for the electric power in the Madras State Plan had not been included. It was pointed out by Shri Krishnamachari that Rs. 7.8 crores had been allotted for power schemes in the Madras Plan.

The Chief Minister, Hyderabad, wanted the Tungabhadra hydroelectric project to be included in the Plan.

The Chief Minister, Bihar, referred to the inclusion of the Kosi Project in the Plan and requested that the railway portion of the Kosi project which would cost only Rs. 66 lakhs should be started in 1953-54. The Union Finance Minister replied that if it was a matter of lakhs the Plan would not be found wanting.

The Prime Minister asked what steps were being taken to check the spread of the desert? Was any record kept of land going out of cultivation? He also stressed the necessity of growing tubers, vegetables, fruits.

The Development Minister, Madhya Bharat, Shri Dravid, referred to directive from the Centre stopping work on Chambal project and pleaded for early sanction of this work.

#### **IV. LAND POLICY**

Consideration of the Chapter on 'Land Policy' was then taken up. A note giving the main points in the Chapter on 'Land Policy' was read and discussed.

The main discussion centered round the question of reduction of disparities in land holdings. The Chief Minister, Hyderabad, said that the objectives of reduction of disparities in land holdings had not been given sufficient importance. The methods suggested, to first fix up certain standards of cultivation and of management of land and then take away land for management by the Government from such owners as did not conform to those standards was not workable and would not lead to the reduction in the holdings of the substantial owners. Shri Nanda explained the provisions in the Plan on the subject of imposition of ceilings.

#### **V. VILLAGE INDUSTRIES**

Initiating the discussion, the Prime Minister stated that village industries were more important than any large-scale industry from the point of view of giving employment. All were agreed that village industries had to be encouraged. The principle of reservation of fields for village industries had been accepted though certain questions arising from it had to be considered. The growth of village industries would depend very considerably on improvements in their techniques. It would be essential to carry out research for determining the latest techniques that could be applied to the village or cottage industries. Whether the responsibility for such research should rest with a Central organisation or with State Governments was matter for consideration. The Prime Minister referred to the proposal for setting up a village Industries Board which would be given funds derived from a cess on the textile industry. The record of the Central Government and

perhaps of State Governments in encouraging village industries during the last five years had been poor. Referring to the difficulties of marketing products manufactured by cottage industries, the Prime Minister observed that the artistic goods manufactured by cottage industries had a good market both internal and foreign, yet their marketing suffered because standards of production were not kept up.

Shri Ranga Reddi, Madras referred to a resolution passed by the Madras Legislative Assembly that there should be reservation of production of bordered "saries and dhoties" in favour of the handloom industry and that mills should not be allowed to produce cloth beyond a particular count. According to Shri Reddi assistance given out of cess to be levied on the textile industry would not give sufficient protection to weavers. It was rather strange that whereas the mill industry was given protection against foreign competition, the ancient handloom industry practised by millions of people was not being given a similar protection from the mill industry.

The Minister of Commerce and Industry, **Shri T. T. Krishnamachari** explained that already certain types of cloth, like towels, bed-sheets and lungies had been reserved for handlooms. Mills had been prohibited from dyeing saries also. The question of reservation in other spheres was being studied. But before that could be done, it was necessary to have a full enquiry into the whole textile industry. He gave an assessment of the problems which had to be considered. The power looms which did not come under the category of mill production, were also at places being run by the capitalists and thus undermined the benefits which reservation of the existing spheres to handloom should have given. It was possible that a large number of 'ghost' looms had sprung up due to shortage of yarn when quotas were being issued on the basis of ten days working of a loom. The Government could best help the weavers who owned looms and organised themselves into cooperative societies. The goods made should be marketable. Those engaged in the handloom and village industries however, did not study market conditions before manufacturing their products. Mere banning of production by mills would not suffice. Handloom workers had to be given yarn and marketing facilities. The production of yarn was itself dependent on the availability of cotton in the country. Many of the mills were old and could work only for one shift, and, therefore, did not like to produce only yarn. There was another problem. Out of the total number of saries and dhoties manufactured in the mills, about 55 per cent of dhoties and 66 per cent of saries were sold in U.P., Bihar, West Bengal and Orissa. It was for the Chief Ministers of these States to study their markets and advise whether the banning of production of dhoties and saries by mills would be acceptable to their people. The movement of particular categories of cloth from one area to another could not be banned under the Constitution. So far as Madras was concerned, their problem was really with respect to dhoties and not saries because Madras imported far more dhoties than saries. Besides, the present distress was not peculiar to the handloom industry only. Even mill-made cloth was not being sold. To meet the situation the Government proposed to allot Rs. 1½ crores for assisting khadi and the rest of four and a half crores out of the proposed cess on the textile industry for assisting the handloom industry. These funds would be made available to the Handloom Board who would be responsible for organising the handloom industry for catering to the needs and tastes of the people. The funds allotted to it perhaps could be used for cushioning the prices of yarn, for taking over responsibility for marketing and for providing them the special facilities for sizing, printing, and dyeing. This Handloom Board would be a non-official body with the Textile Commissioner as the Chairman.

Shri Dravid, Madhya Bharat feared that if the present production of mill cloth was diverted to the handloom sector, it would lead to unemployment in the textile industries. Shri Nanda felt that it

was necessary to increase exports of mill-made cloth. Dr. B. C. Roy pointed out that whereas mills were situated in a few States, handloom weavers were spread all over India. There was, therefore, need for coordinating production by mills with the needs of village industries. Shri Morarji Desai was in favour of giving protection to village industries even though Bombay had the largest number of mills. Shri Hanumanthaiya was in favour of reservation of production of dhoties or saris for handlooms.

The Prime Minister enquired how far State Governments were patronising khadi for uniforms. It was pointed out that khadi could not be used for police constables' uniforms and that the khadi dress cost twice as much as the mill cloth and was less durable than the mill cloth. The Finance Minister suggested that a Khadi and Handloom Fortnight should be organised at the beginning of the next year, to educate the people that encouragement of the khadi and the handloom products was no longer an ideological matter but an economic need.

The Prime Minister referred to a proposal to eliminate huller mills. Pandit Pant suggested that there should be quality control on articles of small-scale industries. He cited the case of carpet industries where exports had fallen. This industry used to export Rs. 3 to 4 crores worth of goods. It was absolutely necessary to standardise and control the quality of articles especially those meant for export.

## VI. EDUCATION

The Prime Minister referred to the proposal to organise work camps for university students. A beginning should be made immediately. These camps could help in changing the calibre of the nation and infusing a sense of discipline into youngmen. They might be organized on a voluntary basis to start with. The Government should only incur expenditure on food, camp accommodation and perhaps transport. Shri Mahavir Tyagi suggested that manual work should be made part of the daily curriculum of education. Shri Gulzarilal Nanda suggested that manual work for shorter periods every year could be included in the curriculum followed by a six-month or a year's camp after the students had graduated.

The Prime Minister referred to the deteriorating quality of education, and observed that before extending the present system of education it should be placed on a proper and sound basis. There was need to evolve a good and cheap method of education for the primary and secondary stages of education. He suggested that one-teacher schools, with no building, should be set up in each village, to give basic and not literary education. The educational code should not apply there.

The Minister of Agriculture, **Dr. P. S. Deshmukh** was disappointed at the target for primary education visualised in the Plan. He referred to his scheme for one-teacher schools which could give employment to 6½ lakhs persons by the beginning of 1956. He wanted the Centre to hold itself responsible for the expansion of primary and secondary education. He complained that no reference had been made to the problem of uneducated unemployment. His scheme would help in the solution of this problem and would also lead to expansion of education.

The Prime Minister referred to the need for regulating visits of large numbers of students to foreign countries for study. He was in favour of students going abroad to acquire special knowledge, but only those persons who had attained a certain standard and were likely to make good use of their visits should be allowed foreign exchange. The Finance Minister explained the procedure observed by the Reserve Bank in granting foreign exchange to students. Only when a student proved to the Reserve Bank that he had obtained admission in some institution he was allowed foreign exchange.

## VII. DEVELOPMENT CURRENCY

The Prime Minister referred to the note on development currency submitted by Shri Lobo Prabhu. The Union Finance Minister observed that both the facts and the theory in that note were mistaken and that the subject need not be pursued.

The Prime Minister made a reference to the need for schools and roads for the North-East Frontier Agency.

## VIII. ADMINISTRATION

The Chief Minister, U.P., raised the question of recruitment of members of Public Service Commission. He felt that the conditions prescribed for appointment of the members of Public Service Commissions restricted the field of choice. The Prime Minister observed that difficulties arose perhaps on account of the appointment of wrong persons. Apart from this, the real difficulty was that the scope of Public Service Commission activities had expanded greatly. Formerly they had to select mainly personnel for administrative services. At present they were required to select persons for so many specialised posts. Members of Public Service Commissions frequently did not have the necessary background for selecting personnel for such jobs with the result that old tests were applied upon for making selections for specialised services.

Dr. Katju suggested that a high technical body of assessors should be associated with the Public Service Commission for selecting specialised personnel.

## IX. FOOD POLICY

**Shri Ranga Reddi**, Madras referred to the Planning Commission's views on the subject of food control and pointed out that the Madras Government did not share them. Controls had not worked because the right personnel were not available and because neither the producer nor the consumer cooperated with the Government. Since the control price of foodgrains was not fixed on an economic basis, agriculturists were not interested in producing more food-grains. The consumer was dissatisfied because either the quality was bad or the quantity was insufficient and he had to supplement his ration from the black market. The system had not undertaken the responsibility of feeding every citizen with the result that villagers were thrown on their own resources. The policy of de-control initiated by the Madras Government had been welcomed by all political parties in Madras as well as by consumers. The removal of these controls had led to a very slight rise in prices. When the Madras representative pointed out that prices had increased only by 2 or 3 per cent, Shri V.T. Krishnamachari observed that according to the figures supplied to the Planning Commission the prices had arisen by 25 per cent. The Finance Minister asked if the Madras State would have decontrol in their State, while the rest of India continued with controls. He inquired further if Madras would not require any more imports. The Madras representative replied that the Central Government should meet the deficit of the Madras State and then leave it to the State Government to manage the situation. The Union Finance Minister pointed out that by that process almost any portion of India could be assessed as self-sufficient. In actual practice, it meant that the Central Government should bear all the responsibility for meeting the deficit and should also subsidise if imported stocks were too expensive. The Finance Minister expressed the view that the Plan might have to be scrapped if foodgrains had to be decontrolled. Shri Morarji Desai did not agree

with the Finance Minister, but felt that there was need for very careful consideration of the issues involved. Shri Gulzarilal Nanda, pointed out that when hundreds of crores of rupees would be injected into the economy of the country to implement the Plan, prices would rise unless there were arrangements for keeping them at a certain level. The Finance Minister added that if market forces were allowed to operate in regard to essentials like food, the size of the Plan would have to be smaller.

Referring to the points made by Shri Ranga Reddi, the Prime Minister observed that the view that controls had failed or succeeded because of the quality of persons employed had no particular meaning except that this was a fact to be considered. The situation had to be improved, otherwise we simply gave up because we could not organise properly. One could understand an argument based on facts and arrive at certain conclusions, but it was obvious that no Plan could function without a fairly large measure of control, over the economy, whatever might be the nature of that control. The crux of a planned economy is control-otherwise a Plan may go to pieces. You plan for Rs. 2,000 crores but prices go up and it comes to Rs. 4,000 crores. If you go on printing money, then you are lost as happened in some countries like China in the past. So it seems obvious that in any kind of planned economy or indeed even without a Plan, you have to have a measure of control. The Government does not allow itself to be swept away by other forces. There was no planned economy when controls were introduced. Nevertheless the Government of the day introduced controls because of the consequences that might have followed from lack of control. In a planned economy the need for control is obvious. What measure of control and at what points were matters for consideration, but it was a basic proposition that in a planned economy you have to control, among other things, the acquisitive instincts of financiers, capitalists, big industrialists etc. The functioning of the acquisitive economy should be controlled for the sake of the common good. In deciding on the control of a particular commodity you may have to consider various factors and it may be that in regard to a particular article you think that the moment has arrived for control not to be exercised or to be partially exercised. That was a particular matter to be considered, but he did not understand the general argument against control. We all remembered what happened in 1948. When we went in for decontrol the prices shot up to tremendous heights suddenly and we had to battle all these years somehow to get rid of that tremendous upward shift of prices. Prices go up quickly but come down slowly. The Prime Minister doubted if everybody present was going to agree to the statement that controls had failed. He was not prepared to say that. At best it was a matter for argument. One could say of course that we had not been completely successful because of personnel or other factors. That was a different matter. Take in regard to food the example of Pakistan which had a surplus economy in food and was prosperous due to the Korean war and accumulations till last year. One bad season had upset the economy of Pakistan completely. Decontrol was a tremendous risk to take. He was all for taking risks, but calculated risks and controlled risks. He could not see how any responsible authority could take risks which might upset the entire apple cart. Even with limitations of personnel, the Prime Minister thought the controls had succeeded in controlling a situation which might have gone much worse.

The Prime Minister said that production had not gone down; it had gone up in spite of disasters and droughts. He agreed that in the past the producer in the rural areas did not get a fair deal. He did get a better deal during the war years and subsequently. He would like him to have a much better deal. But in his desire to give the farmer a better deal if he stopped the normal progressive forces and development from going ahead, it was not of much use to the farmer who would suffer in the long run. The Prime Minister stressed that prices had to be kept under control. If they were not, then our Plan and our way of living might be upset. Food prices are the first to be



controlled because food was a basic need for all our people. If the situation became difficult it was no good saying "import the food". Of course, we were going to import, but within limits. We could not go on importing and cut down other activities. Therefore, food imports had to be reduced and production increased and stocks built up. Food had to be procured, whatever the method of procurement might be. These conclusions follow logically. What the conditions of procurement should be, what stocks should be built up and what prices should be paid could be considered. During the proceeding six months, in various parts of the country, certain steps had to be taken. It was important to understand how things had acted and reacted. There was some difference of opinion about facts. We must have agreed facts and then we could argue about them. The first step that we found essential was having agreed data. The Prime Minister informed the Council that the Government of India would take decisions on the subject of food policy in the course of the following fortnight.

## X. RESOLUTION ON THE PLAN

The Prime Minister then took up the last item on the agenda i.e. the resolution to be adopted by the National Development Council.

The Chief Minister, Uttar Pradesh, moved the following resolution :

"Having considered the First Five Year Plan, the National Development Council places on record its general approval and acceptance of the objectives, priorities and programmes embodied in the Plan; affirms the common resolve of the Governments of all the States of the Union of India, in cooperation with the Central Government and with one another and with the support of their people, to carry out the Plan with determination and achieve its targets; and calls upon all citizens of India to work for the fulfilment of the National Plan."

In recommending the Resolution to the Council, he congratulated the Chairman and the Members of the Planning Commission on the consummation of their labour. "A Plan", he said, "is needed for doing many tasks which lie ahead of us with efficiency, economy and speed." The country had yet to provide even the most elementary needs of food, clothing or houses to a very large proportion of the country's population. Recommending that the Council should approve the Plan, Pandit Pant stated :

"We give our approval to the Plan. Of course, it does not mean that everyone agrees to every word that is there in the Plan. But so far as the main features of the Plan go, so far as the targets and priorities and the basic principles go, we all agree. Even if there be some little difference of opinion with regard to any petty matter here or there, or even with regard to a matter of greater importance, in view of the great ends which are to be accomplished and the need for complete unity, it is desirable that everyone should work with the best will and energy for the success of this Plan."

The Chief Minister, West Bengal, seconded the resolution. He was happy to find provisions for deficit financing for financing the Plan. That indicated that the country was prepared to take careful risks in the interests of its development. He was glad that the duty of finding funds for any new programmes had been placed on State Governments-as "it would put the State Governments on their mettle to procure funds with the help and cooperation of the Central Government." He added, "Therefore, not merely is this a question of the approval of the present Plan and the objectives and priorities, but there should be the common resolve of the Governments of all the

States of the Union of India that with the cooperation of the Central Government and of one another they would go ahead in order that the whole country might develop and increase the prosperity of the country as a whole."

He was happy that "a complete Plan had been put up before us in a concrete shape for us, the members of the State Governments to follow and to ask our people to work with all their energy for the fulfilment of the Plan".

The Chief Minister, Bombay, supported the resolution, and said "I must congratulate the framers of the Plan, because they have succeeded to a large extent in reconciling several opposing views. The evolution of this country depends upon the working together of the Centre and all the States. There may be differences of opinion on several items here and there or even in the working of it, but ultimately if we are to go ahead, we will have to go by the common measure and work out fully and honestly what we have commonly decided, even if opinions should differ on particular matters. I therefore, hope, Sir, that this Plan will be worked out honestly by all concerned, with full energy and with the fullest industry." He declared that he and his Government would always be prepared to subordinate their interests to the interest of the country as a whole.

The Minister of Public Works, Madras paid a tribute to the Planning Commission. But in view of the different food policy followed by the Madras Government he suggested that after the words "record its general approval to the acceptance of its objectives, priority and programmes embodied in the Plan" the words "subject to such adjustment as may be necessary in the light of the discussion of this Council" may be added.

The Resolution, as moved by Chief Minister, U.P., was passed unanimously.

**PARTICIPANTS**

**STATE**

Assam	..	..	..	Shri Bishnuram Medhi	..	Chief Minister
Bihar	..	..	..	Dr. Srikrishna Sinha	..	Chief Minister
Bombay	..	..	..	Shri Morarji Desai	..	Chief Minister
Madhya Pradesh	..	..	..	Shri Ravi Shankar Shukla	..	Chief Minister
	..	..	..	Shri R.K. Patil	..	Development Minister
Madras	..	..	..	Shri Ranga Reddi	..	Minister for Public Works Department
Orissa	..	..	..	Shri Nabakrushna Chaudhuri	..	Chief Minister
Punjab	..	..	..	Shri Bhimsen Sachar	..	Chief Minister
Uttar Pradesh	..	..	..	Pandit Govind Ballabh Pant	..	Chief Minister
West Bengal	..	..	..	Dr. Bidhan Chandra Roy	..	Chief Minister
Hyderabad	..	..	..	Shri B. Ramakrishna Rao	..	Chief Minister
Mysore	..	..	..	Shri K. Hanumanthaiah	..	Chief Minister
Madhya Bharat	..	..	..	Shri Mishrilal Gangwal	..	Chief Minister
PEPSU	..	..	..	Sardar Gian Singh Rarewala	..	Chief Minister
Rajasthan	..	..	..	Shri Jainarain Vyas	..	Chief Minister
Saurashtra	..	..	..	Shri Rasiklal Parikh	..	Home Minister
Travancore-Cochin	..	..	..	Shri A.J. John	..	Chief Minister
	..	..	..	Shri P.G. Menon	..	Finance Minister
Jammu & Kashmir	..	..	..	Bakshi Ghulam Mohammad	..	Deputy Prime Minister
Ajmer	..	..	..	Shri Haribhan Upadhyaya	..	Chief Minister
	..	..	..	Shri Kaula	..	Development Minister
Bhopal	..	..	..	Shri Shankar Dyal Sharma	..	Chief Minister
Coorg	..	..	..	Shri C.M. Poonacha	..	Chief Minister
Himachal Pradesh	..	..	..	Dr. Y.S. Parmar	..	Chief Minister
Delhi	..	..	..	Shri Brahm Prakash	..	Chief Minister
Vindhya Pradesh	..	..	..	Shri Shambhunath Shukla	..	Chief Minister



**SECOND MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY MEMORANDUM  
OF  
CONCLUSIONS AND SUGGESTIONS**

**NEW DELHI : OCTOBER, 1953**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

**PLANNING COMMISSION  
SUMMARY MEMORANDUM OF CONCLUSIONS AND  
SUGGESTIONS OF THE SECOND MEETING OF THE  
NATIONAL DEVELOPMENT COUNCIL HELD AT HYDERABAD  
HOUSE ON TUESDAY, OCTOBER 6 AND WEDNESDAY,  
OCTOBER 7, 1953.**

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**AGENDA & SUMMARY RECORD**

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The Second Meeting of the National Development Council was held at Hyderabad House, New Delhi, on October, 6 and 7, 1953. The Prime Minister presided. The conference was attended by the Chief Ministers of Assam, Bihar, Bombay, Madhya Pradesh, Orissa, Punjab, Uttar Pradesh, West Bengal, Mysore, Madhya Bharat, Rajasthan, Saurashtra, Travancore-Cochin, Ajmer, Bhopal, Coorg, Himachal Pradesh and Delhi; Development Minister, Madhya Pradesh, Finance Minister, Madras, and Minister of Public Works, Hyderabad and Adviser, Pepsu. Andhra was represented at the official level and Chief Commissioners Kutch, Tripura and Bilaspur attended. Members of the Planning Commission and Union Ministers of Commerce and Industry, Food and Agriculture, Home Affairs and States, Transport, Rehabilitation and Agriculture and Deputy Ministers of Finance and Irrigation & Power were also present.

2. The principal subjects discussed by the National Development Council were:

**I. FINANCING OF STATE PLANS**

**II. ACHIEVEMENT OF TARGETS UNDER THE PLAN-**

- (1) Irrigation & Power
- (2) Agricultural Production
- (3) Community Projects
- (4) Local Development Works
- (5) Health Programmes

**III. LAND REFORM**

**IV. EMPLOYMENT AND ADJUSTMENTS IN THE FIVE YEAR PLAN**

**V. ADMINISTRATION**

**VI. PROJECTS FOR THE SECOND FIVE YEAR PLAN**

The Chief Ministers of States and other State representatives reviewed the progress made in the implementation of the Plan in each State. The general conclusions and suggestions which emerged during the discussions of the National Development Council were as follows.

## I. FINANCING OF STATE PLANS

- (1) With reference to the additional resources transferred by the Central Government to the States following the recommendations of the Finance Commission, the Finance Minister said that he had hoped at one stage that the additional resources thus provided would permit of certain adjustments in relation to Central assistance for the implementation of the State Plans. He observed that in the case of some States the additional resources which had, been transferred were required for meeting budget deficits. In some other cases much of the Central assistance promised had already been drawn. He had now come to the conclusion that the resources transferred to the States by the Finance Commission need not be adjusted against the Central assistance promised in the Plan. He hoped, however, that the States would take into account the additional resources in question in connection with the financing of their plans and meeting their contributions towards schemes which were assisted through the Central Ministries.
- (2) The legislation for the levy of Estate Duty had been enacted and the only action that remained to be taken in the States was for West Bengal and Travancore-Cochin to review their position with regard to the agricultural properties in their areas and to consider the question of applying the Central legislation to their States.
- (3) In considering resources available for development expenditure, the Plan had taken into account of commitment relating to expenditure outside the field of development. To ensure that commitments of a non-developmental character did not come in the way of the implementation of the Plan, State Governments should inform the Planning Commission of any large additions to their non-developmental expenditure which might be found to be inescapable and indicate their effect on the development plan.
- (4) Development schemes should not be undertaken outside the Plan unless corresponding resources were made available and the projects in question were important and had high priority and after the necessary consultation with the Planning Commission.
- (5) The principle of betterment levies had been accepted by all States, it was emphasised that the time for levying these was when the projects were still under execution. At this stage arrangements could be made to levy betterment contributions in advance.
- (6) In those States in which water rates had not reached the economic level justified by present prices, the necessary revision should be undertaken.
- (7) Where revenue resettlements were in arrears, the States concerned should take up the question of revision of rates.
- (8) In raising fund for State loans, special efforts should be made to trap rural areas, as was done in Madras. It was as important to train rural people in the habit of saving as it was to train them to work more and produce more. The employment of the administrative machinery for teaching people the habit of investment for development purposes was not only legitimate but also desirable. At the same time, of course, there should be no pressure. In making large withdrawals from reserves and selling securities to a greater extent than arrangements for the financing of particular State plans had contemplated, it should be remembered that these measures impose a correspondingly greater obligation on the States to augment financial resources during the remaining period of the Plan and for further stages of development.

(9) It was recognised that for the speedy implementation of development schemes in the States there was need for (a) early information to the States of the amount proposed to be allocated by the Centre by way of assistance, (b) the assurance that Central assistance would be forthcoming in accordance with conclusions reached earlier between each State and the Planning Commission, and (c) early decision as to the particular schemes on which Central assistance was to be utilised. In order to secure maximum results from the Central assistance and to expedite the implementation of programmes in the States in respect of the assistance from the Special Development Funds, the following arrangements were agreed to :-

- (i) In addition to amounts already allocated to State Governments by way of Central assistance, if there are any development schemes in the State Plans which require additional finance during the current year in order to ensure more speedy execution, advance payments from the amounts of Central assistance already agreed to can be considered.
- (ii) Each State may assume that after allowing for the assistance given during the period 1951-52 to 1953-54, the balance of the assistance will be available in roughly equal proportion during 1954-55 and 1955-56;
- (iii) Development schemes to be financed through Central assistance during 1954-55 should be intimated to and agreed with the Planning Commission and the Ministry of Finance before the end of December, 1953. (For Grow More Food and additional minor irrigation programmes, schemes are selected by the States separately in consultation with the Ministry of Food and Agriculture);
- (iv) So far as loans from the Special Development Fund are concerned, if any State so requests, the Central Government may agree to disburse the amount sanctioned in equal quarterly instalments.

(10) State Governments should review their financial procedures for placing allotments at the disposal of departments so that the execution of the Plan would not suffer for lack of financial sanction or provision.

(11) The Planning Commission, the Ministry of Finance and the Ministry of Food and Agriculture should examine the procedure relating to loans or grants for Grow More Food and additional minor irrigation schemes so that assistance under these heads was integrated with assistance from the Centre for other schemes and the gap between the amount sanctioned and the amount drawn considerably reduced; and

(12) Procedures for financial and technical sanctions for development schemes in part 'C' States should be reviewed.

## II. ACHIEVEMENT OF TARGETS UNDER THE PLAN

(1) *Irrigation and Power*—Irrigation schemes had on the whole made satisfactory progress and power schemes had made greater progress than had been anticipated. Minor irrigation schemes were also doing well, but in many States arrangements for the maintenance of minor irrigation works were not satisfactory. Often there was no legislation which laid the obligation upon the beneficiaries to maintain these works or to pay cesses for their maintenance. If old works got out of order at the same time as new works were constructed, in terms of extension of areas and

increase in production the results were not in proportion to the money spent. Where necessary, suitable legislation should be undertaken by the States concerned and arrangements for its enforcement made.

(2) *Agricultural production*—Food production had kept pace with the targets in the Plan, but there was a small shortage in the case of jute and to a certain extent in oil seeds. On the whole, mainly on account of good seasons and increase in irrigation, the agricultural targets were proceeding satisfactorily. In the implementation of agricultural plans, however, in two directions progress had not been satisfactory, namely, (a) production and distribution of improved seed and the supply of adequate quantities of fertiliser, and (b) spread of the co-operative movement.

(3) *Community Projects*—Greater attention was needed in the following directions: -

- (a) emphasis on increasing agricultural production;
- (b) formation and strengthening of co-operative societies; and
- (c) cottage and small-scale industries.

Permanent production programmes in community projects and national extension areas needed much greater attention than they were receiving. Production targets should be set, e.g., doubling the production in certain number of years for every agricultural family and supplies and services organised. The effort should also be made to mop up the savings of the rural community as far as possible through the co-operative movement. The Community Projects Administration should work out suitable procedures for enabling States to make changes in the programme for community projects and extension areas, so that these had the necessary flexibility and were adapted to local needs and conditions.

(4) *Local Development Works*—The response to local development schemes in the States had been satisfactory. State Governments were requested to publicise arrangements for sanctioning schemes from voluntary organisations etc. out of the allotment of Rs. 50 lakhs at the disposal of the Planning Commission. The view was expressed that in the implementation of local development programmes detailed arrangements, including sanctions etc., should be left to the States, the Central Government's interest being limited to overall programming and evaluation of results.

(5) *Health Programmes*—Attention was drawn to the paucity of personnel which affected the progress of individual development programmes. State had been addressed by, the Community Projects Administration and schemes for augmenting the supply of trained personnel would be taken in the near future.

### III. LAND REFORM

The measures of land reform taken in different States were briefly reviewed and in the course of the discussion the following suggestions were made:

- (1) The working of co-operative farming societies and the handicaps under which they laboured should be studied and analysed;
- (2) Changes needed in the law relating to co-operative societies should be examined in consultation with State Governments;
- (3) Arrangements for training co-operative personnel should be expedited and the teaching of

co-operative methods and outlook should be given an important place in the training of village level workers;

(4) As a rule, the settlement of landless persons on land should be undertaken on a co-operative rather than on individual basis;

(5) In each village it would be desirable to have a small area held in common. This suggestion had already been accepted in connection with the Bhoodan movement and was being implemented to some extent in the course of consolidation of holdings; and

(6) The existence of any large individual holdings under the personal management of their owners should be contingent on the observance of prescribed standards of cultivation and management.

#### **IV. EMPLOYMENT AND ADJUSTMENTS IN THE FIVE YEAR PLAN**

The National Development Council reviewed various aspects of the current problem of employment. Having regard to the suggestions received from State Governments and others and to the amount of deficit financing which could be resorted to with safety, it was proposed to add schemes to the Plan which would entail additional expenditure amounting to Rs. 150 to Rs. 175 crores during the period of the Plan.

2. Three conditions were laid down for including additional schemes:

- (1) They should be strictly related to the provision of additional employment and increase in purchasing power;
- (2) They should be such as to produce results within the period of Plan i.e. they should not be longterm projects;
- (3) Training and other programmes should be strictly related to the needs of the Plan. These should be confined to the training of personnel for the Plan in sectors in which there are shortages, e.g. middle categories like overseers, supervisors, mechanical formen, etc.

3. The directions in which it was proposed to enlarge the Plan, were:

- (1) When framing the Five Year Plan, funds had been provided for the rehabilitation of displaced persons for the first three years. Rehabilitation had now to be continued for the rest of the Plan period.
- (2) Funds should be found for an Industrial Development Corporation which had been proposed by the Minister of Commerce & Industry. The question of assisting States in starting State Finance Corporations of their own, in accordance with the legislation enacted in 1951, was also under consideration.
- (3) For chronic scarcity areas, irrigation, contour bunding and other schemes for bringing about permanent improvements were proposed to be undertaken at a cost of about Rs. 40 crores during the Plan period.
- (4) Additions to roads and small power programmes.
- (5) Technical and other training programmes for categories of personnel in which there were shortages for the implementation of the Plan.

- (6) For certain Central activities for which financial provision had to be made after the Plan was approved, the necessary amounts would be provided.
4. Details of adjustments relating to individual Central Ministries and State Governments would be communicated separately to them.
5. In connection with the problem of unemployment it was pointed out that owing to high cost structures the internal and external markets of Indian industries tended to be affected adversely. Similarly, the market for the products of handloom weavers was affected because of the prices at which these goods were available. The agricultural cost structure had also to be considered.
6. The programme of railway extensions for meeting increased production and requirements in certain regions was under the examination of the Planning Commission and the Ministry of Railways.
7. State Governments were requested to give their earnest consideration to their road development and road transport programmes with a view to ensuring that railways were adequately supplemented and implementation of the Plan did not suffer.
8. The attention of the Central and State Governments was drawn to the need for adequate enforcement of stores purchase policies with the object of providing the necessary encouragement both to products manufactured in India and, more especially, to products manufactured by cottage and small-scale industries.
9. In respect of cottage and small-scale industries, attention was drawn to the need to translate in concrete terms the policies laid down in the Plan especially common production programmes for large and small industries.

## V. ADMINISTRATION

The National Development Council considered a paper on the implementation of recommendations in the Five Year Plan relating to the importance of administration. In the course of the discussion, the following suggestions were made:

- (1) When the Central Government sets up its organisation and methods division, it may consider the organisation of training for selected personnel from the States so that the latter could also set up small organisation and methods units.
- (2) The question of recruitment of personnel, especially technical and scientific personnel, through public Service Commissions should be reviewed by State Governments.

## VI. PROJECTS FOR THE SECOND FIVE YEAR PLAN

In the course of a brief discussion on this subject the Chairman emphasised that foundations for the Second Plan had to be laid long before the second planning period begins. What was important was that in the approach to the formulation of plans there should be a sense of partnership with the people. Every step taken should be such as to meet this test. In drawing up the plan for the second five year period, the Planning Commission, State Governments and all concerned should constantly think of how the co-operation of the people was to be secured and augmented. Special attention should be given to consultation with panchayats co-operatives and local bodies.

**MINUTES OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**(THIRD MEETING)**

**NEW DELHI : NOVEMBER, 1954**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**



## MINUTES OF THE THIRD MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON 9th & 10th NOVEMBER, 1954

### AGENDA

1. Review of progress under the Plan during 1951-54 with special reference to :-
  - (a) achievement of targets;
  - (b) difficulties experienced in the implementation of Plan according to schedule, e.g. financial, organisational and administrative, personnel etc. ;
  - (c) basic policy recommendations.
2. Progress of Community Projects and National Extension Schemes.
3. Progress of Land Reforms.
4. Employment situation in the country.
5. Implementation of recommendations relating to the improvement of administration.
6. Local Development Works Programme.
7. Progress Report of the Research Programmes Committee.
8. Preparation of the Second Five Year Plan.

### MINUTES OF MEETINGS

#### FIRST MEETING HELD AT 10-30 A.M. ON 9TH NOVEMBER 1954 IN HYDERABAD HOUSE, NEW DELHI.

Address by **Shri Jawahar Lal Nehru**, Prime Minister of India and Chairman of the National Development Council.

Friends, I welcome you all here but I must say that I feel somewhat overwhelmed by looking at these ranks of big Planners. It almost seems to me that the first object of a plan should be to plan for our own meetings, when perhaps we are in a better position to discuss matters, than to have large public meetings with a huge crowd, where it is impossible to discuss anything except, to deliver speeches to each other or at each other. I am very happy to see all of you here; we met more than a year ago.

Now, I do not know what your own feelings are about this past year and about the present and the future that we are planning for, because I do feel that we have arrived at a very definite stage in planning and in our work. Planning, of course, is a continuous process, it has to be; there is no end to planning. We have a Five Year Plan, there will be a second Five Year Plan, third, fourth and the fifth as far as can be conceived. Now, when we started this planning, it resulted after a little

while, in the first Five Year Plan and now we have been working the first Five Year Plan for three years. I think our achievements have been very considerable and very creditable. And they can well bear comparison with achievements elsewhere. Naturally, those achievements have to be seen in a particular background in which we are functioning. It is no good, obviously, comparing our productive capacity with that of the United States of America or the United Kingdom or Soviet Russia, because conditions are different; they had a long run. But talking all these matters into consideration, I think that our achievements have been considerable. We have passed the food crisis; we have got a sounder economy; we have laid certain foundations on which we can build, and we have put up and have gone much further with a large number of big enterprises, the large river valley schemes and others. At the same time, of course, we are at the beginning of the problems and we must remember that. If I may say so, thus far we have considerable achievements to our credit—thus far, we have been preparing for planning. These are the initial stages, when we have been grouping in the direction of planning. That was inevitable because we did not have and we could not have all the information, data, statistics, which are essential for planning. Planning is not putting down just as you want, planning is not merely giving priority to all things which you wish to do. Planning is something wider and deeper. We couldn't do that in the earlier stages because we just did not have enough data etc. Not that we have got it all now, but we have got much more; at any rate, we are in the process of getting much more. So in this sense I said that we are at a stage, a definite stage. Now, the first thing I should imagine about planning is to have a definite picture of where you are going to; one cannot frame vaguely, just doing good deeds from day to day like the boy scouts, or putting up good enterprises which are good, of course, but we have to have some definite picture. I do not mean to say it should be a rigid picture; it may be a changing picture as we gather experience, information, etc. Nevertheless, we have to plan for something. Of course, we may lay down criteria as we have done, in terms of human welfare, in terms of the welfare of the Indian people. That is a very good way to do it. That, too, involves ultimately some specific and definite views about the structure of society that you are aiming at. Are we thinking of continuing the present structure as it is more or less or of changing it considerably? Now, we happen to live at the present juncture of events at an all-exciting period in world history from every point of view-political, economic and social. Vast changes have taken place and are taking place, not merely because of the activities of planners-more or less they are regarded as limbs-but because of other basic factors. Everybody knows of the vast changes that came into operation in the world in the train of the industrial revolution, a hundred and fifty or two hundred years ago, gradually but still it changed the face of the world. That change continues, of course. Call it the industrial revolution, its continuance or anything else you like, but it is a continuing process and the pace is ever faster. We talk now about being on the threshold of the atomic age and people get mixed up with the atom bomb and wars. That is important, no doubt-the bomb is important anyhow-we cannot ignore the bomb if it hits us on the head or our city, but the real importance of this is the release of enormous force which atomic energy envisages for use- good or evil use. So, if you like this is a new phase or a continuation of the old phase of tremendous changes. I say this because we in India, as in many other countries, are excessively conservative in our thinking—not political, not even economic, but generally social thinking-we are a conservative people. We seem to imagine that the basic things, –basic social or economic or other structures are, well, something fundamental, something belonging to the eternities. Criticisms are made about our Government or our Planning Commission being too revolutionary, or trying to change too much the economic or social structure of society. I have not seen these tremendous revolutionary changes other than, if I may say so, being made either by our Government or the Planning Commission-still, because of this conservative way of looking at things or being afraid of change. It is not a question

of our liking or disliking change. It is a problem of our being wide awake and realising that which is hitting us on the head all the time, our structures and everything else, and sometimes it comes with a rush. Because of these developments—I am not talking so much of political developments now—but released by new forces which come, which are used by humanity for good or evil purposes. And, then, there are, of course, political and other things. So, the world is an exciting place.

I said the other day as I was leaving China that the two most exciting countries to my thinking were India and China. They are different, of course, in their approach, in the way they are doing things, but they are similar also in dealing with similar problems. It is odd as I flew over China. I thought I might have been flying over the flood areas of Bihar—almost the same thing, the same picture came before me—vast floods as in Bihar, Assam and North Bengal. It was the same picture in Central China, exactly the same problems as we had to face. Now, we are different in other matters, but we are under-developed countries, a poverty-stricken people more or less, chiefly agricultural, trying to industrialise ourselves. Two tremendous countries, tremendous populations, tremendous problems. The way they deal with them will inevitably be partly the same—as we deal with them or they deal with them, they are undoubtedly different too—but the point is that the mere fact of dealing with these vast populations in changing the face is an exacting operation—countries and peoples—changing them not at the top, not by law passed by Parliament here—but changing the human will, bettering, and all that, and taking him out of that static condition of mind and social habit which has been his lot for a long time.

I wish to lay stress on that. The Planning Commission is of no use at all if it has a static outlook. That way, we sit, we sleep, we rest. One must have that dynamic outlook of change, change of every kind—political, of course, economic and social. There are all kinds of arguments sometimes about Socialism, Communism, Capitalism, Gandhism, private enterprise and so on and so forth. I am not going into those arguments, but it seems that even those arguments have taken a shape which is normally associated with a rigid, dogmatic, semi-religious outlook, i.e., holding fast to a set idea, some slogan, and trying to fit in your thought to that slogan rather than fitting yourself and understanding the changing conditions. Take private enterprise. Undoubtedly it is useful so far as our country is concerned; we wish to encourage it, but the dominance which private enterprise had throughout the world during a certain period is no more. It is out of date in that sense of the word, completely out of date. For a planner, it has a very secondary place. Anyhow, a system which is based on what is called the acquisitiveness of society is absolutely out of date; in modern thinking it is also considered immoral. I consider it immoral, i.e., basing your society purely on the acquisitive instinct. That does not mean that we are doing away with private enterprise. I think there is much scope for it, and where you allow private enterprise, you should give scope, freedom and encouragement to it to develop, but we must realise that the day of the acquisitive element in society—has not passed but is passing. Other factors are coming in—social and other factors. Other countries which are highly capitalistic in their structure, even there the social element is increasing at a tremendous pace. In other countries it is deliberately increased. Here, other forces increase it. Therefore, we have to think on these lines and get out of the static habit of thinking, and I think we should be clear, broadly speaking, about the picture we are aiming at. The picture I have in mind is definitely and absolutely a Socialistic picture of society. I am not using the word in a dogmatic sense at all, but in the sense of meaning largely that the means of production should be socially-owned and controlled for the benefit of society as a whole. There is plenty of room for private enterprise there, provided the main aim is kept clear. Then, again, speaking of conditions in India and the way we have been working, we have in the political sphere and more so

in the same way in the economic sphere, brought about changes democratically and peacefully, even though that change might appear to take a little more time than the other. I do not think it takes more time, i.e., if people are capable and keen on doing it. I think that in the long run the democratic and peaceful method is more successful even from the point of view of time and much more so from the point of view, I think, of final results. Therefore we have to proceed along with some kind of work applying that method of approach to that. We have to realise that we are not functioning in a vacuum in the world. All kinds of forces are at play-political, economic and the rest and there is a very great element of urgency, not only because we want to better our country, but because other forces are compelling us to think of these problems in that urgent manner. In a sense, we, as a Government or as a country like other countries at the present stage, are on trial. Every country is on trial in the world-every country big or small, rich or poor. Certainly we are, and we shall be judged in the ultimate analysis by what we achieve-there is no other test just like, if there is a war, the only test is whether you win the war or get defeated and not by the arguments and excuses that might be put forward later. That is the only test. So the test will be achievement. Now what are we wanting? We want progress- that involves various things. For instance, our rate of investment should go up, our production and employment should go up. These are the various obvious things. How are we to do it? All this, in a sense, is connected with our rate of investment. We as an under-developed country, industrially under-developed, have continually to fight trying to cross that barrier of under-development, so that we may be able to go a little faster. I think that we have laid sound foundations and we are capable of going a little faster ahead and the more rapidly we go, of course the more rapid the pace of our advance will be. Now the rate of investment depends, I suppose, on many factors. But it does involve industrialisation and industrial growth at a fairly rapid pace. Industrial growth will help employment no doubt. But statisticians tell us how much it costs-to employ one man say, in a heavy industry, it comes to a big sum-Rs. 10,000 or something like that. If you work out the problem of employing all the unemployed in India at that rate, it is some astronomical figure. Yet it is quite essential for industrial growth and for industrialisation, in order to produce more and ultimately build up a better economy and be independent of other countries more or less. It involves many things of course. Industrialisation requires all kinds of ancillary industries in which the services etc. will grow up. In India as it is today, we have laid stress, sometimes perhaps rather casually, sometimes because we believe in it, on small industries and cottage industries. I have not a shadow of doubt in my mind that the employment problem can only be dealt with by that. I mean to say that it will be dealt with by other ways too but we will not solve the unemployment problem, until we lay the greatest stress on small and cottage and village industry, and also by attaching the greatest importance to heavy industries. It is not a question of giving a secondary place to either of them. Both have to be tackled. In that way only I think we can go ahead fairly fast both in regard to production and in regard to employment and they act and react on each other.

## INDIGENOUS MACHINES

Now, if we think in terms of building up our industry, we must give up the idea of continually getting machines from abroad. We must build them here. I see it is just obvious and yet I find our thinking is different. Our Departments, Government Departments and others try to find, to get things from abroad and have a peculiar way of calculating to show how it is cheaper to get things from abroad. That I call a perverted mind, absolutely perverted. Anything that comes from abroad is more expensive than anything produced by Indian labour even though It may cost ten times as much. I do not say you should always do that. We must think in a different way of this business of getting things from abroad, because they happen to be slightly cheaper and forgetting that there is

a human problem in India, of employment, production and building up our economy. I cannot understand it. We must aim at producing machines, the basic things here. We have to get them from abroad to begin with but we should not go on getting them, we should build them here. And those basic industries therefore are quite essential for our development, more essential than all your river valley schemes, if I may say so, except for the power element. Power is essential. The two things most essential perhaps are power and speed among other things. So, one has to see, one has to balance of course how far you can concentrate on making things at the cost of, say, the consumer goods. You cannot go on putting burdens on your people. Nevertheless, you must always realise what you are aiming at.

## **TRAINED PERSONNEL**

Now, in all these matters the question of personnel comes up. I do not think money really is the major difficulty. The major difficulty is trained personnel and every under-developed country has to face that grave difficulty. What are we to do? We want trained personnel in hundreds of thousands. This is odd. We talk about unemployment. I get cases of trained engineers seeking employment and yet we want thousands of engineers. It shows an utter lack of the planning apparatus; competent men seeking employment and our lacking competent men at the same time, of the same type almost, is very odd. But that is getting less and less of course. This lack of trained personnel is a tremendous problem. We are of course thinking about it; and thinking about it more and more in an organised way, if I may say so in a statistical way; how many do we want on this job, not vaguely. We have at the Planning Commission's request a Statistical Institute in Calcutta, set up a statistical cell for planning, which is not only considering this question of the personnel required, but also working out what we can do in ten years' time or whatever period you lay down to increase employment, increase production, and so on. You can, at least on paper, now see how problems are solving themselves and will be solved in the course of the next 10 or 15 years. As I said planning is a continuous process. It means also that you have to think of what you want to happen at the end of say fifteen years, not merely what is to happen now. You have to be aiming at what is to happen in, say ten, fifteen or even twenty years.

It was referring to personnel. We have got this great difficulty that training takes time. Apart from the apparatus of training, institutions etc. that have to be built up, the training itself takes time. If you want a doctor, quite apart from his normal education it takes time, five years at least. The same is the case with engineers or men for any kind of specialised activity, it requires training. The only specialised activity which does not require training is that of a politician, for that no training whatever is required. It only requires a certain aptitude, a certain amount of gumption. I don't mean that it applies to every politician, otherwise we cannot get on. I mean to say there is no standard of training there, obviously there is none. You will find highly qualified and highly trained people and totally untrained people also, because there is no standard laid down whatsoever.

Now, what are we to do if training requires five years, for competent training? We want the men. Are we to tell the Planning Commission, "Well, wait for five years for working your plans. We will then give you doctors, engineers and others." That means, stop all your work. That is not good enough. On the other hand, it is said it is dangerous to lower your standards, whether it be for medical or engineering or teaching or whatever it be. That is so and so we have to consider these problems. But it is quite essential that we should do something. It is no good telling me that it will take a few years. That is not good enough, depriving millions of people of these services because you are keeping up your standards. What are you keeping your standard up for? For a limited



number of people sitting in a few cities or towns or selected parts where you may get very highly qualified people, when millions are lacking even the very elementary services? I would even be willing to send halfqualified or quarter-qualified hands, so that these people may get something, during this transitional period. By all means keep up your standards, but meanwhile you have to deal with this particular situation. After all when there is a fire everybody applies his hands to it. I say this, because, otherwise the whole of your planning will collapse completely, because of this bottleneck of not having enough trained men.

Fortunately, we have probably more trained men in India than in any Asian country, apart from Japan. I don't know, probably they have it in Japan. I am not talking for the moment of the Soviet part of Asia. I think probably we have more trained people than in any Asian country. But it is a small number still, from the point of view of what we are aiming at. Therefore, it becomes highly important from now, to have training institutes of all grades and types for these people whom we require for our particular purposes. Then of course, we have to focus our educational policy with regard to that matter too. But that has to be done, not in a vague way- of saying, let us train this kind of person here and that kind of person in another place and so on. It has to be in relation to the things you are going to put in your plan. Take China. Every person in the university at present is trained for a particular kind of job, and the moment he gets out, he goes and does the job. There are large numbers of people in the institutes of training there, and they go straight to their jobs after their training. Just the reverse is our case; we have large numbers coming out of the universities and they find no scope for employment. So one has to deal with this problem and to some extent learn from how other countries have dealt with it. This indential problem of lack of trained personnel and the necessity for it has been faced by other countries and they have had to pass through this transition period.

## SURVEYS

Take another basic thing-surveys. The other day we celebrated, I think, the centenary of our Geological Survey of India. We celebrated it in good style and all that, but the hundred years' accumulated result of the work of the Geological Survey was remarkably little, I thought. We have very good geologists, they have done good work, but I am talking about the quantity not about the quality so much. The quantity I would say was remarkably little, and the number of geologists we had was also very little considering this country. We have got some maps and surveys, but we have not got an adequate survey, say, of our mineral resources, etc., in every part of our country. Now you start industrialising, you have to decide where to put a steel factory or something else or a fertilizer factory or some chemical factory. Now unless you know fully what the resources of the various parts of the country are you may very well put that factory in the wrong place and repent for it later. Therefore the very first thing is a full knowledge of your own country, minerals, etc. We have got a fair knowledge but not a full knowledge. In China the same thing was put to me. They were pointing out their difficulties. We did not know them before, they said, and we are trying to know it. They put up an institute of geology and they are producing a thousand geologists a year, just to do this work, just to make them acquire that much knowledge with which to do this work and not to make them to be degree holders in any manner after a long period of training. Therefore you see how it is not a question of your deciding to do this here or that there, that it is only part of the show, but the basic surveys, the basic data which the Planning Commission has collected and is collecting is in a better position to deal with this matter, the technical personnel which is to be thought of from now on, not when you find that we want the personnel and we have not got it because it takes three years to train him. That is a bottleneck; the thing that stops. You think of going to some other

country to get their experts, and in this way we are not making much progress for ourselves.

So I venture to put these ideas before you. But in the main what my mind is struggling with is that we have arrived at a new stage in our planning, in our preparation for our Second Five Year Plan more especially. We have to look at this entire picture in a dynamic way looking at every aspect of it, and keeping specially the final picture in view, where you are going, and developing every sector, not only your economy but your planning apparatus like the technical personnel, and the rest accordingly.

## COMMUNITY PROJECTS

I would now refer to one thing to which I attach the greatest importance, and that is these community projects and national extension services. That, I think, is something which is basically revolutionary, if worked well. I cannot say if it is working hundred per cent well, but I do believe that, by and large, it has been working well and producing or going to produce a very big change in our rural areas. That, I think, is probably the most hopeful sign in our planned approach to these problems because that balances to a large extent the other big individual enterprises. We have not paid enough attention to these rural areas in the past and unless we bring them up to a certain level we shall always be weighed down by them.

You have been good enough to listen to me patiently and now I hope to listen patiently to what you say.

## DISCUSSIONS AFTER THE INAUGURAL SPEECH

### 1. *Review of progress under the Plan*

**Shri V. T. Krishnamachari** (Deputy Chairman, Planning Commission) briefly reviewed the progress under the Five Year Plan during 1951-54. The main points had been summarised in the paper circulated for the conference. The size of the First Plan was Rs. 2,069 crores. Later on, in view of the employment situation it was expanded and the total size came to a little over Rs. 2,250 crores. Subsequent additions amounted to Rs. 36 crores consisting of Rs. 18 crores for urban and rural water supply schemes and Rs. 18 crores for power expansion schemes for small towns and rural areas, Programmes involving a total outlay under the Plan of about Rs. 2,290 crores had thus been approved.

On the resources side, the target in the original Five Year Plan was Rs. 330 crores from the Central Government revenues including Railways. This target would be reached in spite of the fact that there had been a shortfall of about Rs. 60 crores in the Railway revenues and Rs. 80 crores had been paid to the States under the Finance Commission's Award. The Central Government's contribution from their current revenues had thus been fully made. As regards the States, against the Plan target of Rs. 413 crores the anticipated contribution from States' revenue resources would be Rs. 234 crores. There would, thus, be a deficit of nearly Rs. 180 crores.

As regards Central and State loans, including small savings, the original target was Rs. 385 crores. On the assumption that the amount raised under the National Plan Loan and the Small Savings Scheme in 1955-56 would be the same as in 1954-55, an increase of Rs. 115 crores could be expected under this head. Against this surplus there might be a deficit of over one hundred crores under deposits and advances.

The deficit anticipated in the Five Year Plan Report was Rs. 811 crores. This had increased by about Rs. 400 crores—Rs. 220 crores on account of the expansion of the Plan and the balance due to shortfall in resources. If all the expenditure contemplated took place, the total deficit would thus be Rs. 1,200 crores in a total Plan of Rs. 2,290 crores. Foreign aid of Rs. 228 crores received so far would reduce this uncovered deficit to Rs. 975 crores. The assumption with regard to the sterling balance was that these could be drawn to the extent of Rs. 290 crores.

This would be the picture, assuming that in 1955-56 Rs. 230 crores would be raised, as in 1954-55, from loans and small savings. Next year loans amounting to Rs. 70 crores would mature. Taking this into consideration and maintaining the same figure under loans and small savings, there would be an uncovered deficit of about Rs. 975 crores in 1955-56. The deficit, of course, would be less to the extent that expenditure did not reach this level.

It was essential that there should be a programme for increasing the resources in the States. In the last meeting, possible ways of increasing States' resources were discussed. The position in regard to these was reviewed as below:

- (a) In regard to betterment levies, legislation had been enacted in many States and was in progress in other States. About 3 million acres of land had already come under irrigation under large projects and it was hoped that in the coming year States would be able to begin realisations under this head;
- (b) Questions relating to enhancement of water rates, revenue resettlements, surcharge on land revenue especially in the higher brackets, agricultural income tax, cess on commercial crops, revision of sales taxes, receipts from commercial undertakings like forests, electricity and minerals etc. were dealt with at the last meeting of the National Development Council. Deputy Chairman, Planning Commission suggested that in connection with the coming budgets all these sources of revenue should be explored in the States;
- (c) As regards small savings the amounts realised over and above specified targets would be lent back to the States for supporting their plans. Shri Krishnamachari stressed the need for an intense saving drive all over the country. Such savings would reflect the increased production in the country.
- (d) For the Second Five Year Plan Shri Krishnamachari envisaged a target of Rs. 300 crores a year under loans and small savings. A target of about Rs. 210 crores would be reached in 1954-55 and a similar amount was expected in 1955-56. Having regard to the fact that many of the productive schemes would come into production in these two years, the target of Rs. 300 crores a year would not be too ambitious.

The expenditure incurred in the States under the Plan had been reviewed in consultation with the Chief Ministers. Adjustments had been made to facilitate the stepping up of the rate of expenditure and in most cases the Planning Commission's acceptance of the State Governments' proposals had been communicated to them. Some more proposals received later were under examination. On the whole, after these adjustments the rate of expenditure in the States should be fairly satisfactory.

On the present estimates the aggregate shortfall in expenditure over the whole Plan, for both the Centre and the States, might be of the order of 12½ to 15 per cent.



The following points in connection with State plans were mentioned by Shri Krishnamachari and he requested the State Governments to look into them-

- (a) In most States progress under animal husbandry, co-operation and cottage and small-scale industries had not been satisfactory;
- (b) The problem of maintaining the minor irrigation works had to be tackled much more earnestly. Expenditure of the order of Rs. 30 crores was incurred every year on these works. But as new tanks were built old ones were getting out of repair and the area irrigated from tanks did not show such expansion as the new expenditure should justify. It was necessary that the question of maintenance of minor irrigation works should be looked into and, where necessary, legislation undertaken.
- (c) A strong impetus should be given now to the co-operative movement. Much more was now spent in the rural areas and it was only through the co-operative movement that a portion of this surplus could be mopped up for financing further projects.

**Shri Hanumanthaiah**, Mysore suggested that the National Development Council should meet more often so that planning would be a joint endeavour both on the plane of thinking and taking decisions to enable them to implement the Plan in their respective States, the Chief Ministers ought to be taken into confidence in a greater measure. Perhaps it was necessary to modify the composition of the Council to some extent. It was important to avoid over-centralisation. He also referred to the difficulties of the States in finding resources to meet their share of expenditure on the schemes sponsored by the Central Government and suggested consultation with the States before directives in this regard were issued. The financial effects of Central loans on State budgets should be considered. The Finance Commission, proposed in the Constitution, should be set up well in advance so as to bring the State budgets and Central programmes into harmony with one another.

**Shri U.N. Dhebar**, Saurashtra considered that the present emphasis on employment was useful as this problem was greatly agitating the minds of the people. In preparing the Second Five Year Plan the Planning Commission should give preference to labour-intensive schemes. The preparation of a manpower budget both for the public and private sectors was also suggested. Expeditious sanction of proposals put forward by the States was urged. Apart from the financial assistance which the Centre might provide, it was necessary that technical assistance should also be made available. In raising resources, Shri Dhebar stressed the need for uniform policy in the matter of taxation. The importance of proper accounting was pointed out as it would ensure that the money was being usefully spent. It was desirable to simplify the procedure for borrowing from the rural areas. To canalise public enthusiasm, some rough idea of the quantum of the expenditure proposed to be incurred during the Second Five Year Plan should be given to the States. This would make it possible for State Governments to indicate the size of the plan for individual districts, talukas and villages. He urged that suitable methods should be evolved to utilise the labour power in the urban areas also. Greater attention should be paid to the development of cottage industries and the provision of markets for their products.

**Shri Thanu Pillai**, Travancore-Cochin felt that excessive rigidity in the application of rules regarding the grant of financial assistance by the Centre to the States should be avoided. Referring to finances during the next five-year period he said that the States would find it very hard to meet interest charges, repay the loans already taken from the Centre, carry on the normal administration and at the same time find finance for new schemes.

**Shri Subramaniam**, Madras felt that the implementation of the Plan had been rather slow. More than a quarter of the Madras Plan would remain for implementation during 1955-56. For this, the financial resources available with the State were not sufficient and, therefore, a larger amount of Central assistance would be necessary. The Centre should waive the payment of debt charges during 1955-56. It would be better to allow the States to raise their own loans as far as possible, the shortfall being met by loans from the Centre.

On behalf of the Madras Government Shri Subramaniam offered to assist other States by providing technical personnel like engineers, veterinary experts, doctors and nurses, etc.

**Dr. B. C. Roy**, West Bengal suggested that Planning Commission should arrange meetings with the representatives of the States and the Central Ministries concerned in order to ensure simultaneous and speedy examination of schemes. The Plans of the States were prepared with reference to their own needs and conditions and it was therefore necessary that there should be the fullest consultation with the Chief Ministers concerned regarding the problems of their respective States. It would be a great help and a stimulus to a State if the amount collected from small savings was allowed to be spent in it.

**Shri Rama Krishna Rao**, Hyderabad suggested greater co-ordination between the Centre and the States for more expeditious disposal of schemes and for finding practical solution of difficulties which the States encountered in the implementation of the Plan. Where necessary Standing Committees of Chief Ministers of the States could be formed to discuss certain problems. For removal of unemployment and under-employment greater attention should be paid to cottage and small-scale industries; a Central pool of technicians should be formed to meet the demands of all States; and more training centres, equitably distributed in different States, should be started by the Centre. He felt that taxation in the States, particularly land revenue, had already reached its peak level. The States should, therefore, be allowed to raise local loans which had a local appeal, apart from the National Plan Loan raised by the Centre. Questions such as repayment of Central loans, interest charges on them, and the increased rate of 'normal' expenditure of the States deserved careful consideration. Shri Ramakrishna Rao referred to the need for eliminating rigidity in making financial assistance available to the States.

**Pandit Govind Ballabh Pant**, Uttar Pradesh complimented the Planning Commission on its success not only on the concrete achievements but even more on the psychological atmosphere that had been created during the last two or three years. The country had become plan-conscious and there was now a feeling of agility and competence. These were basic assets on which they could build plans for the future. Hundreds of years of foreign rule had made the people pessimistic in face of the formidable task that lay before them. But the achievements of the last two or three years gave them the confidence that they could do all that was necessary. They now felt that they could do everything that they chose to do and that the country could prove equal to any task whatsoever. This was a greater achievement than the dams or canals or the power houses that might have been built.

Referring to the financial condition of the country, Pandit Pant said that was satisfactory. There was no deficit, the sterling balances were still there, and there was a favourable balance of trade. This showed that resources could be found without leaning too much on others. If production and consumption could keep pace and distribution took place in a rationalised manner, finance would not be a bottle-neck. They could create money if production went up. As regards loans, there should be a Central loan system so that there would be no competition between States and Centre

but States which wanted to raise loans themselves might be allowed to do so.

Pandit Pant suggested that it would be advisable to bring about harmony between our system of accounting in the matter of planning and our own budgets. At present it is difficult to extract items relating to budget and to compare with plan provisions and, therefore, it is not easy to distinguish items on development from non-development expenditure and mistakes occur. These may lead to the under-estimation of development expenditure and overstatement of non-developmental expenditure.

Pandit Pant further suggested that the Planning Commission and the Government of India should take steps to expedite decisions on proposals put up by State Governments. He pleaded for greater speed in taking decisions and issuing sanctions and in making financial allotments. He thought that schemes should be sanctioned at least 18 months before they had to be implemented. Finally, Pandit Pant urged a change in attitude towards certain problems, such as for instance, housing for low income groups like scavengers. These groups of the population have been the victims of the greatest tyranny of which we have been guilty and it seems hard that for their housing no elements of subsidy should be available.

Pandit Pant pointed out that there should be greater emphasis on training to meet shortages of technical personnel-such training need not be centralised. He mentioned that in the U.P. Plan, except for a few subjects, targets would be exceeded under most of the development heads.

Concluding the discussions, the Chairman stated that two points would need careful consideration. It was necessary that the Members of the Council should meet more frequently. Besides, discussion by the members of the Council should not be carried out by them on particular problems of the States as Chief Ministers of their respective States but on "planning" as members of the Council. The second important point was to consider how to avoid delays which sometimes occurred.

**SECOND MEETING HELD AT 3 P.M. ON TUESDAY,  
THE 9TH NOVEMBER 1954 IN HYDERABAD HOUSE, NEW DELHI**

**1. *Review of Progress under the Plan***

Before continuing the general discussion, the Chairman again emphasised that the main object of the discussion should be to plan and to consider difficulties in the general context of the Plan and problems relating to the individual States should be put accordingly. The discussion was then resumed.

**Shri Bhim Sen Sachar**, Punjab stated that his State would be able to complete its part of the Plan. He suggested that all the Chief Ministers should meet together rather than in groups. The possibility of having regional committees for States which had common interests and problems, might, however, be examined. Central grants allotted to the States should be made available well in time, say, six months before execution of a scheme. If States were allotted money in proportion to their individual contribution to the National Plan Loan, it would create a very healthy competition. Reference was made to the contribution of Rs. 11 crores made by Punjab towards the National Plan Loan. Greater initiative should be allowed to the States and there should be less insistence on detailed scrutiny of every project by the Centre. Research expenditure on projects should be debited to the project estimates. Areas like Kangra and Kulu, which could be developed from an all-India point of view, should be treated for purpose of development on par with scheduled areas. Budget heads should be re-arranged so as to reflect the true developmental activities of a State. He pleaded for assistance for an Agricultural College in the Punjab as the State had lost its first-class college at Lyallpur.

**Shri Dravid**, Madhya Bharat urged that greater provision should be made in the Plan for housing in urban and rural areas. Housing was important both in itself and also for general reasons. When a family goes to live in a proper and hygienic environment, its whole outlook changes and this has large bearing on the economic and social changes of its members. The question of slum clearance was also important for developing the necessary outlook on progressive reforms. In the villages, model colonies should be set up, and rural families encouraged to build houses with their own labour and with indigenous material under the guidance of some nucleus staff. The next Plan should be ready well in time so that people could know what it was going to mean for their respective local places. Raising of loans should be linked up with the local needs and local schemes and States should be permitted to come forward with their own loan programmes-this would create enthusiasm among the people of the region. In the case of the Chambal project, the tempo of small savings could thus be raised to more than three times. It was necessary that the States should borrow only to the extent that they could pay back to the Centre.

**Shri B.R. Medhi**, Assam stated that his State was the most under-developed, although they had abundant supply of raw materials for developing industries. Jute, cement, paper, crude petroleum and sugar industries should be developed so as to make the State self-sufficient. Shri Medhi emphasised the need for the development of Garo Hills and pointed out the importance of opening a railway line therein. Assistance to municipalities for housing schemes for the sweepers was necessary. Larger programmes for hydro-power development had to be undertaken and development of the Umtru scheme should be expedited.

**Shri Morarji Desai**, Bombay stated that about 55 per cent. of the total expenditure under Bombay's Plan had been incurred during 1951-54 and the balance would be spent in the remaining

two years. The progress in the matter of achievement of physical targets was quite satisfactory. Community Projects and the National Extension Service had aroused enthusiasm of the people; they were in fact prepared to do more. Frequent meetings of the Council might be necessary only at the time of the formulation of the second five-year plan, otherwise it should be sufficient for the Council to meet twice a year. The scope of housing subsidies should be extended to all the poorer classes of the people. He also pointed out that in the matter of taxation, Bombay State had reached the highest limit.

**Shri Ravi Shankar Shukla**, Madhya Pradesh remarked that the progress of Madhya Pradesh Plan had been slow. This was partly due to the late sanction of schemes by the Centre. Expansion of technical training facilities to overcome shortage of skilled personnel was essential.

**Shri Upadhyaya**, Ajmer emphasised the need for timely payment of central assistance and stated that if the necessary funds could be made available it would be possible for his State to implement its Plan. The need to expand the existing C.P.W.D. subdivision into full Division was explained.

**Shri C. M. Poonacha**, Coorg stated that the Coorg Plan, which was a small one, was progressing according to the schedule. He suggested reorganisation of the educational system, proper development of cottage and rural industries and the setting up of a purchasing agency by the State for ensuring proper utilisation of the products of village industries. Steps should also be taken to stabilize agricultural prices. It was urged that like other Part 'A', Part 'B' States, Part 'C' States should also get a share from the Central revenues under excise duty, income-tax, etc.

**Shri C.D. Deshmukh**, Union Finance Minister explained the position regarding Central assistance with reference to the shortfall in the State resources. It was pointed out that the estimates of resources on which the State plans were based, were framed in agreement with the State Governments concerned. Now if their resources had fallen short, it was hardly fair to expect the Centre to make up the entire deficit. As it was, the Centre had to pay, after meeting the shortfall of Rs. 60 crores on railways, an additional amount of Rs. 80 crores to the States under the Finance Commission's award. This was not provided for in the Plan originally. The Chief Ministers of the States perhaps wanted to be the sole judges of resources to be raised within their own States. At the same time, if the Centre did not find the money to meet the gap caused through failure on the part of the States, it was blamed. On this basis planning would be completely impossible in a federal constitution and this fact should be recognised.

Shri Deshmukh stressed the need for balancing State revenue budgets. Created money or deficit finance was no solution as it could be utilized for financing only such capital expenditure as created assets and increased production. It could not be utilised for giving grants or subsidies to the States and planning must be based on this firm thesis that so far as the revenue budgets were concerned they must be balanced, not necessarily in a particular year, but certainly over a period of years. States, therefore, should (like Bombay) balance their budgets after taking care of all the demands that the Plan made on them. But if the States were unable to find the necessary resources and there was a shortfall, the only alternative was to reduce the Plans of the States concerned.

Continuing Shri Deshmukh stated that the report of the Taxation Enquiry Commission was expected shortly. This report would indicate whether there was scope for further taxation. The Finance Minister gave his personal assurance that he would try to raise all the additional revenues that the Commission recommended for the Centre. It was hoped that the States would also accept



the Commission's verdict in case the latter pointed out that there was room for improvement in the State field.

Shri Deshmukh referred to the considerable sacrifice made in many countries for the sake of planned development. But in these countries planning was authoritarian. India was almost the only country practising genuine democracy where planning on a sub-continental scale was being attempted.

Shri Deshmukh suggested that five selected Chief Ministers of States should, along with the Planning Commission, share the responsibility for raising the resources both at the Centre and in the States. Such an arrangement would meet the point which had been made earlier by some of the Chief Ministers. The Committee should plan and also assess the resources of the States and the Centre and once a plan was agreed to no further requests should be addressed to the Centre to find more money unless the Centre had a windfall. Under such an arrangement the National Development Council could perhaps meet only twice a year.

Regarding the requests from the States for grants, Shri Deshmukh pointed out that requirements which did not form part of the Plan could be met only by diverting some of the funds provided in the Plan for assisting the States. Thus, in the case of subsidy for houses for scavengers he stated that this demand could be met by diverting some of the money from other provisions in the Plan. Such diversions could of course be considered by the Planning Commission. Apart from this, the Central Government could not deal with such requests for grants from the States.

Referring to the delays in sanctioning projects, Shri Deshmukh observed that probably such delays were in respect of projects which were not originally included in the Plan. The Chief Ministers were requested to write to him or to the Deputy Chairman, Planning Commission whichever of them might be more concerned, in regard to other cases, if any, where there had been undue delays. It was best to deal with this question through specific issues.

As regards loans and savings, Shri Deshmukh pointed out that the total assistance to most of the States was very much more than what they got out of savings and loans.

On the question of Central *versus* State loans, he felt that there was plenty of time to consider it in the light of the observations made in the National Development Council. But generally the appeal attaching to Central loans was greater. Besides, what might suit a couple of States might not suit other States. It might be worthwhile at any rate to make a final appeal to the country for the last year of the Plan on the basis of a target of Rs. 300 crores suggested by the Deputy Chairman. Shri Deshmukh observed that the Centre would have to go in for a big loan in any case.

Closing the general discussion on item 1 of the Agenda, the Chairman stressed the need to discuss and decide things in the right perspective. He agreed that a smaller Committee of the Chief Ministers should meet two or three times of year. The approach to the problems should be joint, that is, the integrated approach of one committee or one Commission or one Cabinet.

Planning was originally conceived from the point of view of a strong centralised authoritarian State and, though democratic countries like England and France had done planning, planning in a comprehensive manner had been carried out only in communist countries. He agreed with Shri Deshmukh that India was the biggest instance of deliberate organised planning in a democratic way.

On a point raised by Shri Hanumanthaiah, the Chairman pointed out that planning was cent per cent centralisation and nothing else. The centralised authority responsible for planning might

be big and there might be joint planning by all the States for the whole of India. But decisions by such an authority should be taken in an overall way and given effect to jointly. The Central Government and the State Governments should be looked upon as part of the same living organism which had a duty to look after the country as a whole.

The Chairman observed that because of compulsion the authoritarian approach might yield certain results which a democratic approach did not yield. But this did not change the basic economic factors for long. There was such a thing as an economic approach, apart from the compulsory aspect, and this approach was worthy of consideration. The real question to consider was how the communist countries got their resources. It would be of interest to study the system of taxation in communist countries. We could profit from the experience of other countries.

On the question of provision of houses for scavengers the Chairman felt that scavengers had a right to be housed like industrial labour and the Planning Commission should consider how funds for this purpose might be found from saving under other heads. Efforts should be made to raise the level of the lowest in the country.

## **2. Progress of Community Projects and National Extension Schemes.**

In summing up the progress of Community Projects and the National Extension Service, Shri Krishnamachari, stated that the agricultural, animal husbandry and other projects had covered about 20 per cent of the families in the best community project areas and in others about 5 to 10 per cent. The co-operative movement had spread very little. Achievement in the field of development of cottage and small-scale industries was also negligible. However, response in money and kind from the people in regard to works of common benefit had been most encouraging. Referring to factors which had retarded progress, Shri Krishnamachari mentioned four reasons. Although things had improved a great deal during the last year, co-ordination between different departments had not yet been achieved adequately. Secondly, it had not been possible to enlist everywhere the best leadership at all levels. The third reason was inadequacy of services and supplies. The supply of good seeds, fertilizers, etc. had not kept pace with demand and machinery was not coming in as promptly as it should. There was also a general complaint that sanctions were not given promptly enough and greater delegation of powers to project officers was needed. Shri Krishnamachari thought that simplification of procedure and expeditious according of sanctions would lead to much improvement. Referring again to the small number of rural families that had so far come under the influence of the movement he stated that the aim was that every family in the village must have a plan of its own, that every family should be represented in at least one co-operative society and that it was in this human approach that an answer to the successful working of this approach could be found.

The Chairman proposed that in the meetings on the 10th November, 1954, only the Chief Ministers, the Planning Commission and members of the Central Cabinet and a few officers of the Planning Commission might be present. Officers who had come from different States might discuss their problems with the Planning Commission and other authorities. The meeting then adjourned.

**THIRD MEETING HELD ON WEDNESDAY THE 10TH NOVEMBER, 1954  
AT 10-30 A.M. IN THE HYDERABAD HOUSE, NEW DELHI.**

**2. *Progress of Community Projects and National Extension Schemes.***

The Chairman invited Shri V. T. Krishnamachari, to continue his review of the progress of community projects and the National Extension Service.

Shri Krishnamachari stated that the National Extension and Community Projects movement had been in operation in about 50,000 villages; 242 blocks covering another 30,000 villages had been recently sanctioned, so that the movement would now be in operation in 80,000 villages. By the end of the Plan period, the movement would be extended to 120,000 villages, roughly one-fourth of the area and population of India. It was a revolutionary movement with a human approach whose aim was to help the 70 million families living in the villages of India, to bring a change in their outlook and to build up a new life for them. A very hopeful sign was that the villagers had risen to the responsibility of the movement and had paid more by way of contributions than the expenditure incurred locally in the project areas. The optimism in regard to the future of the movement was fully justified.

Village Level Workers who were recruited when the movement started, had only a few months' training-3 to 6 months-and many did not come up to expectations. States should consider refresher courses for them on a systematic basis. For the future training schemes had been sanctioned on a large scale. These envisaged training in two parts: a basic training in agriculture, animal husbandry, co-operation, etc. for a minimum period of one year and secondly extension training for a period of six months. When village level workers trained under the new scheme become available, the movement should gain in efficiency.

Apart from the official organisation at the village level, the Planning Commission attached great importance to the non-official village organisation that is, the village council. In many areas these village councils had been set up and they were doing most useful work, but there were areas in which village councils had not been formed. These village organisations would stimulate the movement and establish a liaison between rural families and village level workers.

At the project level which was the level above the village, the experience was that teamwork was not well organised. All the development departments had not yet been organised to work as a team. In many areas this position existed at the district level where the District Collector and the District Development Officer had not established a co-ordinated working, relationship. There was however improvement in this respect. It was also necessary to enlist the support of the best non-official leadership available at all levels. When this was done the movement would gain new life and vigour. On the administrative side, there was probably need for larger powers being given to the District Collector and District Development Committees. In many cases particularly relating to local works delay occurred as references had to be made on rather unimportant points to the Secretariat.

The programme of local development works was important from a national point of view. It assisted villagers to get amenities which they did not have for a long time. Further, it was a preparation for the National Extension Movement since, based on self-help, it was the best training for the movement. For local works a simple procedure should be devised in consultation with the Accountants General perhaps on the lines of the procedure adopted a few months ago for village works in



community project and national extension areas where Development Commissioners met in conference with the audit authorities.

Shri Krishnamachari further stated that for the success of the Community Project and National Extension Service, it was necessary that the movement should be extended to every rural family-at present only 20 per cent. to 30 per cent. of the families were covered in the earlier project areas. Each family should participate in the Plan, it should be represented in at least one co-operative society and it should devote a portion of its time to work for the common benefit of the village. The need for strengthening the co-operative movement in the project areas was stressed.

It was necessary to work out training programmes as it was proposed to expand the movement throughout India in the next Five Year Plan. A letter would be sent to States shortly in this connection. During the present plan period about one-fourth of the country was expected to be covered. And for this about 15,000 workers were required, including 3,000 women workers. 4,000 to 5,000 village level workers had been trained so far and in all about 9,000 men workers would be trained in the present Plan period, the remaining workers would have to be trained in the next Plan period. In every project area there should be a woman social education worker. A certain number of trained women village workers were necessary; without this the development programme would not gain momentum. Ultimately about 5,000 to 10,000 women workers would be required for the whole of India.

**Shri S. K. Dey**, Administrator, C.P.A. pointed out that steps were being taken to meet the shortage of trained women village level workers. To cover the entire country, 50,000 men and 10,000 women village level workers were needed. For the present Plan 15,000 village level workers were needed, about 12,000 being men. Of the latter, about 9,000 would have been trained by the end of the Plan. But the requisite number of women were not available and all possible efforts were being made. It was proposed to have a Mahila Samiti in each village under a progressive woman belonging to the village to whom some training would be given and would be paid Rs. 10 or 15 p.m. as honorarium. It was thus proposed to provide the same intensity of staff at the village level in the case of women as in the case of men.

**Shri Hanumanthaiah**, Mysore observed that it was necessary to ensure continuity in the work which was being done through Community Projects and the N. E. S. The difficulties of finding sufficient funds for meeting the recurring expenditure on the expanded programme of community projects had to be faced. It was necessary to bring into the projects young men and women of University standard so as to ensure continuity of work. For this purpose the curriculum at the University stage should be reformed. Shri Hanumanthaiah also urged that some suitable names in Indian languages should be found for Community Projects and the National Extension Service.

Shri Krishnamachari pointed out that the main idea of the National Extension Movement was that it was to be a permanent movement. It was the pattern of future administration for rural areas for carrying out development on a permanent footing. This idea was worked out in the G.M.F. Enquiry Committee Report and in the Planning Commission Report. The former calculated that when the movement covered the whole of India, the additional cost would be Rs. 6 crores per year. Besides if funds were available, intensive development would be undertaken for a period of 3 years in specific areas. Later on these would be merged with the permanent organisation of the State. The main purpose of the extension organisation was to be in touch with every family in rural areas. Besides, as village life was all one, it was desirable to have one person, properly trained, who would be the common agent for all development activities. This was the basic idea behind the National Extension Movement which should be regarded as the future pattern in rural areas of India

as a Welfare State.

Shri Krishnamachari agreed that it was a good idea that the graduates and others should come and work in the project areas and gain rural outlook. A suggestion was made by Shri Hanumanthaiah that the Public Service Commission should insist before entertaining applications from candidates that they had certificates from community project authorities that they had put in national service for one year. Shri Krishnamachari appreciated this suggestion and said the work of rural improvement was of a permanent nature and had to be done continuously over a period of years. It could not therefore be entrusted to graduates who came for a few months or a year. Some arrangements, however, should be made in the States to ensure that all graduates leaving universities should put in work in National Extension area and gain some knowledge of rural problems. But the permanent work which had to be done in the villages could not depend on this arrangement. This would be in addition to work done in the villages by university students

The Chairman agreed and stated that it would be a good idea, for instance to ask medical graduates to put in a year of work in the villages before they were given their medical degrees or employment in Government service.

**Pandit Pant** suggested that greater powers should be given to non-officials connected with the works in the villages-this would lead to greater interest in the works. He also stated that the States should enjoy freedom to decide their budgetary allotments. Shri S. K. Dey and Shri Krishnamachari explained that except for the distinction between loan funds and other funds, the States enjoyed complete powers for appropriation and re-appropriations from different heads.

**Dr. Katju**, Union Home Minister drew attention to the animal-husbandry aspect and pointed out that the welfare of the people consisted not only in increasing the country's foodgrains production but also in its cattle wealth. Some work relating to improvement of cattle should be done outside the community projects. It might be done by the Agriculture or Veterinary Departments of State Governments but the drive should be throughout the country. Pandit Pant stated that this work was being done in a concentrated manner in the community project areas. A great deal was being done but the results could be achieved only progressively and not in a few months.

The Chairman referred to the observations by Shri Deshmukh that a large number of unwanted cattle did a lot of damage in the forests resulting in soil erosion. Shri Deshmukh pointed out that in the long run soil erosion would be problem No. 1 in India.

Referring to the recruitment of village women workers, the Chairman emphasised that there should be no bar to admitting women for different kinds of works. He quoted the example of China where women were now working side by side with men in responsible jobs like factory managers, doctors, engineers, etc. This had been the biggest change in China in the past few years.

**Shri Nabakrushna Chaudhuri**, Orissa referred to lack of co-ordination between the Centre and the States and pointed out that the Ministry of Education were taking up schemes relating to the social education, people's college, etc., similar to schemes undertaken by the State Governments themselves. Dr. B. C. Roy asked why it was necessary for different Ministries to have their programmes instead of making money available to the States for programmes which had been approved as part of the State Plan.

**Shri Deshmukh** and **Shri Krishnamachari** observed that after the preparation of the First Plan a number of schemes were added and these were being financed on a matching basis. In the

preparation of the Second Five Year Plan, these schemes could be included in the Plan itself, so as to avoid dislocation of State finances subsequently.

The Chairman then invited Prof. P. C. Mahalanobis to explain the work on planning studies which had been recently begun at the Indian Statistical Institute at Calcutta.

**Prof. Mahalanobis** said that at the stage of making a plan it is necessary to have a comprehensive view because a plan is a kind of synthesis of all the productive processes which would be in operation at some future rate. The object of a plan is to raise the standard of living of the people which could be done partly by utilising the unutilised capacity but essentially by installing more machines and equipment, i.e., in other words, by increased investment. Prof. Mahalanobis pointed out that increased investment would result in the creation of new demands for consumer goods such as cereals, sugar, etc. It will also lead to an increase in employment, though the magnitude of employment opportunities would depend upon the nature of industries in which investment was made. Prof. Mahalanobis said that while we want to produce more machines, we must not ignore the small industries but should distribute the investment among different types of industries in a balanced manner so as to create as much employment as possible. In this connection he referred to China which, he said, had similar problems.

Referring to the financial resources required for planning, Prof. Mahalanobis mentioned the sources which could be tapped for the purpose. Both direct and indirect taxation should be used, though in a poor country like India the scope for direct taxes was relatively limited. In the basic industries which should be in the public sector, the profits would be ploughed back. Consumption could be subjected to severe control and austerity standards introduced, if necessary, by confining production of the essential consumer goods to small and cottage industries. Again the production of luxury goods could be controlled or monopolised by the State and large profits thus diverted to Government. Prof. Mahalanobis also recommended use of excise duties on existing privately owned enterprises and future enterprises in the public sector. Another possible source of income was Government trading. Indirect taxes like excise, he said, could be used as a powerful instrument for bringing about a more equitable distribution of income.

Prof. Mahalanobis emphasised the need of thinking in terms of setting up a plant for the fabrication of machinery required for manufacture of steel. He said that India was in the fortunate position of being able to draw upon the experience and technical help of other countries and could avoid haphazard methods of development. A comprehensive view should be taken not only of the present but also of the future.

Prof. Mahalanobis pointed out the importance of improving our statistical services and information in the States. The National Sample Survey had circulated a note to all the States in May about integrating and developing a Sample Survey in all the States in complete collaboration with the State staff. He requested the Chief Ministers to give consideration to this matter.

In the subsequent discussion Shri Deshmukh pointed out the difficulties of getting initial foreign exchange required for setting up industries etc., as suggested by Prof. Mahalanobis. Shri Pant said that unless production of consumer goods was increased simultaneously with increased investment in producer goods industries, there would be danger of inflation. Referring to the conditions in, China, Chairman said that the bulk of the State revenue in that country was obtained from turnover taxes and profits of State trading. He mentioned that there seemed to be considerable scope for increasing production in India by utilising more fully the capacity of the existing plants. Emphasising the need of coordination and balance in planning, Chairman said that a plan should

provide for balanced investment in capital goods industries, consumer goods industries, agriculture, transport, etc. He asked for an interim detailed report to be prepared in the next 5 or 6 months.

Before concluding the morning session the Chairman observed that in the afternoon session a proposal to constitute a small committee of the Chief Ministers, which could meet more frequently than the National Development Council, would be considered. Another question to be considered was whether the National Development Council should meet twice a year according to the terms of the original resolution constituting the Council, CHAIRMAN also mentioned that from the Central Government only the Ministers might attend the subsequent meetings of the Council to be held on 9th and 10th November.

## FOURTH MEETING OF THE COUNCIL HELD AT 3 P.M. ON WEDNESDAY, THE 10TH NOVEMBER, 1954 IN HYDERABAD HOUSE, NEW DELHI.

### 3. Progress of the Land Reforms.

The Chairman invited **Shri Nanda**, Minister of Planning to speak on item No. 3 of the Agenda relating to Land Reforms.

Shri Nanda pointed out that there had been some progress in carrying out the land reforms but it was very uneven. It was recommended in the Plan that the abolition of intermediaries should be expedited. This recommendation had been carried out substantially in 12 States and partially in three States. Legislation had been enacted in three States and another five had legislation in hand. Of the 15 States under reference, further legislation had to be enacted in 9 States or in certain areas.

For regulating landlord's hold on a tenant only 7 States had made satisfactory provision while some move in this direction had been made in six other States. Certain categories of tenants had been given the right to purchase the holdings in about 9 States, limits on future acquisition had been imposed in 5 States and on existing holdings in 5 States. The Plan required that the minimum tenure should be fixed for future leases. This had been done in 8 States only.

Recommendations of the Planning Commission regarding security of tenure had not been generally implemented in 14 States. 12 States had yet to take action for regulating or reducing rents. Shri Nanda felt that only by implementing these recommendations fully the tiller could be given a fair deal.

Progress with regard to reorganisation of agriculture and strengthening of rural economy was also very slow. Consolidation of holdings had been dealt with satisfactorily in five States. Cooperative farming had been organised as an experimental measure in four or five States.

Shri Nanda further pointed out that there was considerable time-lag between the legislation and its implementation. Even though the laws were there, effective action was not being taken to see that the legislative provisions were properly and fully implemented. To find out the reasons for the delay in implementing the recommendations regarding land reforms the Planning Commission had addressed a letter to all State Governments. However, the replies received from the States did not give any satisfactory information. Shri Nanda requested the Chief Ministers to look into the matter. The Planning Commission had further requested the States to phase the programme stage by stage, so that the work of abolition of intermediaries, tenancy reform, fixing of ceiling etc. could be completed within the Plan period. As for cooperative farming a similar phased programme could be drawn up in three years.

Even though it was not possible to expect uniformity of phasing, particularly in details, the existing pattern of land reform could be phased in a plan period to achieve a certain goal. Shri Nanda therefore, stressed the necessity of having a phased programme, so that legislation to implement it could be enacted in advance.

As regards census of land holdings the programme had been held up due to various reasons. He said that at a recent conference held in the Food and Agriculture Ministry a number of outstanding problems had been resolved. For simplifying the work it had been decided that the State Governments should confine themselves to census of larger holdings that is, holding of ten

acres or above. The target date for completion of the work was fixed as April 1955 and the latest could be end of May, 1955. In areas where records were not maintained the National Sample Survey would take up the work and complete it in six months.

In the previous meeting of the National Development Council it had been decided that in each village a certain quantity of land might be set apart for the purpose of community interest. This idea was found quite appealing and in certain States very considerable progress had been made; particularly at the time of consolidation of holdings there was an opportunity to set apart land for such purposes.

As regards ceiling on holdings, Shri Nanda said that it had not been fixed in terms of acres as the quality of land varied. It would be related to a certain income so that when the quality of land was not up to the average, the ceiling might be raised. In the Plan itself, the ceiling was put at three family holdings.

Regarding the limitation on the ejection of tenants, Shri Nanda pointed out that the principle of resumption had not been totally excluded. It had been left open in certain cases of land holders. The Planning Commission had laid down certain conditions for such resumption. The aim was that the tenant should be left with some land and the right of resumption should be exercised within a certain period.

In the general discussion that followed Shri Dhebar pointed out that certain terms such as "tenant" used in the note on "Land Reforms", prepared by the Planning Commission, carried different meanings in different States and suggested the revision of the note in the light of what was actually meant by abolition of intermediaries. While discussing briefly the meaning of intermediaries, Shri Deshmukh pointed out that in certain States no action had been taken with regard to the abolition of intermediaries. Dr. Roy (West Bengal) suggested that it would be better if officers from States were called by the Planning Commission for discussion. Shri Subramaniam (Madras) said that they would be introducing some legislation in December. Concluding the discussion Shri Nanda requested the Chief Ministers to give to the Planning Commission a phased programme for implementing the recommendations of the Commission.

#### **4. Employment situation in the country.**

The Chairman then took up the next item regarding employment situation in the country.

Initiating the discussion Shri Nanda said that it was not possible to say with precision what the volume of unemployment or under-employment in the country was at a particular time. This was a serious handicap. It was also not possible to say to what extent the position had improved or worsened during any specified period in an accurate manner. Due to lack of statistics it was also difficult to make an assessment of the additional employment created by the execution of the Plan. Studies were already in progress in the Planning Commission as well as in the States and also in the Indian Statistical Institute, Calcutta, and it would perhaps be possible very soon to make a statistical assessment of the problem. According to the information available, there had been no improvement in the employment situation as a whole. Referring to the statistics collected by Employment Exchanges in respect of urban areas, Shri Nanda pointed out that there had been a continuous increase in the number of the live registers even though the number of vacancies



notified had also been rising. The States had been asked to make their own assessment and they were keeping the situation under review. Reports from States showed that in almost all Part 'A' States the employment situation-both in the urban and rural areas- had deteriorated except in Punjab where a slight easing in the rural unemployment had been reported as a result of large-scale expenditure under the Plan. Hyderabad and Mysore States had reported signs of improvement. In the other Part 'B' States there had been either no change or there had been some deterioration. From Part 'C' States some improvement had been reported.

Shri Nanda said that the Planning Commission was collecting a good deal of information by making studies of the employment opportunities provided by the River Valley Projects and their employment potential. Information regarding other schemes also was being collected. He, however, pointed out the difficulty in collecting such information in the absence of a regular agency for that purpose.

Prof. Mahalanobis referred to the different concepts of employment adopted by various States for the purpose of assessing the incidence of unemployment. He stressed the importance of having some uniform concept of 'unemployment'. There was a large number of house-hold enterprises where the employees were not in the normal position of employees. He said that the Indian Statistical Institute was studying some of the problems and some pilot surveys were being organised. It was, however, necessary to get the ideas clarified. The Central Statistical Organisation had called a conference next month to discuss this problem. There was a lot of confusion with regard to the use of different concepts and definitions. Multiple registration was another problem. The Finance Minister suggested that the conference should agree that all schemes of employment surveys should be referred to the Central Statistical Office so that a common standard definition of the employment of the people offering for jobs could be evolved. A conference of experts could be called and a final version of the definition could be circulated to the Planning Commission. The Chairman agreed that the Central Statistical Organisation in consultation with the Planning Commission should evolve some common terms and approaches.

Shri K. Desai pointed out that the employment exchange statistics were not reliable. He said a labour enquiry was conducted in 1950-51. Shri Ramamurthy was incharge of the enquiry and a summary of the report would be available. It gave very useful data and on the basis of that another enquiry might be conducted.

Considering the magnitude of estimated unemployment, Shri Nanda pointed out the need of doubling the rate of investment in the next Five Year Plan. He said that the Planning Commission was examining this question.

As regards the preparation of a manpower budget, Shri Nanda said that the returns, so far received, were not satisfactory. Efforts were being made to find out the requirements of manpower under various heads as well as the gaps. This was being done over a limited field consisting of certain Ministries and their attached Departments and certain selected sectors such as railways.

Prof. Mahalanobis stated that it would be possible to institute a system of surveys over the whole of the country to find out whether there was some improvement or deterioration in the employment situation.

Shri Deshmukh felt that it was necessary to have a standard definition of employment and

also a comprehensive system of survey of employment in the country. After all the necessary data had been collected, a programme to liquidate unemployment within a stated period could be worked out. This should be the principal objective of the recent Plan. The increase in population every year should also be taken into account and the investment should be adjusted accordingly.

Prof. Mahalanobis said that the study of employment position had already started and that it would be possible to give certain statistics of unemployment every year or twice a year without difficulty.

## **5. Implementation of Recommendations relating to Improvement of Administration.**

Shri Krishnamachari stated that one of the recommendations in the Plan for the improvement of administration in the States related to the appointment of Regional Commissioners. The Planning Commission had suggested that the States might consider the desirability of reviving these posts. The Development Minister of Madhya Bharat expressed the view that so far as the smaller States were concerned, it was not necessary to appoint Commissioners.

At the instance of the Chairman, Shri Y. N. Shukthankar, Secretary, Planning Commission, made a brief statement on the subject. He emphasised the importance of having some kind of regional authority. The work could not be done at the headquarters by appointing a number of officers who would go round and inspect. It would not be possible always for an inspecting officer to examine all the difficulties at the district level in detail. Further, it would not be possible for a man at the headquarters to cover all the districts. There were instances where the regional authorities imposed taxes on certain articles about which the authorities at the headquarters had no knowledge. The Planning Commission had therefore recommended that there should be some kind of regional authority which could work as a link between the district and the headquarters, so that all the regional problems could be tackled more satisfactorily.

## **6. Local Development Works Programme**

The progress of the Local Development Works Programme was then discussed briefly.

Shri Deshmukh pointed out that no Progress Report had been received for any of the States. Pandit Pant (Uttar Pradesh) said that for preparing quarterly reports it was necessary to collect information from various districts which would naturally take time. Regarding the Local Development Works, Pandit Pant expressed view that instead of insisting on the local people raising 50 per cent. of the finance required, it would be better if the responsibility for finding half of the funds were left to the State Governments. In some cases, people were so backward that their requirements had to be attended to urgently even though they were not in a position to contribute one half of the expenditure. Shri Deshmukh observed that all that was needed to be said was that the State was responsible for contributing 50 per cent. no matter whether they prevailed upon their people to make the contribution or whether they paid it from their own resources. Shri Krishnamachari accepted the suggestion. He pointed out that the object of collecting half the cost of local works from the people was to create enthusiasm for self-help. He also drew attention to a tendency among certain district boards to curtail their own programme because the local works programme had come into operation. This tendency, should be restrained and District Boards should not be



allowed to divert their attention to bigger projects. Pandit Pant mentioned that in U.P. the District Boards were starving for want of funds.

## **7. Progress Report of the Research Programmes Committee.**

Shri V.T. Krishnamachari informed the Council that the paper was circulated for information only.

## **8. Preparation of the Second Five Year Plan**

The Council then took up the last item of the agenda regarding the preparation of the second five year plan.

Referring to a letter issued by the Planning Commission regarding large-scale industries Shri K. C. Neogy, Member (Industry) explained that large-scale industries were not the field in which the resources and energies of State Governments could be most usefully employed. The Centre would take up directly or through the National Industrial Development Corporation such large-scale industrial projects as were required for supplementing the efforts of private enterprise. The scope for initiative by State Governments in this sphere was, therefore, limited. However, these were general desiderata and whenever there was some very special justification, that would be considered. It was not as if the initiative of the States was completely curtailed. Shri Neogy made a reference to the Industrial policy resolution of 1948 which indicated categories of industries reserved for the State as well as those in respect of which initiative for development and responsibility for management would rest with the private enterprise.

He also referred to the setting up of the National Industrial Development Corporation by the Central Government with the Minister of Commerce and Industry as its Chairman. The Corporation would help private sector whenever help was needed. It would also undertake any desirable project if private enterprise was not forthcoming. The Corporation had already started the study of a number of industries. He pointed out that a great deal of what could be undertaken in the field of large-scale industries had been included in the Corporation's list of industries for study. Having regard to the establishment of such a machinery for the purpose of undertaking an expert investigation into all these various industrial projects, and having regard also to the possibility of the Central Government functioning through it for the purpose of studying large-scale industries if private enterprise failed to come forward, it would not be wise on the part of the State Governments to try to set up parallel authorities for the purpose of undertaking the study of, or otherwise initiating, any project falling within the purview of the activities of that body. Further, large-scale industries raised issues of fiscal policy, protection, etc. Having regard to all these factors he felt that it was the Central Government that was particularly fit for the purpose of undertaking such responsibilities.

Shri Neogy illustrated the point further. More than one State Government had mentioned their potentiality for developing production of cement. But against the planned target of 5.3 million tons, factories had already been licensed with a capacity of 6.6 million tons. Similar was the case with regard to the aluminium industry. The expected capacity would exceed the requirements by 2000 tons. In these circumstances, the Central Government could hardly encourage any State Government to initiate any proposal for starting such industries. The questions relating to the

establishment of such large-scale industries could be considered in an appropriate manner only by the Central Government and, therefore, he pointed out that the scope for undertaking large-scale industries by the State Governments themselves was very limited.

The Chairman observed that there was a more important issue than what had actually been raised. It was necessary to reconsider completely the industrial policy of the Government. Scope of private enterprise was being expanded in all the fields which, he thought, were completely reserved for State enterprise. The private enterprise would not accept something which the State gave. This was a completely wrong approach as it meant that every profitable field would go to the private enterprise leaving every half-done, incomplete and unprofitable industry to the State. He said that the whole industrial policy should be revised. The Government wanted to encourage private enterprise; but they wanted to encourage the State enterprise much more.

**Dr. B. C. Roy**, West Bengal felt that in the case of certain small industries private capital should be acceptable. On abolition of the Zamindari, compensation would be given in cash and partly in bonds. In West Bengal small holders of those bonds wanted to invest the money in small industries such as production of salt. If salt was made locally, transport charges could be avoided.

**Shri Sachar**, Punjab said that Punjab was very much interested in starting cement factories as there was a large programme for buildings. He enquired whether the fact that licences for starting factories had already been issued, would stand in the way of the State Government's claim being considered on merits.

**Shri Neogy** pointed out that it would not be right on the part of the licensing authority to sanction fresh licences when the production under the Plan would exceed the target. He referred to the manufacture of ferro-manganese for which at present there was no major undertaking in the country. The difficulty was that much of the ferro-manganese manufactured had to be exported. The capacity of ferro-manganese plants so far licensed was adequate not only to meet all requirements of internal consumption but also the export demand which had to be assessed by the Ministry concerned. No further licences were, therefore, being issued. The Licencing Committee which included representatives from States was fully authorised to cancel or issue licences.

Referring to the desirability of setting up a sugar factory in Madhya Bharat, Shri Dravid, Madhya Bharat enquired whether the State Government should wait indefinitely when private enterprise was not forthcoming. Shri Neogy stressed the need for proper investigation in such cases and hoped that the Central authority concerned would not ignore such recommendations about the feasibility or possibility of setting up any particular industry as were based on proper investigation.

As regards the size of the Second Five Year Plan, Shri Deshmukh said that the Central Government was not in a position to make any commitment. Estimates of resources had not been received from the States and as regards the Central Government it was not known what the resources would be. Only certain broad figures could, therefore, be taken as a guide and within the limits of these, a Plan could be worked out, with the full realization that if a Plan went beyond these limits, it would not be accepted. He added that Shri V. T. Krishnamachari was envisaging a plan involving an outlay of the order of Rs. 5,500 crores-3,000 crores in the public sector and 2,500 crores in the private sector but he made it clear that this was not a commitment.

Shri V.T. Krishnamachari said that he calculated in a very rough way what the commit-

ments would be in the Second Five Year Plan on account of the Irrigation and Power Projects that had already been included in the First Five Year Plan and found that it would be Rs. 475 crores as against Rs. 550 crores included in the First Five Year Plan.

The Chairman suggested that the next meeting of the Chief Ministers, Planning Commission and the Central Cabinet might be held after the next Budget Session. At that time the Second Five Year Plan and allied questions could also be discussed.

It was also decided that there should be a small committee consisting of a few of the Chief Ministers. The Chairman said that this body should not deal with problems of any particular State and should discuss only general approaches and policies connected with planning. On Chairman's suggestion it was decided to constitute a Standing Committee of the National Development Council consisting of the Members of the Planning Commission and the Chief Ministers of (1) Uttar Pradesh, (2) Punjab, (3) West Bengal, (4) Bombay, (5) Madras, (6) Mysore, (7) Hyderabad, (8) Travancore-Cochin, and (9) Rajasthan. Chief Ministers of one or more of the remaining States could also be invited to attend the meetings of the Committee. It was decided to hold the first meeting of the Standing Committee on January 7, 1955.

### III. Summary of Conclusions and Suggestions

The main conclusions and suggestions reached were as follows:-

#### I. Resources

Each State Government should consider programmes for increasing its own resources for development, in particular.

- (i) Action in respect of betterment fees on the 3 million acres of land which have already come under irrigation on account of large projects should be expedited;
- (ii) For the next budget States should explore possibilities such as enhancement of water rates, revenue resettlements, surcharges on land revenue especially in the higher brackets, agricultural income tax, revision of rates of sales taxes, receipts from commercial undertakings like forests, electricity, minerals, etc.
- (iii) Intensive savings campaigns should be undertaken, the target aimed at being not less than the achievement in 1954-55.
- (iv) For the second Five Year Plan the aim should be to achieve a target of Rs. 300 crores a year under loans and small savings.

#### II. Review of Progress

- (i) In most States progress under animal husbandry, co-operation and cottage and small-scale industries had not been satisfactory and it is necessary to give special attention to these fields of development;
- (ii) The problem of maintaining minor irrigation works executed under the Plan should be tackled much more earnestly;
- (iii) Strong impetus should be given to the co-operative movement. It is only through the cooperative movement that a portion of the surplus created by the large expenditure incurred in rural areas can be mopped up for financing other projects;
- (iv) Before accepting new schemes at the Centre which required matching contributions from the States, the Central Ministries should, as far as possible, consult State Governments in advance. This is necessary in order that the financial effects of new Central schemes on State budgets may receive adequate consideration before commitments are incurred;
- (v) Where a proposal set up by a State Government requires consideration by the Planning Commission and a number of other Ministries, steps should be taken by the Planning Commission or by the Ministry principally concerned to ensure simultaneous and speedy examination of the proposal at the Centre;
- (vi) The Planning Commission and the Central Ministries should take steps to expedite decisions on proposals sent up by State Governments. Chief Ministers were requested to write to Deputy Chairman, Planning Commission or the Finance Minister, accordingly as the Planning Commission or the Finance Ministry may be mainly

- concerned, about any specific proposals in regard to which sanctions were pending;
- (vii) The Planning Commission and the Central Ministries should examine the question of budgetary classifications with reference to expenditure on schemes under the Plan, so that the precise expenditure on the Plan can be readily ascertained;
  - (viii) The case for the provision of housing for scavengers on the lines of the subsidized industrial housing scheme was urged. It was agreed that this should receive high priority and that the Planning Commission should consider how funds for this purpose could be found during the present Plan from savings from other heads.

### **III. Progress of Community Projects and National Extension Schemes**

- (i) The training of village level workers and other personnel required for Community Projects and the National Extension blocks should be given high priority so that the programmes contemplated for the next five year plan could be fulfilled;
- (ii) Much emphasis should be placed in Community Projects and National Extension areas on the need for every family being brought under the influence of the movement-the aim being that every family should have a Plan, participate in at least one co-operative society in its own right and contribute to some work or service of common benefit.
- (iii) There should be developed in these areas a strong women's and youth movement. Efforts should be made to obtain more women village level workers and women social educational organisers.
- (iv) There should be much greater emphasis on the use of village panchayats and other non-official organisations at the village level, so that they serve as liaison between rural families and village level workers.
- (v) Some arrangements should be considered in the States whereby graduates leaving universities could put in a period of work in National Extension areas and gain personal knowledge of rural development problems. It might also be considered whether medical graduates should put in a year of work in the villages before receiving medical degrees or before being considered for employment in public service.

### **IV. Progress of Land Reforms**

After a general review of the progress of land reforms it was agreed that, as already requested, States would send to the Planning Commission their phased programmes for the implementation of recommendations in the First Five Year Plan.

### **V. Employment situation in the country**

It was agreed that schemes of employment surveys in different parts of the country should be referred to the Central Statistical Organisation so that common standards and concepts should be employed. For this purpose the Central Statistical Organisation would consult further the Plan-

ning Commission. The Central Statistical Organisation should work out a scheme for a comprehensive survey of the employment situation in the country.

#### **VI. Implementation of recommendations relating to the improvement of administration.**

The recommendation in the First Five Year Plan for a regional authority between the State Secretariat and the districts for the purpose of co-ordination, guidance and effective execution was considered. It was agreed that in the light of the discussion each State should take such action as it found appropriate.

#### **VII. Local Development Works Programme**

- (i) The Local Development Works scheme, being based on the-principle of self-help, should be worked in practice as a preparation for the National Extension movement.
- (ii) For local works a simple procedure should be devised in consultation with local Accountants General on the lines of the procedure adopted a few months ago for village works in Community Projects and National Extension areas.

#### **VIII. Preparation of the Second Five Year Plan**

There was a general discussion on this subject with special reference to recent letters addressed to States by the Planning Commission in regard to the inclusion of proposals for large-scale industries and schemes of road transport nationalisation in State plans. Further discussion on the subject would be held in the meeting of the Council's Standing Committee.

#### **IX. Standing Committee of the National Development Council**

The Conference agreed that a Standing Committee of the National Development Council be set up. Besides the Chairman and Members of the Planning Commission, this Standing Committee would consist of Chief Ministers of Uttar Pradesh, Punjab, West Bengal, Bombay, Rajasthan, Hyderabad, Travancore-Cochin and Mysore.

It was agreed that the first meeting of the Standing Committee may be held on the afternoon of January 7, 1955.

#### **X. Next meeting of the National Development Council**

It was agreed that the next meeting of the National Development Council should be held after the budget session.

## PARTICIPANTS

The following attended the meetings held in Hyderabad House on 9th and 10th November, 1954. (The sessions of the 9th afternoon and the 10th November, 1954, were attended only by the Members of the Planning Commission, Central Ministers and the State Chief Ministers).

Pandit Jawahar Lal Nehru	..	..	..	Chairman.
Shri V.T. Krishnamachari	..	..	..	Deputy Chairman.
Shri Gulzari Lal Nanda	..	..	..	Minister for Planning.
Shri C.D. Deshmukh	..	..	..	Finance Minister and Member Planning Commission.
Shri K.C. Neogy	..	..	..	Member, Planning Commission.
Shri Y.N. Sukthankar	..	..	..	Secretary, Planning Commission and Secretary of the National Development Council.
Maulana Abul Kalam Azad	..	..	..	Minister for Education
Shri Jagjiwan Ram	..	..	..	Minister of Communications.
Rajkumari Amrit Kaur	..	..	..	Health Minister.
Dr. K.N. Katju	..	..	..	Minister of Home Affairs and States.
Shri T.T. Krishnamachari	..	..	..	Minister of Commerce and Industry.
Sardar Swaran Singh	..	..	..	Minister of Works, Housing and Supply.
Shri K.C. Reddy	..	..	..	Minister of Production.
Shri Lal Bahadur Shastri	..	..	..	Minister of Railways and Transport.
Shri A.P. Jain	..	..	..	Minister of Rehabilitation.
Shri Khandubhai Desai	..	..	..	Minister of Labour.
Dr. B.V. Keskar	..	..	..	Minister of Information and Broadcasting.
Shri Mahavir Tyagi	..	..	..	Minister of Defence.
Dr. P.S. Deshmukh	..	..	..	Minister of Food and Agriculture.
Shrimati Durgabai Deshmukh	..	..	..	Chairman, Social Welfare Board.
Shri D.P. Karmarkar	..	..	..	Deputy Minister, Commerce and Industry.
Shri B.N. Datar	..	..	..	Deputy Minister of Home Affairs.
Shri Raj Bahadur	..	..	..	Deputy Minister, Communications.
Shri S.N. Mishra	..	..	..	Deputy Minister, Planning.



## Summary Record of Discussions of the NDC Meetings

Shri K.D. Malaviya	..	..	..	Deputy Minister, Natural Resources and Scientific Research.
Shri J.K. Bhonsle	..	..	..	Deputy Minister, Rehabilitation.
Shri A.K. Chanda	..	..	..	Deputy Minister, External Affairs.
Shri Abid Ali	..	..	..	Deputy Minister, Labour.
Shri M.V. Krishnappa	..	..	..	Deputy Minister, Food and Agriculture.
Shri Manilal C. Shah	..	..	..	Deputy Minister, Finance.
Shri Jai Sukhlal Hathi	..	..	..	Deputy Minister, Irrigation and Power.
Shri O.V. Alagesan	..	..	..	Deputy Minister, Transport.
Shri A.C. Guha	..	..	..	Deputy Minister, Finance.
Shri S. Chandra	..	..	..	Deputy Minister, Defence.
Shrimati Chandrasekhar	..	..	..	Deputy Minister, Health.
Shri N. Kanungo	..	..	..	Deputy Minister, Commerce and Industry.
Shri B.R. Bhagat	..	..	..	Parliamentary Secretary to Finance Minister.
Prof. P.C. Mahalanobis	..	..	..	Honorary Statistical Adviser to the Cabinet.
Shri Bishnuram Medhi	..	..	..	Chief Minister, Assam.
Dr. Shri Krishna Sinha	..	..	..	Chief Minister, Bihar.
Shri Bhimsen Sachar	..	..	..	Chief Minister, Punjab.
Shri Nabakrushna Chaudhuri	..	..	..	Chief Minister, Orissa.
Pt. Ravi Shankar Shukla	..	..	..	Chief Minister, Madhya Pradesh.
Shri C. Subramaniam	..	..	..	Minister for Finance and Education, Madras.
Shri Morarji Desai	..	..	..	Chief Minister, Bombay.
Shri B.C. Roy	..	..	..	Chief Minister, West Bengal.
Pt. Govind Ballabh Pant	..	..	..	Chief Minister, Planning, Uttar Pradesh.
Shri Phool Singh	..	..	..	Deputy Minister, Planning, Uttar Pradesh.
Shri Ramakrishna Rao	..	..	..	Chief Minister, Hyderabad.
Shri V.V. Dravid	..	..	..	Development Minister, Madhya Bharat.
Shri K. Hanumanthaiah	..	..	..	Chief Minister, Mysore.
Raja Surinder Singh	..	..	..	Development Minister, Pepsu.

Shri Tikaram Paliwal	..	..	..	Minister for Community Projects, Rajasthan.
Shri U.N. Dhebar	..	..	..	Chief Minister, Saurashtra.
Shri Pattam A. Thanu Pillai	..	..	..	Chief Minister, Travancore–Cochin.
Shri Haribhau Upadhyaya	..	..	..	Chief Minister, Ajmer.
Shri Brij Mohanlal Sharma	..	..	..	Revenue Minister, Ajmer.
Dr. Shanker Dayal Sharma	..	..	..	Chief Minister, Bhopal.
Shri C.M. Poonacha	..	..	..	Chief Minister, Coorg.
Chaudhri Brahm Prakash	..	..	..	Chief Minister, Delhi.
Dr. Y.S. Parmar	..	..	..	Chief Minister, Himachal Pradesh.
Shri Shambhu Nath Shukla	..	..	..	Chief Minister, Vindhya Pradesh.
Shri S.A. Ghatge	..	..	..	Chief Commissioner, Kutch.
Shri R.P. Bhargva	..	..	..	Chief Commissioner, Manipur.
Shri V. Nanjappa	..	..	..	Chief Commissioner, Tripura.



**MINUTES OF THE  
FOURTH MEETING OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**NEW DELHI : MAY, 1955**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

**Fourth Meeting of the National Development Council held  
at 10 a.m. on May 6, 1955 in the Ministry of Defence,  
South Block, New Delhi.**

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**AGENDA**

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- 1. Questions relating to the preparation of the second five-year plan;**
  - (i) 'Plan-frame' for the second five-year plan—
    - (a) Draft recommendations for the formulation of the second five-year plan by Professor P. C. Mahalanobis together with a supporting paper prepared jointly by the Economic Division of the Planning Commission, the Economic Division of the Ministry of Finance, the Department of Economic Affairs, the Central Statistical Organisation and the Indian Statistical Institute.
    - (b) Basic considerations relating to the 'plan-frame'- Memorandum prepared by the Panel of Economists, Planning Commission.
  - (ii) Resources for the second five-year plan—
    - (a) The second five-year plan : An appraisal of financial resources likely to be available in the public sector-Economic Division Planning Commission.
    - (b) Financial resources for the second five-year plan -Part 'A' and 'B' States-Economic Division, Planning Commission.
  - (iii) Any other connected questions.
- 2. Review of progress of the First Five Year Plan, Progress Report for April-September, 1954.**
- 3. National Extension and Community Development Programme-C.P.A. letter dated November 13, 1954.**
- 4. Land for Displaced Persons from East Pakistan.**

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**MINUTES**

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**(Morning session at 10 a.m.)**

In his opening speech the Chairman, **Shri Jawaharlal Nehru** observed that the Standing Committee of the Council might have to meet a little more often during the course of this year and the National Development Council might also have to meet earlier than it normally did. As the pace of development was becoming faster, they might have to meet more often to consider matters relating to the preparation of the second five-year plan.

Referring to the second five-year plan he said that while a detailed plan had yet to be prepared, some ideas had already been thrown out and rough drafts had been prepared to enable them to consider certain lines of development, to discuss them and then to go into greater detail. They had passed from the stage of planning in which lists of projects were put together and the complexity of the task was now increasing as also its interest. The implications of planning in terms of production, consumption and employment had to be carefully thought out. There were a number of uncertain factors to be taken into account and above all the uncertain human factor. Naturally, the plan had to be based on such information, data, statistics and experience as was available but constantly through experience and in the light of further information modifications and revisions would be made. The Planning Commission during the past four or five years had collected considerable information, data and experience and so had the State Governments. Statistical information available to them was also increasing, though it was certainly not as much as many advanced countries had. The planning process would not end with the second plan, since it was a continuous process. The second five-year plan would naturally be as detailed as they could make it but for the whole period of the plan it might not be very detailed. It could be more detailed for the first year of the plan. The plan had to be flexible and not a rigid thing which could not be bent slightly this way or that way.

Referring to the conditions in the country, the Chairman observed that there was a much more favourable atmosphere for planning in India now than four or five years ago. Five years ago the very idea of planning was not fully understood or appreciated by many people. It might be said now that every body accepted planning. There might be differences as to the methods of planning, but every body in India accepted planning and realised that without planning they could not make effective progress and such resources as they had might be wasted or might not be utilised to the best advantage. Further, the achievement of the targets of the First Plan, notably in regard to the increase in food production, had created a sense of satisfaction and a sense of confidence. The targets of the First Plan were no doubt very high but the fact that they were laid down and realised had increased the feeling of self-reliance, and self-confidence and strength in one's capacity to do things.

From the larger point of view of the public, probably the most effective, the most far-reaching and the one producing the greatest results in the public mind generally were the community schemes. Firstly, they were spread all over the country. Secondly, they dealt with an essential part of the population and with the rural sector, without moving which the Indian economy could not be got into a dynamic state. These community projects had set up an example. They had attracted tremendous attention in other parts of Asia and delegates or representatives from other countries, who came to India, were much impressed by them. While to a small extent these community schemes had been worked out with help from outside, they had essentially been developed in India with Indian

thinking and keeping in view the Indian conditions. They had aroused tremendous enthusiasm. In regard to future planning, these community projects should be thought of as the focal centres which would be utilised to push ahead the implementation of the second five-year plan.

Referring to the development of village and small industries in the second plan, the Chairman said that the present approach to this question had been thrust upon them by the compulsion of circumstances. Apart from the question of providing more employment, there was the need to increase the production of consumer goods. In the second plan they were going to give greater attention to heavy industry because without heavy industry the foundations of rapid progress could not be laid. Production of heavy industry had, however, to be balanced by large and rapid production from cottage and small scale industries. These small scale industries did not absorb so much capital as the large ones but being widespread they were far more difficult to organise. The work of organisation had to be undertaken all over the country and should not wait for the beginning of the second five-year plan. For this purpose also community projects would serve as excellent units.

As regards resources required for the second plan, the Chairman said that if the present methods and approach were continued, the rate of advance in future could not be rapid and there would be a great deal of frustration and disappointment among the people. They had to decide what the pace of progress in future should be and how rapidly reduction in unemployment had to be brought about. It had been estimated that in the last four or five years there had been an annual increase of 3 per cent. in the national income. This had no doubt yielded some results but the rate of progress was not rapid enough to meet the problem of unemployment. In the papers relating to the "plan-frame" it had been suggested that the national income should be increased at the rate of 5 per cent. per year on the average i.e. by 25 per cent. over the five-year period. For achieving this rate of advance additional resources would have to be raised. If people thoroughly understood the plan and saw the direction in which it would take them and the results it was likely to achieve, they would put a larger measure of effort. It was, therefore, essential that the people should join them in their thinking about the plan. If the Government or the Planning Commission brought out the plan themselves and placed it before the public the latter might not understand many things and might not accept some of them. On the other hand, when they are associated with the thinking of the plan they appreciate the difficulties and know that if they want something worthwhile they have to pay for it by hard work. In that way it became easier to tackle the question of resources. Members of Parliament, Members of State Assemblies, Ministers and others should encourage in their States thinking about the plan not only with reference to the limited area with which they are concerned but also in regard to the larger aspects of the plan.

Even in regard to the raising of resources community projects could make a distinct contribution. Through Community Projects and the National Extension blocks they were able to cover 98,000 villages, of one half of which were developed in a more intensive way. These could be used as organs for the implementation of the plan in those areas. The people could be reached more effectively through them than through advertisements in newspapers or even the normal administrative machinery. The Chairman thought that in regard to the loans raised by Government, if the public were reached adequately, their response would be greater. Ultimately, in regard to resources or other matters they could go only as far as the people of India were strong enough to go. It was, however, difficult to guess how far the people were prepared to go, because under certain circumstances they had shown extraordinary capacity to do their share.

Referring to the planning in India the Chairman observed that what they were doing in India was something unique in history. While countries of Western Europe had built up a magnificent



industrial civilisation after 200 years or so of development and by drawing upon the resources of their colonial possessions and while countries like Russia had considerable achievements to their credit obtained at a tremendous cost in terms of human life and suffering, India was pursuing an entirely different way which was democratic and peaceful. No other country pursuing this peaceful and democratic method had dealt so rapidly with its problems and raised the living standards as was intended to be done in India.

Concluding the Chairman said that by the democratic and peaceful method which they had chosen they could accomplish the task before them. His basic reason for this belief was his enormous faith in the Indian people. He felt that if anything is put to them straight, honestly and in a way they are able to understand and if they are taken into confidence, they can be made to do anything. He was greatly excited about the tremendous adventure, the mighty problem, of developing the country and he suggested that in that spirit they should consider their problems and prepare the ground for their next jump-and not step.

The Chairman invited those Members of the Council who had not been present during the meeting of the Standing Committee on May 5 to express their views.

### **Questions relating to the Second Five-Year Plan**

**Shri V. T. Krishnamachari**, Deputy Chairman, Planning Commission stated that two broad objectives were laid down in the papers relating to the "plan-frame", viz. an average annual increase of about 5 per cent. over the plan period in the national income and the provision of new employment for 10 to 12 million persons. In the first five-year plan, an average annual increase of three per cent. in national income had been realised and it was obvious that the target for the second five-year plan would have to be higher. Similarly, the target of new employment for 10 to 12 million persons was reasonable having regard to the fact that every year there was an addition of 1.8 to 2 million to the working population of the country, giving a total of 9 to 10 million over the plan period. The third consideration was that having reached an estimated expenditure of about Rs. 650 crores in the public sector in 1955-56, it would be reasonable to provide for a higher average expenditure of about Rs. 750 crores per annum in the second plan. This would mean a plan of about Rs. 3,750 crores in the public sector over the next five-year period. Shri Krishnamachari pointed out that the objectives and the financial resources for the second five-year plan would be determined with reference to these three factors. It was not possible to go below these targets. To what extent it was possible to exceed them was a matter for judgment.

The papers on the "plan-frame" had given certain estimates of financial resources available for the second five-year plan. It had been decided to set up a Committee including some Central Ministers and the Planning Commission to assess the financial resources which could be raised for the second five-year plan. The conclusions reached by this Committee would be placed for consideration before the next meeting of the Standing Committee of the National Development Council. Deputy Chairman, Planning Commission, requested Chief Ministers to undertake a review of the recommendations of the Taxation Enquiry Commission with special reference to State and local finance and send their views to the Planning Commission. Their suggestions would be of material assistance to the Committee which the Cabinet had appointed. There was no question of course of commitment at this stage.

A target of about Rs. 1,000 crores for the five years had been laid down for loans and small savings in the papers relating to the "plan-frame". Shri Krishnamachari felt that with organised

effort it was possible to achieve this target.

The Chairman stated that apart from the existing methods, the States should also explore fresh methods of reaching at the savings. The amounts might be small for individual families but they could aggregate to a substantial amount for the country as a whole.

The Minister of Agriculture, **Dr. P. S. Deshmukh** referred to the increase achieved in food production and said that it was not correct to attribute it to favourable monsoons to the extent this had been done. The contribution of community projects and the National Extension Service had not been very considerable so far. It was, therefore, necessary to take stock of the position before any considerable expansion of the Community Projects and the National Extension Service was launched. A fair proportion of the total increase had been due to various schemes undertaken in connection with Grow More Food and such programmes as the Japanese method of rice cultivation. The main factor in the increase in food production had been the response and support received from the people all over the country.

The Chairman and Deputy Chairman of the Planning Commission did not share Dr. Deshmukh's view in regard to the contribution made by the National Extension Service and Community Projects. It was pointed out, for instance, that the areas under Community Projects and National Extension Service had accounted for 25 per cent. of the total consumption of fertilisers.

Chief Minister, Madhya Pradesh, **Shri Ravishankar Shukla** desired to know the basis on which figures adopted in the paper regarding "plan-frame" prepared by Professor Mahalanobis had been arrived at. He said that if the working sheets giving the data could be supplied it would be possible to consider the recommendations which had been made in the paper on their merits.

Professor Mahalanobis explained that the paper issued under his name was the outcome of a great deal of joint effort. While some targets were based on information furnished by the Ministries, other targets had been based on assumptions relating to the two main objectives which had been proposed, viz., an average annual increase of 5 per cent. in the national income and additional employment of 10 to 12 million during the period of the second plan. Calculations had been made in regard to some of the targets e.g. for the production of coal from the point of view of the needs of the economy as it developed along planned lines. Professor Mahalanobis explained that the paper on "plan-frame" was by no means a final plan or even a draft plan but only a starting point; these targets would have to be revised when more information became available in the coming months.

The Chairman observed that a number of distinguished statisticians and economists had participated in discussions in connection with the "plan-frame". They had contributed a large number of papers which would be printed and circulated.

Referring to the proposal for a 20 per cent. revenue surcharge which had been included in the calculations of resources in the "plan-frame", Shri Ravishankar Shukla observed that this should be left out of consideration as it might be difficult for the States to impose the surcharge. A better alternative would be for the Government of India themselves to raise the additional funds required from other sources. Shri Shukla emphasised the importance of developing backward areas of the country to bring them to the same level as the rest of the country and referred in this connection to areas in Madhya Pradesh, where it was not possible to exploit forest produce on a commercial basis on account of lack of communications.

Chief Minister, Bihar, **Dr. Srikrishna Sinha** considered the objectives of the "plan-frame" as modest and urged that agriculture should continue to receive more attention in view of the poor yield from land and the small size of holdings. Community Projects and the National Extension Service movement had roused the enthusiasm of the people and enlisted their co-operation and sufficient importance to these should be given in framing the next five-year plan. A closer examination of the financial aspect of the plan was necessary. There was need to increase irrigation rates, but this would lead to political agitation. However, such difficulties had to be met and with proper education of public opinion it should be possible to face difficulties which arise in collecting more taxes.

Chief Minister, Andhra, **Shri Gopala Reddi** invited the attention of the Council to the fall in agricultural prices, and explained its adverse effects for a State like Andhra. It was necessary both to stabilise prices of agricultural products as well as to plan the development of irrigation in areas served by irrigation projects. Otherwise, projects under the Plan would not bring the results expected from them. There should be greater incentive for the rural people to save and invest and also greater effort in drawing out their savings. Villagers should be induced to invest more money in such local development works as directly benefited them.

While agreeing with the general objectives of the second five-year plan, Finance Minister, Orissa, Shri Radhanath Rath observed that statistical data furnished by different authorities varied considerably. As an instance, he quoted different estimates about the per capita income in Orissa. For planning to be realistic, the Centre should assist in making available more firm statistical data on the basis of which the States could prepare their plans. A careful study should be made about the financial resources that could be raised at the existing level of taxation and those which could be raised on the basis of the recommendations of the Taxation Enquiry Commission. In regard to the suggestion to charge betterment levy on the increased value of the land, Shri Rath explained that his State did not possess the administrative machinery to compute the land value. A better alternative would be to base the rate of betterment levy on additional produce accruing to the cultivator. In respect of sales tax on non-resident dealers (which contributed an increase of 25 per cent. in the sales tax proceeds due to the judgment of the Supreme Court) it was anomalous that the Taxation Enquiry Commission's recommendation would reduce the tax proceeds considerably and thus limit the resources. Each State should, therefore, be given an opportunity to examine how the Commission's recommendations should be applied and how they were going to react on its revenue position.

The proposal for a surcharge on land revenue would need careful consideration from many points of view. Thus the quality of land varied considerably-in terms of land revenue from As. 10 per acre up to Rs. 18 per acre. There was also the factor of recession of prices of agricultural produce and it would be very difficult for the cultivator to pay the surcharge unless such prices were stabilised. The States should be given some more time to examine all these considerations before communicating their views to the Planning Commission. The 22 per cent. increase in State resources estimated in the "plan-frame" was on the high side and should be looked into. In the light of past experience, it was necessary to make up the deficiencies in the administrative organisation and remove shortages of trained technical personnel. As training in most fields took considerable time, urgent measures in this direction were necessary. Concluding, Shri Rath urged that backward States like Orissa deserved a greater degree of assistance, both technical and financial. Unlike the more prosperous States like Bombay, backward States like Orissa very often were not able to utilise fully grants offered by the Centre which had to be matched by contribution from State sources. Such States needed assistance in the initial stages in developing their resources.

Development Minister, Assam, **Shri Baidyanath Mookherjee** suggested that a suitable proforma for individual schemes, which could be adopted on a uniform basis by all States, should be provided urgently. Referring to the approach of the "plan-frame" he said that it represented planning from above and not planning from below which they had been asked to adapt. It would be difficult for the States to prepare their schemes unless some indication was given about the size of the second plan and the likely Central assistance. He endorsed the Orissa Finance Minister's observation that backward States deserved special consideration. Progress in Community Projects and National Extension Service blocks should be assessed not only in terms of physical achievements, but also from the consideration whether they changed the mentality of the people and created the proper consciousness among them in relation to the Plan. So far as Assam was concerned, this change in the mentality of the people could already be noticed, but in the main the shortage of technical personnel along with finance hampered progress towards the desired objectives.

To enable the State Governments to prepare their plans in time, it was necessary that the break-up of targets Statewise should be indicated as urgently as possible. In certain States like Assam which did not possess a good co-operative organisation, the responsibility of building up the organisation for cottage industries should not be left only to the State Government. Such States needed guidance and help from experts in organising cottage industries schemes and the cooperative movement. Concluding, Shri Mookherjee stated that suitable facilities should be extended so that there was balanced development in the backward States both in the agricultural and in the industrial fields.

Prime Minister, Jammu and Kashmir, **Bakshi Ghulam Mohammad** referred to the importance of developing backward and under-developed areas and urged that it was necessary to take an overall view of the country as a whole and to give special attention to backward areas so that by comparatively accelerated development they moved up to a level with other States and more uniform conditions were thus achieved over the country as a whole. Shortage of technical personnel and lack of technical guidance were serious limiting factors hampering progress in backward States like Jammu and Kashmir. There should be some arrangements by which such assistance as was required could be given expeditiously and at the appropriate time to the States concerned. In regard to the raising of additional resources for financing the plan, Bakshi Ghulam Mohammad pointed out that there was tremendous scope for the exploitation of forests in Jammu and Kashmir. Adequate means of communication were essential for such exploitation. In the special conditions of his State, there was no scope for heavy industries but cottage and small-scale industries could be promoted on a considerable scale provided means of communications were developed and power was made available.

Chief Minister, Madhya Bharat, **Shri Takhatmal Jain** stated that he would study the papers and would communicate his comments later to the Planning Commission.

Chief Minister, Delhi, **Sardar Gurmukh Nihal Singh** stated that the targets proposed in the "plan-frame" should be treated as the minimum and not the maximum that should be achieved during the next five years. In achieving these targets the various difficulties mentioned by Chief Ministers would be experienced but the proper course was to face and overcome these difficulties. In community projects there was scope for better co-ordination.

Chief Minister, Saurashtra, **Shri Rasiklal Parikh** said that a bolder and a bigger plan was necessary. The increase proposed in the public sector was modest. Questions of procedure should be continuously reviewed to avoid delays and to expedite decisions. In respect of priorities in the

second five-year plan, attention should be given to dry farming (particularly in dry areas like Saurashtra), afforestation, cheap rural electrification (which should be subsidised), primary and adult education, improvement in the pay scales of primary school teachers and training of teachers, environmental hygiene and housing for workers and municipal scavengers (which should be subsidised). Greater emphasis should be placed on capital goods industries. Small scale and cottage industries should be developed both as feeder or ancillary industries and as parallel to large industries by reservation of fields of production. Left to themselves, the States might not be able to meet the resistance to the proposals which they might put forward for implementing the recommendations of the Taxation Enquiry Commission. Some machinery for close consultation between the States and the Central Government should be evolved to step up taxation. The recent recession in agricultural prices affected farmers adversely and some machinery should be established to review the prices of agricultural products and take suitable measures to maintain them at reasonable levels. For creating enthusiasm and encouraging local participation, greater powers should be delegated to panchayats, municipalities and other local bodies in certain matters. As a measure to support labour participation programmes, Shri Parikh suggested that it might be desirable to introduce an element of compulsion for mobilising available community labour for community welfare works.

Chief Minister, Vindhya Pradesh, **Shri Shambunath Shukla** pointed out that the financial rules and procedure applicable to Part 'C' States had resulted in considerable delay in the implementation of the First Five-Year Plan. Such delay should be avoided in the second five-year plan by simplifying these rules and procedure. If the money allotted would be made available in time it would be possible to implement the plans. Compared to other States, Part 'C' States were backward and even among them Vindhya Pradesh was specially under-developed. A larger measure of Central assistance would, therefore, be necessary for Vindhya Pradesh. Due consideration should be given to its difficulties in respect of shortage of technical personnel and assistance should also be given in overcoming them. It would not be possible to achieve a 20 per cent. increase in revenue in a poor State like Vindhya Pradesh. There was a general feeling of uncertainty about the future of the State pending the report of the States Reorganisation Commission and this hampered the progress of planning work in the State.

Chief Minister, Himachal Pradesh, **Dr. Y. S. Parmar** endorsed the view that the country as a whole should be developed equally and special attention should be given to backward areas. Himachal Pradesh was rich in forest and mineral wealth, but adequate means of communications were needed. It might be difficult to raise additional resources by increasing direct taxes like land revenue as the incidence of taxation in backward States like Himachal Pradesh was already heavy. A better alternative might be to exploit resources such as forest wealth (including propagation of commercial trees for producing raw materials for certain industries). Dr. Parmar stated that the existing procedure for obtaining financial sanctions greatly impeded the progress of the Plan. Such impediments should be removed to enable Part 'C' States to reach the targets under the second five-year plan.

Chief Minister, Coorg, **Shri C. M. Poonacha** welcomed the emphasis on the development of agriculture and cottage industries. Under existing conditions more 'labour intensive' rather than 'capital intensive' schemes were necessary and the provision of Rs. 200 crores in the 'plan-frame' for cottage and small-scale industries might not be sufficient. For achieving the targets under the plan, it was necessary to examine carefully the question of stabilising prices of agricultural commodities and of the products of small-scale and village industries. An increase of 25 per cent. in national income might not result in placing sufficient purchasing power in the hands of the people



to enable them to absorb the entire increased production of industries and it might be necessary to examine the possibilities of export

Chief Minister, Bhopal, **Shri Shankar Dayal Sharma** agreed that the targets of employment and national income proposed in the 'plan-frame' were the minimum that should be achieved in the plan period. As a measure for tackling unemployment, projects should be started at different places where opportunity for work should be given to unemployed persons, educated or otherwise, who were willing to work. It may be difficult to levy 25 per cent. surcharge on land revenue at this stage in view of the recent recession in the prices of agricultural commodities, but as resources had to be raised, other methods would have to be explored. Programmes for the training of technical personnel should be taken in hand immediately and should not await the beginning of the second five-year plan.

Chief Minister, Ajmer, **Shri Haribhau Upadhyaya** supported the suggestions made by Chief Minister, Vindhya Pradesh, in respect of Part 'C' States.

Closing the discussion on the second five-year plan, the Chairman observed that their discussion had revealed broad agreement about the targets proposed in the draft 'plan-frame' papers. The question of resources would be considered further at the Centre by a Cabinet Committee, which included the Members of the Planning Commission. Every State should, however, go into the question of resources more fully. The problem should be considered not only in connection with possibilities of additional taxation but also for raising revenue in other ways. They should suggest what they considered feasible for their States and also from the point of view of the country as a whole.

As regards the backward areas to which reference had been made, obviously special attention had to be given to them. It was, however, not possible to ignore what had been inherited from history and if the suggestion was that programmes in the more advanced areas should be slowed down until the backward areas caught up, progress might come to a standstill. Their objective must be that India as a whole went ahead.

Referring to the question of technical personnel on which several Chief Ministers had made observations, the Chairman said that measures for the training of such personnel should not wait until the beginning of the second five-year plan. They had to consider whether courses of training could be reduced for specialised work of a lower order so that the number of persons trained could be increased. It was of course dangerous in any field to lower standards, but in their attempt to retain standards they should not create the other difficulty, namely, that enough people might not be available to do work requiring some technical skill. It might be worthwhile to give short-term training to persons needed in large numbers for specialised work of a lesser character.

It had been mentioned during discussion that the provision of Rs. 200 crores for the development of village and small industries in the "plan-frame" might not be adequate. The Chairman pointed out that so far it had been found difficult to spend the sums which had been provided for the development of small industries in the First Five-Year Plan. The main reason for this was that a great deal of organised effort was required. If it was found possible to utilise effectively Rs. 200 crores and more money was required, the additional provision would be forthcoming.

Referring to the suggestion for a larger provision in the plan for housing schemes, the Chairman said that while the need for more houses was widely recognised, it had to be appreciated that expenditure on housing was not immediately productive except in a social sense. An equal expenditure on productive enterprises would enable them to raise standards of living. It was, therefore,

necessary to balance one thing against another and then to work out the plan.

The work of community projects and the National Extension Service should not be judged in a narrow way by referring to the contribution they might have made to the increase in food production. The essential thing about these projects was that they made men and women dynamic and it was ultimately the human beings who counted. Community projects sought to build men and women and they were the most hopeful sign of growth in India. They were bringing about a social revolution in the country. This was important because the main thing that they had to do was to get out of the state of stagnation which usually characterised under-developed countries.

Referring to the observations of some Chief Ministers regarding the uncertainty about the recommendations of the States Reorganisation Commission, the Chairman said that it would be wrong to hold up the work of planning because of this uncertainty. Even if the boundaries of States had to be adjusted, India would still remain the same and the problems of development would remain unchanged. They should, therefore, go ahead on the existing basis and if any changes came about as a result of the recommendations of the States Reorganisation Commission, the necessary adaptations could be made.

The Chairman suggested that on return to their States the Chief Ministers might apply their minds to the various ways of raising resources-by taxation, savings and so on. They should give the fullest publicity to what had been discussed in the Council and let the people know about the targets aimed at and the difficulties in regard to the resources. The people must pull their weight and the necessary enthusiasm has to be created to enable them to do so.

The Chairman mentioned that in the afternoon session item No. 4 of the agenda-Land for Displaced Persons from East Pakistan-would be taken up first. They would take up the National Extension Service and Community Development Programme next and then consider the item relating to review of the progress of the First Five-Year Plan.

The Chairman then explained the programme for the preparation of the second five-year plan. Detailed discussions would be held with the Central Ministries, State Governments and Industrial and other Panels from June to September this year. By October-November, an outline of the second five-year plan would be published and placed before the Parliament for consideration and by March, 1956 the second five-year plan would be published. The Chairman suggested that it would be desirable for the National Development Council to meet in October to consider the draft outline before it was published.



**(Afternoon session at 3-30 p. m.)****Land for Displaced Persons from East Pakistan**

Explaining the character of rehabilitation problems of displaced persons from East Pakistan, the Minister of Rehabilitation, **Shri Mehr Chand Khanna** stated that in the West there had been an exchange of population and substantial evacuee property had been left behind by Muslims. In West Bengal, on the other hand, out of 7 lakhs of Muslims who had gone to East Bengal, 5 lakhs had returned and to a majority among them property had been restored. While 35 lakh persons had already come over from East Pakistan, in recent months the exodus had increased from 8,000 to 10,000 to 24,000 to 25,000 per month. A majority of the persons who were now coming (in some districts as many as 80 per cent.) were agriculturists and tillers of the soil. More than 80 per cent. have gone to West Bengal, while the rest have gone to Tripura, and Assam and a small number to Orissa and Bihar. In West Bengal, about a lakh of families had been rehabilitated earlier on the basis of an average holding of 2 acres which in itself was uneconomic. With all this and their own problems of unemployment and scarcity of land, a stage had been reached when no more persons could be rehabilitated in West Bengal. The relief camp population was increasing rapidly and there was the problem now of finding land for about 1,25,000 families apart from the 5,000 families which were coming to India every month. From the point of view of community living, it was desirable to have large compact pieces of land where 500 to 1,000 families could be rehabilitated. The Planning Commission was trying to assist in the matter and the Deputy Chairman, Planning Commission, had written to Orissa and Andhra. If land were available in other States, grant of rehabilitation assistance from the Government would be made conditional on the displaced persons agreeing to settle down in the ear-marked places. It was becoming more and more difficult to keep such a large number of displaced persons in the relief camps. The whole problem had to be tackled as an urgent national problem.

Chief Minister, West Bengal, **Dr. B. C. Roy** mentioned certain considerations, which needed to be kept in view in considering the problem of displaced persons from East Pakistan. In the first place, these displaced persons were at present permitted to bring only Rs. 50 while crossing the border. A large number of families were migrating after disposing of their assets and with migration certificates which implied that they did not propose to go back to Pakistan. If they had been free to bring whatever they could, they would have some amount of money and assets to live upon on arrival in this country. Secondly, the average displaced person not only lost his assets but also to an extent his courage and self-confidence. He had, therefore, a psychological problem. Thirdly, the average displaced person was not a trader or an artisan or a cultivator, or one who would engage himself in manual labour. This created the difficulty of finding an employment suited to his way of living. Fourthly, he cared deeply for his language and wished to adhere to it. These considerations explained why persons from East Pakistan did not find it easy to adjust themselves to new surroundings in States outside West Bengal. Therefore, as observed by Shri Khanna, it was necessary that rehabilitation in other States had to be in reasonably compact blocks which could accommodate units of 500 to 1,000 families, and would permit some sort of community life. Dr. Roy urged that for such resettlement units it was necessary, at least in the initial stages, to have a few social workers also.

In the Andaman and Nicobar Islands about 1,300 families had been settled. At the latter place, they were doing well as they had a committee of their own. The question of developing some

small-scale and cottage industries and forest development to provide employment opportunities in the Islands to these families should be considered. Concluding, Dr. Roy suggested that the East Bengal displaced persons would be prepared to go outside West Bengal provided (i) they were permitted to go together in fair number, (ii) for some period they were assisted by social welfare workers and (iii) they were enabled to adhere to their mode of living.

The Chairman agreed that the Rehabilitation Ministry should certainly provide for social workers who would function as part and parcel of such settlements of displaced persons.

On the question of transfer of proceeds of the assets of the migrating persons, Shri Mehr Chand Khanna stated that such persons were able to realise only about 20 per cent. of the value of their property. Considerable expenditure was incurred in getting migration documents etc. and sometimes the displaced persons were robbed on the way.

Dr. B. C. Roy pointed out that often the migrants were unable to sell their land and had to abandon it.

In the course of the general discussion on the subject which ensued the following points were mentioned:

- (i) In East Bengal land revenue had been re-assessed and enhanced considerably in many cases. It was not easy to sell property to Muslims directly and often for nonpayment of land revenue the property and land belonging to non-Muslims was sold to Muslims.
- (ii) In many cases remittances from West Bengal to East Pakistan were not permitted and various objections were raised with the result that the last date for revenue payment expired and the property was taken away.
- (iii) Zamindari had been acquired and there had been complaints that compensation had not been paid.
- (iv) There was differential treatment between Hindus and Muslims in regard to land revenue.
- (v) The District Minority Boards were not functioning and there was discrimination resulting in a general feeling of insecurity. Consumer goods were very dear. The Chairman observed that deterioration of economic conditions was probably the basic cause of exodus.
- (vi) East Pakistan's suggestion that Muslims were migrating from West Bengal to East Pakistan was quite incorrect. Not only those who had gone in 1948-49 had come back, but even today there were 44 lakhs who were earning livelihood in West Bengal.
- (vii) Possibly there was a political motive to reduce the population of East Pakistan by throwing out Hindus, so that West Pakistan might have a little bigger population than East Pakistan.

The Chairman then invited the Chief Ministers of the different States to offer their comments on the possibilities of land being available for resettlement of displaced persons within their respective territories. In Orissa about 1,00,000 acres were available but the area was mostly covered by forest and was highly malarious. It might be possible to clear about 200 sq. miles (out of a total of

800 sq. miles) of forest area and to start with, anti-malaria operations would be necessary. It was suggested that West Bengal might send a team of officers to this area. In Vindhya Pradesh, about 10,000 acres had been suggested for settlement of displaced persons from East Bengal. In Andhra, possibilities of such development existed in certain areas on the border of Andhra and Orissa. Water was available, but it would be necessary to provide irrigation facilities, clear forests and undertake anti-malaria operations before the displaced persons could be rehabilitated. Shri Hanumanthaiya suggested a survey of lands situated in the Malnad area, but pointed out that these areas were also highly malarious. Shri Ravishankar Shukla mentioned difficulties likely to arise in rehabilitating units of 500 to 1,000 families on compact blocks of land. Firstly, such compact blocks of land were not available and secondly, they led to other practical difficulties. A better course would be to absorb such displaced persons as individuals in different fields of economic activity. On an inquiry from the Chairman about possibilities of resettlement in Bastar, Shri Shukla replied that it would be possible to do so only if forests were cleared and 120 miles of connecting roads were constructed. Another area suggested was Sarkuja, which was rich in minerals, had plenty of water and was on the Calcutta-Bombay line.

Summing up the discussions, the Chairman observed that individual families should, of course, be assisted to rehabilitate themselves. But, there was no harm in groups of Bengali-speaking families being settled together. The minimum group for which land should be found in one place should be about 50 families. There should always be a social worker with each group. The problem could be tackled in two stages—the selection of areas suitable for settlement, and their development. Some areas were already under investigation by the Planning Commission. Within the next six months a team of two officers, one from the Planning Commission and the second from the Rehabilitation Ministry, should carry out a general survey for locating areas which were prima facie suitable for settlement. They should work and explore in consultation with the State Governments and the Chief Ministers of the States concerned and then submit their report. The second stage was technical. A closer survey of the area selected should be made by engineers and other technical personnel from the point of view of the development of the area. After the first team had located areas the second team should follow immediately. The CHAIRMAN continued that apart from the States in which possibilities of settlement had been specifically mentioned (Orissa, Andhra, Madhya Pradesh, Mysore, Vindhya Pradesh and Assam), other States should also help as far as they could. They should consider the problem and come forward with offers for such areas as would accommodate units of 50 families or so and possibly more. They might pursue their proposals in consultation with the Planning Commission and the Ministry of Rehabilitation.

The Chairman pointed out that the information that they had at present in regard to the conditions affecting displaced persons coming from East Pakistan e.g., what happened to their land, how much they could sell, how much they left unsold, increases in rent, etc. was meagre. This question should be discussed at the official level and both the Indian Deputy High Commissioner in East Pakistan and the West Bengal Government should try to get as much information as possible.

### **Review of progress of the First Five-Year Plan-Progress Report for April-September, 1954**

Shri V. T. Krishnamachari, Deputy Chairman, Planning Commission referred to the Progress Report for April-September, 1954 issued by the Planning Commission and gave a brief appreciation of the position in regard to resources of the Centre and the States for the First Five-Year Plan.

Against the original target of Rs. 330 crores from current revenues, the Centre provided Rs. 382 crores i.e. Rs. 52 crores above the original target. The States, however, could provide only Rs. 250 crores against the target of Rs. 420 crores. For the Centre and the States taken together, the total was Rs. 632 crores against the target of Rs. 750 crores. Under loans and small savings, the achievement was better, for, against a target of Rs. 385 crores, about Rs. 500 crores would have been raised. Taking these and other resources into account and assuming a 10 per cent. shortfall in execution, i.e. assuming a total outlay of Rs. 2,050 crores, there would be an uncovered gap of Rs. 880 crores under the First Five-Year Plan. Of this, Rs. 230 crores would be met by foreign assistance leaving a gap of Rs. 650 crores which would be covered by deficit financing.

### **National Extension and Community Development Programme- C.P.A. letter dated November 13, 1954**

A point was raised by Dr. Parmar, Himachal Pradesh that it was difficult to manage N.E.S. Block on the present basis of 60,000 persons in his State where the population was so much scattered. It was suggested that where people were living in scattered areas, the basis should be smaller, not exceeding a population of 30,000. Shri S. K. Dey, Administrator, C.P.A. said that the matter was already receiving attention and adjustments were being made in consultation with the States.

### **Technical Personnel for Development Projects**

The Chairman read out a note given to him by the Minister of Planning on the steps taken regarding the question of technical personnel for the second plan (annexure).

The question of technical personnel was then taken up. The discussion is summarised below. On the close of this discussion, at the request of Shri S. K. Dey, Administrator, Community Projects Administration, the Chairman enquired as to the decision to be recorded on the item relating to community projects and the National Extension Service. Chief Ministers, Bombay and West Bengal said that their States had accepted the proposal to cover the entire country with the NES during the next plan and to convert one-half of N.E.S. projects into intensive development projects. Deputy Chairman said this was the proposal conveyed to the States in the Community Projects Administration letter of November 13, 1954. The Council, therefore, finally agreed with the proposal for expansion of community projects and N.E.S.

In reply to an enquiry from Chairman, Shri V. T. Krishnamachari, explained that all the training schemes in regard to agricultural, veterinary and cooperative personnel required for the second plan had been approved by the Planning Commission. As regards the requirements of personnel for the N.E.S., all the training institutions needed for the village level workers as well as cooperative personnel had been sanctioned. Proposals for veterinary and agricultural colleges had been sent to the Finance Ministry and were expected to be sanctioned shortly.

The Minister of Planning, Shri G. L. Nanda stated that the problem of training of technical personnel needed active consideration and he would write to Chief Ministers on certain aspects of the problem. Shri Nanda stated that the problem of mobility of trained personnel-of transfer from one project to another-would be considered at the Co-ordination Board of Irrigation and Power Ministers.

The Chairman then inquired about the requirements of geologists. In China he had been informed that 1,000 geologists were being trained every year. Explaining the position, Shri Neogy stated that a good deal of survey and mapping work had been done by the Geological Survey of India. Mere raw graduates in geology without any experience of field work might be more of a hindrance than a help. The Chairman thought that mapping work alone was not sufficient and should be followed by prospecting work. In the past the outlook of the Geological Survey was to leave prospecting and development to private enterprise; this had to change now and large numbers of trained men, drillers and others, and equipment in large quantities would be required. Extensive training programmes were, therefore, needed.

Professor Mahalanobis pointed out that the Geological Survey's work was mainly mapping and it was actually the Bureau of Mines which was responsible for prospecting.

Chief Minister, Mysore, **Shri Hanumanthaiya** suggested that there should be an arrangement under which a graduate after taking a degree or diploma should be able to find employment straightaway. There should be a survey of the requirements of the country for doctors, engineers, etc. and the arrangements for training should be made accordingly. Wherever there are industrial concerns, they should have workshops for giving training. Students should not only get training but should also receive some payment. This would help solve the unemployment problem.

While agreeing with the suggestion of Chief Minister, Mysore, Dr. J. C. Ghosh pointed out that the actual experience in recent years had been that organised industries in India had not been willing to take up apprentices after students had finished their school or college course. Some considered apprentices to be a hindrance. It was difficult to persuade an industry to take a student even after he had taken a diploma or an engineering degree, nor was private industry prepared to meet the expenditure on the training of these apprentices. In U.K. there was a system of effective training of apprentices in private industry under the supervision of Superintendents appointed by the Board of Education and every factory was liable to take 8 or 9 per cent. of the wage earners as apprentices. The problem of training of persons on part-time basis in schools or colleges was also becoming exceedingly difficult. Under existing conditions either subsidies would have to be given to private industry for such training or else schools would have to be opened at the cost of the Government in the premises of these factories. If it was proposed to train apprentices in an organised manner and quick results were required, some kind of compulsion would be necessary.

Dr. Ghosh agreed that there was advantage in taking a young man at the age of 16 or 17 years and training him in the industry itself so that he became expert in a particular field. But if an engineer was required for general purposes, it was the practice all over that a few years' theoretical training was necessary at an institution followed by one or two years' practical training in a special line. He agreed that if it was possible for industry to let a student work for three hours a day, it was worthwhile considering the matter seriously. In Calcutta students in the technical schools worked for four days in industry and at the end of three years they completed the course and got the certificate. The factories themselves did not guarantee employment but if the student's work had been found satisfactory, there was every prospect of his getting a job at the end of his training.

Shri Hanumanthaiya stated that this proposition was primarily intended to tackle the unemployment problem and was not confined to industries alone. It could be extended to other professions and fields like agriculture. He stated that he proposed to experiment with the idea in his own State. He also referred to legislation proposed to be enacted by the Mysore Government to ensure that every graduate must put in a period of voluntary social service before a degree or diploma was given to him.



The Chairman suggested that the Chief Minister of Mysore might put down his suggestions in writing which would then be circulated.

The Minister of Defence Organisation, Shri Mahavir Tyagi suggested that it was necessary that the people should know what developments were taking place. This should be done through cinema shows or by taking special trains of the villagers to projects and the Planning Commission should take special interest in this.

The Chairman agreed generally and observed that films and other similar media should be utilised fully for training and publicity connected with the second five-year plan. A great deal of attention should be given to this matter.

Concluding the discussion, the Chairman observed that recently in matters of education-technical education, basic education and also university education-the tendency seemed to be towards lowering of standards. Quite a number of new universities had been started, but they were not up to the right standard. One important reason why the standards in the Universities had suffered was that competent persons were drawn into public service mainly because of higher scales of pay and other advantages. He added that though India did not have sufficient technical personnel for her own needs, still among Asian countries she had the largest number of trained personnel of all types-educationists, engineers, doctors, etc. Many countries from South-East Asia, Western Asia and Africa were keen to employ Indian technicians. It was, therefore, necessary to increase the number of trained personnel so as to meet not only the needs within the country itself, but the demands from neighbouring countries.

The Chairman expressed the hope that it would be possible to consider the second five-year plan in greater detail at the next meeting of the National Development Council.

## ANNEXURE

### Note on technical personnel for the Second Plan

Many of the Chief Ministers have referred to the question of technical personnel. In the Planning Commission we have been for some time past studying this problem. We have sorted out categories of personnel where critical shortages exist on the basis of the reports received from our Advisers who keep us informed about the progress of various schemes under the Plan and also on the basis of information supplied to us by the Central Ministries. Such studies have now been completed with regard to requirements of health personnel and the technical personnel in the field of engineering so far as the River Valley Projects are concerned. The interim report of the Committee appointed by Government to which a reference was made by the Prime Minister has already been circulated to the conference. Requirements of the engineering personnel in fields other than River Valley Projects are also being studied. Personnel requirements by various categories for the extension of the Community Projects and the National Extension Service have already been estimated and arrangements have been made for training these personnel with a view that the programmes to be undertaken in the Second Five-Year Plan will not be hampered on account of the shortage of technical personnel. With regard to personnel required for the development of industries, the Planning Commission, in the discussion it holds with the industrial interests, seeks information with regard to the demand and supply of technicians required for programmes of expansion in different industries. It is hoped that before the next meeting of the Standing Committee a fairly comprehensive picture not only of our requirements of technical personnel but also of the steps to be taken for securing such personnel will be made available to the State Governments. There is, however, one specific point that I would like to raise and that is with regard to the main recommendations made in the interim report of the Technical Personnel Committee for R.V.P. I raise it because even at this stage the States might think how to expand the existing training facilities with a view to meeting the immediate shortages.

The main conclusions which the Technical Personnel Committee has reached are that:

- (a) There would be a big jump in the demand of technical personnel of various categories if the expenditure on the R.V.P. is to be stepped up from the level of 120 crores in 1954 to 185 crores in 1956-57.
- (b) After 1956-57 the annual requirements are comparatively modest.
- (c) The initial high demand cannot, therefore, be satisfied by normal method of training and several short-term measures require to be resorted to.

The Committee has classified the technical personnel into six categories: (a) graduate engineers (b) overseers and draughtsmen (c) sub-overseers and mistrees (d) mechanical assistants (e) electrical assistants and (f) accountants, and has said that:

- (a) There is not likely to be a shortage of graduate engineers if graduates who are at present wasted in positions below their training and skill are upgraded.
- (b) Immediate facilities should be provided for increasing the output of engineering diplomates by 100 per cent. The Committee is at present working out how this increase in diplomates should be secured and what should be the regional distribution of the additional training facilities to be created.



- (c) This increase in the output of diplomates is not likely to meet requirements in the field. The Committee has suggested that in addition there should be technical assistants trained for specific jobs. Such training in specific fields should last from 6 to 9 months and should be followed up by practical training after recruitment for three months.
- (d) Mechanical and electrical assistants. The Committee has estimated that 2,000 mechanical assistants and 2,800 electrical assistants will be required in 1956-57 and has suggested that in addition to the centres already established for training such assistants 16 more centres for mechanical assistants and 28 centres for electrical assistants each taking 100 trainees for a period of 12 months require to be set up. For each such training centre the Committee has also worked out that there would a capital cost of 15 lakhs and recurring cost of 1.8 lakhs per year.

The Committee has made some specific suggestions regarding the efficient use of the existing technical personnel and in this connection has favoured zonal organisations for developing the water resources of different river basins. It has also suggested the institution of an All-India Service of Irrigation and Power Engineering which should be comparable in all respects with other All-India Services. The last two recommendations would naturally require some closer examination by the State Governments, but I would suggest that with regard to the creation of additional training facilities for overseers and technical assistants, the States should send their proposals to the Planning Commission as early as possible.

**Statement of Conclusions and Suggestions arising from the meeting of the Standing Committee of the National Development Council on May 5, 1955, and the meeting of the National Development Council on May 6, 1955.**

**I. The Second Five-Year Plan**

- (i) The Standing Committee and the Council considered the following documents:
1. Draft recommendations for the formulation of second five-year plan-Professor P. C. Mahalanobis.
  2. The second five-year plan-A tentative framework-Economic Divisions of the Ministry of Finance and the Planning Commission.
  3. Basic considerations relating to the 'plan-frame'-Memorandum prepared by the Panel of Economists, Planning Commission, and a note of dissent on the Memorandum of the Economists' Panel by Professor B. R. Shenoy.

They generally agreed with the basic approach of the "plan-frame" and with the basic considerations relating to the "plan-frame" put forward in the Memorandum of the Panel of Economists. They also agreed that the second five-year plan should be drawn up so as to be capable of leading to an increase in national income of about 25 per cent. over a period of five years and of providing employment opportunities to 10 to 12 million persons.

- (ii) The second five-year plan should be drawn up so as to give concrete expression to the policy decisions relating to the socialistic pattern of society.
- (iii) The targets in respect of national income and employment set out in the "plan-frame" should be accepted and every effort made to raise the necessary resources and ensure the pattern of development which would lead to such targets being realised. The raising of resources for the next plan should be the joint responsibility of the Central and State Governments.
- (iv) The programme for drawing up the second five-year plan would be as follows:
- June to September 1955-Discussion of detailed plans with the Central Ministries and State Governments on the basis of the draft "plan-frame" and the other papers mentioned above.
- October-November 1955-Draft outline of the second five-year plan to be published for comments and to be placed before Parliament.
- March 1956-Final publication of the second five-year plan.
- (v) The "plan-frame" papers considered by the Council should be issued for the information and consideration of the public.
- (vi) The measures needed for the organisation of village and small industries on adequate scale in connection with the second five-year plan should be taken in hand well in advance of the second-five-year plan.
- (vii) Measures for training of personnel needed for the implementation of all parts of the second five-year plan should be given high priority and should not wait for the

preparation of the second plan.

- (viii) Chief Ministers will undertake a review of the recommendations made by the Taxation Enquiry Commission on State and local finances and send memoranda showing the possibilities for raising additional resources. They will also make suggestions regarding the Taxation Enquiry Commission's proposals for Central revenues and also in regard to intensification of savings, including schemes for compulsory savings, if necessary.

## **II. Review of the First Five-Year Plan**

Deputy Chairman, Planning Commission, briefly reviewed the progress of the implementation and the raising of resources for the First Five-Year Plan.

## **III. National Extension and community development programme**

There was general agreement that the programme for Community Projects and the National Extension Service should be expanded as part of the second five-year plan.

## **IV. Land for Displaced Persons from East Pakistan.**

- (i) The immediate problem was to rehabilitate 125,000 families who were now in relief camps in addition to 5,000 families coming each month from East Bengal of whom as many as 80 per cent. were cultivators. Settlement on land would be best facilitated if 500 to 1,000 families could be rehabilitated as a small local community and the help of social workers was also made available. At a minimum, there should be land in one place for settling 50 families. In continuation of efforts which were already being made by the Planning Commission and the Ministry of Rehabilitation, possibilities for locating suitable areas should be investigated in various States, and specially in Orissa, Andhra, Madhya Pradesh, Vindhya Pradesh, Mysore and Assam.
- (ii) The task should be approached in two stages. The first stage was for a team of two officers, one from the Planning Commission and the other from the Ministry of Rehabilitation, to do a preliminary survey with the assistance of local officers with the object of locating areas which were prima facie suitable. After such areas had been selected, development schemes should be worked out by teams of technical officers with a view to the settlement of displaced persons.
- (iii) The Ministry of Rehabilitation would meet the cost of development.

## PARTICIPANTS

### PLANNING COMMISSION

- |    |                          |    |    |    |                               |
|----|--------------------------|----|----|----|-------------------------------|
| 1. | Shri Jawaharlal Nehru    | .. | .. | .. | Chairman.                     |
| 2. | Shri V.T. Krishnamachari | .. | .. | .. | Deputy Chairman.              |
| 3. | Shri Gulzarilal Nanda    | .. | .. | .. | Minister of Planning.         |
| 4. | Shri C.D. Deshmukh       | .. | .. | .. | Member (Finance).             |
| 5. | Shri K.C. Neogy          | .. | .. | .. | Member (Industry).            |
| 6. | Prof. P.C. Mahalanobis   | .. | .. | .. |                               |
| 7. | Shri S.N. Mishra         | .. | .. | .. | Deputy Minister for Planning. |
| 8. | Shri Y.N. Sukthankar     | .. | .. | .. | Secretary                     |

### UNION MINISTERS

- |     |                          |    |    |    |   |
|-----|--------------------------|----|----|----|---|
| 1.  | Maulana Abul Kalam Azad  | .. | .. | .. | Minister for Education and Natural Resources & Scientific Research. |
| 2.  | Shri Govind Ballabh Pant | .. | .. | .. | Minister for Home Affairs.  |
| 3.  | Shri Jagjivan Ram        | .. | .. | .. | Minister for Communications.  |
| 4.  | Rajkumari Amrit Kaur     | .. | .. | .. | Minister for Health   |
| 5.  | Shri T.T. Krishnamachari | .. | .. | .. | Minister for Commerce & Industry.                                   |
| 6.  | Shri Lal Bahadur Shastri | .. | .. | .. | Minister for Railways & Transport.                                  |
| 7.  | Sardar Swaran Singh      | .. | .. | .. | Minister for Works, Housing & Supply.                               |
| 8.  | Shri K.C. Reddy          | .. | .. | .. | Minister for Production.  |
| 9.  | Shri Ajit Prasad Jain    | .. | .. | .. | Minister for Food & Agriculture.                                    |
| 10. | Shri Mahavir Tyagi       | .. | .. | .. | Minister for Defence Organisation.                                  |
| 11. | Dr. B.V. Keskar          | .. | .. | .. | Minister for Information & Broadcasting.                            |
| 12. | Shri D.P. Karmarkar      | .. | .. | .. | Minister for Commerce (afternoon session only).                     |
| 13. | Dr. P.S. Deshmukh        | .. | .. | .. | Minister for Agriculture.   |
| 14. | Shri M.C. Shah           | .. | .. | .. | Minister for Revenue & Civil Expenditure.                           |
| 15. | Shri A.C. Guha           | .. | .. | .. | Minister for Revenue & Defence Expenditure.                         |
| 16. | Shri Mehr Chand Khanna   | .. | .. | .. | Minister for Rehabilitation.  |

## STATES

- |                               |    |    |    |                                    |
|-------------------------------|----|----|----|------------------------------------|
| 1. Shri B. Gopala Reddi       | .. | .. | .. | Chief Minister, Andhra.            |
| 2. Shri Kala Venkata Rao      | .. | .. | .. | Planning Minister, Andhra.         |
| 3. Shri Baidyanath Mookherjee | .. | .. | .. | Planning Minister, Assam.          |
| 4. Dr. Srikrishna Sinha       | .. | .. | .. | Chief Minister, Bihar.             |
| 5. Shri Morarji Desai         | .. | .. | .. | Chief Minister, Bombay.            |
| 6. Shri Ravishankar Shukla    | .. | .. | .. | Chief Minister, Madhya Pradesh.    |
| 7. Shri C. Subramaniam        | .. | .. | .. | Finance Minister, Madras.          |
| 8. Shri Radhanath Rath        | .. | .. | .. | Finance Minister, Orissa.          |
| 9. Shri Bhimsen Sachar        | .. | .. | .. | Chief Minister, Punjab.            |
| 10. Dr. Sampurnanand          | .. | .. | .. | Chief Minister, Uttar Pradesh.     |
| 11. Dr. B.C. Roy              | .. | .. | .. | Chief Minister, West Bengal.       |
| 12. Bakshi Ghulam Mohammad    | .. | .. | .. | Prime Minister, Jammu & Kashmir.   |
| 13. Shri B. Ramakrishna Rao   | .. | .. | .. | Chief Minister, Hyderabad.         |
| 14. Shri Takhatmal Jain       | .. | .. | .. | Chief Minister, Madhya Bharat.     |
| 15. Shri K. Hanumanthaiya     | .. | .. | .. | Chief Minister, Mysore.            |
| 16. Shri Brish Bhan           | .. | .. | .. | Chief Minister, Pepsu.             |
| 17. Raja Surinder Singh       | .. | .. | .. | Development Minister, Pepsu.       |
| 18. Shri Mohanlal Sukhadia    | .. | .. | .. | Chief Minister, Rajasthan.         |
| 19. Shri Rasiklal Parikh      | .. | .. | .. | Chief Minister, Saurashtra.        |
| 20. Shri Manubhai Shah        | .. | .. | .. | Finance Minister, Saurashtra.      |
| 21. Shri P. Govinda Menon     | .. | .. | .. | Chief Minister, Travancore-Cochin. |
| 22. Shri Haribhau Upadhyaya   | .. | .. | .. | Chief Minister, Ajmer.             |
| 23. Dr. Shankar Dayal Sharma  | .. | .. | .. | Chief Minister, Bhopal.            |
| 24. Shri C.M. Poonacha        | .. | .. | .. | Chief Minister, Coorg.             |
| 25. Shri Gurmukh Nihal Singh  | .. | .. | .. | Chief Minister, Delhi.             |
| 26. Shri Brahm Prakash        | .. | .. | .. | Development Minister, Delhi.       |
| 27. Dr. Y.S. Parmar           | .. | .. | .. | Chief Minister, Himachal Pradesh.  |
| 28. Shri Shambhunath Shukla   | .. | .. | .. | Chief Minister, Vindhya Pradesh.   |

## SPECIAL INVITEES

1. Dr. J.C. Ghosh
2. Prof. D.R. Gadgil

**MEETING OF THE  
NATIONAL DEVELOPMENT COUNCIL  
NEW DELHI : SEPTEMBER, 1955**

**SUMMARY RECORD**



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

**Fifth Meeting of the National Development Council held at 3 p. m.  
on Monday, September 5, 1955, in the Committee Room of the  
Ministry of Defence, South Block, New Delhi.**

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**AGENDA**

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1. Financial Resources and distribution of expenditure between Revenue and Capital.
2. Progress in examination of State and Central Plans.
3. Employment Aspects of the Second Plan.
4. National Extension Service and Community Projects.

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**SUMMARY RECORD**

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Opening the proceedings, the Chairman (**Shri Jawaharlal Nehru**) recalled the main approach in the draft plan-frame which had been accepted at the meetings of the National Development Council held in May, 1955. The essential aspects of this approach were:—

- (1) planning should be undertaken with reference to physical needs and possibilities subject to financial considerations and especially foreign exchange requirements;
  - (2) emphasis should be placed on heavy industries especially on machine building industries; and
  - (3) the village and small-scale industries should be developed.
2. The Planning Commission had now conducted a detailed examination of the plans of a number of States and of Central Ministries. One of the difficulties encountered during this examination was the fact that the proposals of the Central Ministries and the State Governments exceeded the resources which appeared to be available. It was, therefore, necessary either to increase the resources or to reduce the demands or to do both. The Chairman referred in this connection to the success of the loans issued by some States, notably Madras, and said that he felt optimistic on the subject of resources for the plan.
  3. On detailed examination it had been found that many of the figures given in the plan-frame had to be varied on the basis of the information now available. It had not yet been possible to make reliable calculations regarding the employment potential of the second five-year plan.
  4. The Chairman then referred to village and small industries. He said that they were important because they did not require the same amount of capital and unlike big factories, it would not be necessary to build townships, residential buildings, etc. To the extent industries could be decentralised, transport bottlenecks would also be lessened and many social evils avoided. In view of these considerations production in small-scale industries should play an important part in our planning.



5. The Chairman observed that among the activities undertaken in the country during the last three or four years the Community Projects were of the utmost importance. They were a vitalising influence in rural life and he himself attached the greatest importance to them. Two questions had, however, arisen. The first question was whether, having regard to the financial commitments involved, Community Projects and National Extension Blocks could be undertaken in the ratio of one to two as had been contemplated. Secondly, it had to be considered whether from the point of view of personnel and other resources the full programme for covering the country with National Extension Blocks during the period of the second plan and having Community Projects over half the rural area during the same period could be implemented. The N.E.S. provided the base but Community Projects radiated their influence over neighbouring areas as well. The measure and extent of the programme for the second plan was now for the National Development Council to decide.

6. The Chairman mentioned that according to the programme the draft of the second five-year plan had to be issued in November, 1955. He felt that it might not be practicable to produce in the course of two months a completely worked out scheme for the next five years. It might be possible to get ready before the end of the year some kind of a five-year plan, but it should be considered, not as a rigid plan, but only as a skeleton plan. The programme for the first year would, of course, have to be worked out carefully: this would include some major schemes which would continue over some years. There were many elements of the second plan that could not be foreseen in detail and there were interrelationships between different parts of the plan for which greater data would be necessary. There could not, therefore, be too rigid an approach towards the future and it was necessary to have a measure of flexibility, so that adjustments could be effected as circumstances required. Such a procedure would be helpful also in dealing with the problem of resources; it was quite conceivable that on further examination it might be found feasible to exceed the figures already given out. It was also conceivable that circumstances might indicate that even those figures might not be reached. The skeleton plan which might be drawn up should be considered only as a broad indication of the development programme for the next five years. The five-year plan that was drawn up in skeleton form need not be considered the final word.

7. Finally, the Chairman referred again to the essential features of basic approach in the plan-frame and said that they should be clear about it. Did they confirm their previous decision about the basic approach?

8. Chief Minister, Punjab, **Shri Bhimsen Sachar** mentioned that in view of the industrial development contemplated, some of the materials such as iron and steel might not be available in sufficient quantities to small industrialists and craftsmen and that as a result they might be thrown out of work. He, therefore, suggested that a proportion of such materials should be earmarked for small users. The Chairman observed that this point should be borne in mind.

9. Chief Minister, West Bengal, **Dr. B. C. Roy** suggested that heavy industries should, as far as possible, be integrated with the development of small industries and cottage industries. For instance, in order to ensure the proper utilisation of the electricity generated under any programme of development, steps should be taken to see that small cooperatives were formed in villages for the local utilization of electricity. Similarly, arrangements should be made for proper distribution to handloom weavers of yarn from spinning mills that might be set up. In the case of the iron and steel industry, there had to be integration with the development of small foundries where villagers could participate through cooperatives.

The Chairman observed that there was no controversy about the point mentioned by Dr. Roy. The consequential points arising out of the stress on the heavy industries should certainly

be borne in mind.

Chief Minister, West Bengal, suggested that greater attention should be given to the production of consumer goods in order to satisfy the needs of the people until village and small industries were properly organised.

### **ITEM (1) : Financial resources and distribution of expenditure between Revenue and Capital.**

10. Under this item, there was a brief discussion regarding the size of the second plan.

Finance Minister, **Shri C. D. Deshmukh** said that it was necessary for the Council to take a clear view on a question of principle which had been stated in the paper circulated by the Economic Division, namely that, after transferring to the capital, in consultation with the Comptroller and Auditor General, whatever items could be so transferred, the residual revenue expenditure should balance with the revenue resources. It followed, therefore, that if in the plan as tentatively worked out the total developmental expenditure came to more than Rs. 900 crores it had to be reduced to that figure. Finance Minister also mentioned that the calculation of Central resources did not take into account any increased expenditure, say, on defence. It had been said that the Ministry of Defence might require Rs. 40 crores or more over and above the figure which had been assumed for the defence expenditure. They had also to consider the loss of revenue and the additional expenditure which might result from the recommendations of the Prohibition Enquiry Committee.

11. Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that sufficient allowance had not been made for non-developmental expenditure in the States. He mentioned, in particular, that in addition to salaries, allowances, etc., State Governments would have to incur expenditure on the non-developmental side on construction of buildings, etc. Finance Minister suggested that expenditure on buildings could be transferred to capital. So long as some physical assets were created it was possible to borrow money but the State Governments should realise that they might have to pay interest on something which was not directly productive.

12. Finance Minister, Saurashtra, **Shri Manubhai Shah** stated that until such time as a firm decision was taken regarding current account and investment account and the allocation of expenditure between capital and revenue, it would be premature to accept the principle that the revenue account should balance. He mentioned as an example the correspondence regarding the classification of the expenditure on soil conservation in regard to which, ultimately after protracted correspondence, it had been decided that the expenditure should be debited to the capital account. He was of the view that in an under-developed economy it was not necessary and might even not be possible immediately to balance the revenue account while necessary social reforms were being undertaken and production services established.

13. Finance Minister, **Shri C. D. Deshmukh** stated that an ultimate limitation on the size of the second five-year plan was foreign exchange. On the basis of the programmes shown in the plan-frame it had been calculated that there would be shortage of foreign exchange to the extent of about Rs. 400 crores. This took into account the assumption that financial assistance would be forthcoming from abroad to the extent of about Rs. 400 crores. This should be borne in mind when considering alterations in the size or pattern of the plan.

14. Chief Minister, West Bengal, mentioned that State Governments were not able to proceed quickly with taxation measures as some of the items on which taxation could be imposed belonged

to the category of essential goods and the prior permission of the Central Government was needed before imposing taxation on such items. He said that he was proposing to adopt the procedure followed in Bombay regarding sales tax so as to raise additional resources. It was not intended that the tax should be levied on goods which went out of the State.

Finance Minister observed that his Ministry was considering the recommendations of the Taxation Enquiry Commission and that the intention was either to dispense with the categorisation of certain goods as essential goods or to reduce the list very considerably. Finance Minister referred also to the suggestion regarding the replacement of sales tax by additional excise duty. This would avoid evasion and the States would get more revenue as their share.

15. Finance Minister observed that a calculation had to be made about the surplus amount which would be available from revenue if some of the items were transferred from revenue to capital. It was proposed to finalise the scheme of classification in consultation with the Comptroller and Auditor General before the next budget.

**Shri Subramaniam**, Finance Minister, Madras, observed that re-classification of budget heads proposed by the Finance Minister would affect different States differently according to their present practice. He suggested that the position of each State should be scrutinised separately and an assessment made taking into account the level of taxation and the stage of economic development. One method would be to fix the per capita taxation for each State and leave it to the State Government to adjust the level of taxation and the items on which taxes were levied.

Finance Minister intervened to say that the Centre could not agree to any and every kind of excise, as it was interested in the excise duty levied on a number of articles, e.g., cloth. Shri Subramaniam stated that there was no intention of asking the Centre to allow rebate on excise duty on account of the sales tax imposed by the States. The general point was that it should be left to each State Government to decide how they should raise additional resources. Finance Minister stated that so long as the legitimate interests of the Central Government were not transgressed he would have no objection to any reasonable proposition.

With reference to the suggestion that there should not be any interference from the Centre regarding the particular taxes to be levied, the Finance Minister referred to the remarks of a distinguished economist who met the Planning Commission few days back. His opinion was that it was not only necessary to raise the foodgrains required to meet the additional demand but also to take steps to ensure that the extra foodgrains produced came to the market. One method of achieving this object would be to increase the land revenue which would put some kind of pressure on the peasant to bring larger food stocks to the market.

16. The Chairman observed that the general opinion appeared to be that every State should do its best to raise the additional resources required for the plan.

Shri Subramaniam (Finance Minister, Madras) referred to the success of the loans issued by the Madras Government. He said that there had been a successful drive for small savings and it was possible to raise loans from the rural areas if a proper approach was made. He observed that success had been due also to the fact that the prices of various bonds were kept at par or above par in order to attract future investors. It was necessary to ensure that bond prices did not go down.

Finance Minister observed that it was possible to step up the target of resources from borrowing in the case of States like Madras, West Bengal and Bombay.

**ITEM (2): Progress in examination of State and Central plans.**

17. Deputy Chairman, **Shri V. T. Krishnamachari** explained briefly the considerations which the Planning Commission had kept in view in determining the size of individual State plans. He said that after the present series of discussions with States had been completed, there would be a rapid review of the results with individual States before finalising the State plans.

Chief Minister, Orissa, **Shri Nabakrushna Chaudhuri** asked whether the State plans as they were drawn up provided for the necessary production of food and raw materials as envisaged in the plan-frame. Deputy Chairman said that as far as could be seen at present there would be no imbalance in this respect.

Chief Minister, West Bengal, suggested that the recommendations of the Working Groups should not be taken as final as there might be proposals on which Ministers might have different views.

Chief Minister, Assam, **Shri Bishnuram Medhi** stressed the importance of adequate development programmes for backward areas especially for scheduled tribes.

In answer to a question whether separate one-year plan should be prepared, Deputy Chairman said that the forms which had been proposed provided for individual years in the plan period.

Chief Minister, Uttar Pradesh, emphasised that provisions should be made for slum clearance schemes in the second five-year plan. The Minister of Works, Housing and Supply (Sardar Swaran Singh) explained briefly the present stage of consideration of slum clearance programme at the Centre.

It was explained that irrigation and power schemes, including multi-purpose schemes, were being shown in the States sector for the second five-year plan.

**ITEM (3): Employment aspects of the second plan**

18. The employment aspects of the second five-year plan were then discussed. It was agreed that the problem of unemployment among educated persons required urgent attention and that special programmes should be worked out for providing opportunities for educated unemployed persons through work and training camps and other measures. The Chairman suggested for consideration that there should be compulsory labour service for young men of the age group 18 to 20 years. It might not be possible to enforce the scheme all over the country, but a beginning should be made. The point was that every young man who was in need of employment should be offered this. It should not be necessary to give him any salary but some sort of subsistence, food and shelter should be given.

The Chairman suggested that the proposal should be examined further by the States. He suggested that it might be enough for the present to make provision for a year or two and that it might be all right if a sum of Rs. 1 crore was set aside for the purpose.

19. The Chairman then referred to the employment aspects of the State Plans and observed that it might be possible to calculate with some accuracy the employment which would be directly created. So far as secondary employment was concerned, one could only guess and opinions

varied about the proportion between direct and secondary employment. In the United States, the ratio between secondary employment and direct employment was stated to be 10 to 1; in India the ratio was stated to be 1 to 1 or less. The Chairman suggested that each State should give attention to this question.

#### **ITEM (4): National Extension Service and Community Projects.**

20. The programme for the National Extension Service and Community Projects prepared by the Community Projects Administration was then considered. The Chairman invited the Chief Ministers to express their views.

Chief Minister, Madhya Pradesh, **Shri Ravishankar Shukla** said that the whole country should be covered with National Extension Service during the second plan period.

Chief Minister, U.P., remarked that the amount that had been provisionally allocated by the Planning Commission for the State Plan allowed only for 10 per cent. conversion of National Extension Service blocks into Community Project blocks. This was inadequate. According to the proposed programme, a National Extension Service block would function normally for 1½ years before it was converted into a Community Project block, upon which it would have a further three years' period of operation so that, on the whole, each block would have 4½ years' period of operation. He suggested that the ratio of 2 : 1 should be maintained, and if financial limitations made it necessary, the period for covering the country with National Extension Service blocks might be extended but not beyond seven years.

Chief Minister, West Bengal, observed that no amount spent on this programme should be considered too much because the entire development programme depended on how the areas covered by the National Extension Service and Community Projects could be vitalised. The important question was not the extent or number of roads, hospitals, schools, etc., but the amount of enthusiasm created. In West Bengal, they had started somewhat earlier, and their pattern of development included development of townships also. This conception was very sound and should remain, so that the middle-class educated people might be siphoned off to those areas from large cities. The Community Projects Administration had allowed them to develop small townships with about 2,500 people in each with organised cottage industries. Continuance of this feature of development was essential for West Bengal.

Finance Minister enquired whether, if it became necessary, Chief Minister, West Bengal, would recommend cutting down expenditure on other sectors of the Plan in order to provide for this programme.

Chief Minister, West Bengal, replied that if necessary he would do so. After all, after the three-year period of operation, it would be the State Government which would have to undertake the responsibility of maintaining development in these areas. Even now, he said, all departments concerned with development worked together.

**Shri C. Subramaniam**, Finance Minister, Madras pointed out that there was a commitment to cover the entire country with N.E.S. blocks. If a reduction became necessary for financial reasons, Shri Subramaniam's suggestion was that the programme, as outlined in the note, should be adhered



to, and expenditure on other items in the plan might be cut down. Shri Subramaniam added that the better way of spending money for rural development was through the agency of Community Projects and the National Extension Service rather than through the individual departments.

Chief Minister, Bombay, **Shri Morarji Desai** observed that as compared to the National Extension Service blocks, Community Projects would involve larger expenditure. After the three-year period, the further development of community project areas became the responsibility of the State Government. It could not be denied that Community Projects evoked greater enthusiasm but the matter had to be considered with reference to the availability of finance. In Bombay, the proposal was to add during the second five-year plan period 351 National Extension Service blocks out of which 150 would be converted into Community Projects. Various development schemes had been worked out taking into account this programme and if it was now decided to take away some of the Community Blocks, provision had to be made for development schemes in the areas concerned separately. He, therefore, felt that the ratio should be adhered to, but if it became absolutely necessary to make a reduction in the total expenditure involved, he would not delay the extension of National Extension Service Blocks over the entire State beyond the second five-year period.

Chief Minister, Hyderabad, **Shri B. Ramakrishna Rao** said that he was in complete agreement with the views expressed by the Chief Minister, Bombay.

Chief Minister, Bihar, **Dr. Srikrishna Sinha** felt that it was very necessary to cover the entire country with National Extension Service and also to have a fair proportion of community projects. He agreed to the percentage of conversion into community project blocks as suggested in the note circulated, which meant 1400 Community Project blocks. He pointed out that there was no mention of any provision being made for local development works. This programme had been instrumental in making the people feel that something was being done for them. The people also became more conscious of the development programme. He, therefore, suggested that along with the provision for Community Project areas and National Extension Service blocks, there should also be some provision for local works programme.

Chief Minister, Andhra, **Shri B. Gopala Reddi** said that, if necessary, the proportion of Community Projects to National Extension Service blocks might be reduced.

Chief Minister, Orissa, observed that the National Extension Service provided a pattern for administrative reorganisation and for co-ordination between development departments which were of great importance. Community Projects, on the other hand, meant concentration of development works in certain areas. Such concentrated effort was essential in order to create enthusiasm among the people. He was, therefore, in favour of maintaining the ratio but suggested that the Planning Commission and the Community Projects Administration might examine whether it was possible to reduce the cost of each community block.

Chief Minister, Assam, was of the view that the ratio should be maintained. At the most, the number of Community Project blocks could be reduced from 1400 to 1250; but there should be an adequate proportion of community projects as otherwise there would be no incentive for the people.

Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** expressed the view that the whole State should be covered with National Extension Service and that the ratio 2 : 1 should be maintained, if necessary, by cutting down expenditure on other items in the plan.

Chief Minister, Travancore-Cochin, **Shri P. Govinda Menon** agreed with the views expressed by Chief Minister, Bombay and others. It was always difficult for the State Government to decide where to locate the N.E.S. blocks, because of the clamour from almost every village in the State. They had promised the people that by 1961 every village would be covered. He would, therefore, give priority to the scheme for covering the entire State with National Extension Service blocks. If financial resources permitted, he would like also to maintain the proposed ratio between Community Projects and National Extension Service blocks.

Prime Minister, Jammu and Kashmir, **Bakshi Ghulam Mohammad** said that the ratio 2 : 1 should be maintained, as well as complete coverage with the National Extension Service. If necessary, resources should be found from some other sources. He was, however, very keen that whatever programme was decided upon should be implemented during the period fixed for it.

Chief Minister, Madhya Bharat, **Shri Takhatmal Jain** said that the programme indicated in the Community Projects Administration's note should be accepted. If necessary, the loan element might be reduced, or resources found from other sources, e.g., by transfer from appropriate heads in the schemes of individual departments.

Chief Minister, Pepsu, **Shri Brish Bhan** said that he agreed with the views expressed by Chief Minister, Madhya Bharat.

Chief Minister, Saurashtra, **Shri Rasiklal Parikh** was in favour of having half the National Extension Service blocks as Community Projects but would not like to do this if it meant any adjustment in the State's overall plan or in curtailing the National Extension Service programme.

Chief Minister, Ajmer, **Shri Haribhau Upadhyaya** said that Ajmer had already been allotted five blocks, and that with two more National Extension Service blocks the whole State would be covered. He was in favour of extending the programme over a period of seven years rather than reducing the proportion between Community Projects and National Extension Service blocks.

Chief Minister, Delhi, **Shri Gurmukh Nihal Singh** was for maintaining the ratio of conversion and, if necessary, for staggering the National Extension Service programme.

Chief Minister, Bhopal, **Dr. Shankar Dayal Sharma** and Chief Minister, Vindhya Pradesh (**Shri Shambhunath Shukla**), agreed with the views of Chief Minister, Delhi.

Chief Minister, Himachal Pradesh, **Dr. Y. S. Parmar** suggested that the ratio should be maintained even if it meant cutting down the expenditure provided for other items.

Summing up the discussion, the Chairman said that every Chief Minister had considered the National Extension Service and Community Projects programme to be of high importance and almost all of them desired both parts of the programme to be maintained. Secondly, almost all of them had favoured the maintenance of the ratio of 2:1 between National Extension Service and Community Projects. Several Chief Ministers had, however, said that if resources were limited and any reduction was necessary, National Extension Service programme should be carried to completion. They all agreed in according high priority to Community Projects. The Chairman said that the reason for the ratio of 2:1 between National Extension Service and Community Projects was that apart from the intensive development of areas selected for community blocks, these areas served as examples to other areas in the National Extension Service scheme.



21. After a brief exchange of views, it was agreed that during the second five-year plan the entire country should be covered with National Extension Service and that not less than 40 per cent of the National Extension Service blocks should be converted into Community Projects. The question of converting a higher percentage of National Extension Service blocks into Community Project blocks would depend upon the resources available in individual States.

22. The meeting had been convened as a meeting of the Standing Committee of the National Development Council but as almost all the Chief Ministers were present it was agreed to regard it as a meeting of the National Development Council. It was proposed that the next meeting of the Council might be held in the beginning of November, 1955.

## PARTICIPANTS

### PLANNING COMMISSION

Shri Jawaharlal Nehru	..	..	..	Chairman.
Shri V.T. Krishnamachari	..	..	..	Deputy Chairman.
Shri Gulzari Lal Nanda	..	..	..	Minister of Planning.
Shri C.D. Deshmukh	..	..	..	Member (Finance).
Shri K.C. Neogy	..	..	..	Member (Industry).
Dr. J.C. Ghosh	..	..	..	Member (Education).
Prof. P.C. Mahalanobis	..	..	..	
Shri S.N. Mishra	..	..	..	Deputy Minister of Planning.
Shri Y.N. Sukthankar	..	..	..	Secretary.

### UNION MINISTERS

Shri Govind Ballabh Pant	..	..	..	Minister for Home Affairs
Rajkumari Amrit Kaur	..	..	..	Minister for Health
Shri T.T. Krishnamachari	..	..	..	Minister for Commerce and Industry
Shri Lal Bahadur Shastri	..	..	..	Minister for Railways and Transport
Sardar Swaran Singh	..	..	..	Minister for Works, Housing & Supply
Shri Ajit Prasad Jain	..	..	..	Minister for Food & Agriculture
Shri Khandubhai Desai	..	..	..	Minister for Labour

### STATES

Shri B. Gopala Reddy	..	..	..	Chief Minister, Andhra
Shri Bishnuram Medhi	..	..	..	Chief Minister, Assam
Dr. Srikrishna Sinha	..	..	..	Chief Minister, Bihar
Shri Morarji Desai	..	..	..	Chief Minister, Bombay
Shri Ravishankar Shukla	..	..	..	Chief Minister, Madhya Pradesh
Shri Kamaraj Nadar	..	..	..	Chief Minister, Madras
Shri C. Subramaniam	..	..	..	Finance Minister, Madras
Shri Nabakrushna Chaudhuri	..	..	..	Chief Minister, Orissa

Shri Bhimsen Sachar	..	..	..	Chief Minister, Punjab
Dr. Sampurnanand	..	..	..	Chief Minister, Uttar Pradesh
Dr. B.C. Roy	..	..	..	Chief Minister, West Bengal
Bakshi Ghulam Mohammad	..	..	..	Prime Minister, Jammu & Kashmir
Shri B. Ramakrishna Rao	..	..	..	Chief Minister, Hyderabad
Shri Takhatmal Jain	..	..	..	Chief Minister, Madhya Bharat
Shri K. Hanumanthaiya	..	..	..	Chief Minister, Mysore
Shri Brish Bhan	..	..	..	Chief Minister, Pepsu
Shri Mohanlal Sukhadia	..	..	..	Chief Minister, Rajasthan
Shri Rasiklal Parikh	..	..	..	Chief Minister, Saurashtra
Shri Manubhai Shah	..	..	..	Finance Minister, Saurashtra
Shri P. Govinda Menon	..	..	..	Chief Minister, Travancore-Cochin
Shri A.J. John	..	..	..	Home Minister, Travancore-Cochin
Shri Haribhau Upadhyaya	..	..	..	Chief Minister, Ajmer
Dr. Shankar Dayal Sharma	..	..	..	Chief Minister, Bhopal
Shri Gurmukh Nihal Singh	..	..	..	Chief Minister, Delhi
Dr. Y.S. Parmar	..	..	..	Chief Minister, Himachal Pradesh
Shri Shambhunath Shukla	..	..	..	Chief Minister, Vindhya Pradesh

### **SPECIAL INVITEE**

Shri V.K. Krishna Menon



**SIXTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : JANUARY, 1956**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## PROCEEDINGS OF THE SIXTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON JANUARY 20 & 21, 1956

**January 20, 1956**

The **Chairman** referred to the meeting of the Standing Committee held about a fortnight earlier to consider the Draft Memorandum and observed that for more than a year, work was being done on the second five year plan in the Planning Commission, the States, the Central Ministries, the Statistical Institute at Calcutta and elsewhere. It was evident that the will to achieve the common purpose was there and that everybody had come to realise that planned approach was the best method of solving India's problems. Most people in India were now conscious of planning. The achievements of the plan during the last five years, though not startling, were substantial, and had been spread out, in a sense, all over the country. The Chairman observed that planning had become a tremendous cooperative adventure and was becoming more and more pervasive in every department of national activity.

2. The Chairman referred to the series of consultations which had taken place regarding the second plan, leading up to the meeting of the Standing Committee of the National Development Council. Thereafter the Planning Commission had a series of meetings with a large number of Members of Parliament, belonging to all parties. At these meetings, some points already emphasised by the Standing Committee and many new points were brought forward. The Planning Commission had considered all these suggestions and was in agreement with many of them. An attempt was being made to bring out all the suggestions in the Draft Plan. Much of what was contained in the Draft Memorandum would remain, but many additions and variations would have to be made to it. The Memorandum was a draft for consideration and the approach of the Planning Commission had been to hold consultations with as large a number of people as possible from all over India.

3. The Chairman added that democratic planning required consultations with large groups of people. At the same time planning had to be based on statistical information and not on vague ideas and ideals. Calculations had to be made about resources, employment potential and production and surpluses; planning was essentially an inter-locking of production, consumption, employment and a large number of other things like social services, education and health. The whole thing had to be brought together.

4. The Standing Committee of the National Development Council had emphasised that the objectives should be clearly stated in the report, preferably in the preliminary chapter. The Chairman said that the broad objective has been laid down as the socialistic pattern of society. This was a broad indication, but it was capable of interpretations in various ways. It was important that while the approach should not be doctrinaire, it should not just be a vague and muddleheaded use of the word "socialism" without any content. It should not also be a mere expression of opinion, but should embody the precise content of the goal and the methods by which it was sought to achieve that goal. In this connection, the Chairman referred to the arguments which appeared in the press regarding the so called 'tussle' between various methods of planning. Some people had charged the Government for coming under the influence of Communist planning, while others had charged them with coming under the influence of some body else. The real point was that an attempt was

being made to evolve an approach consistent with India's own thinking, while profiting by other people's thinking and experience. The Standing Committee, therefore, stressed the need for a clearer enunciation of the objectives and methods. The meeting also suggested that greater importance should be given to the public sector than had been given so far and also that greater stress should be laid on heavy machine making industry, which was the basis of industrial growth. If India was to be industrialised, they must build up the root and base for the purpose and for this, it was the heavy industry which counted. It was, therefore, necessary to build up industries that would make heavy machines and everything else should come in as a balancing factor.

5. The Chairman then referred to the Industrial Policy Resolution of 1948 and the doubts which had been expressed whether the Resolution was adequate or not in view of the formulation of the objective as the socialistic pattern of society. Careful thinking should precede the formulation of a revised resolution on the subject. During the earlier discussions, mention was made about the State owning minerals. For planning, the first essential is no doubt to control minerals. In the past there had been much laxity in the issue of leases for the exploitation of important minerals. Another point mentioned during the discussions was that the State should control the production, distribution etc. of important drugs. The Chairman said that broadly speaking, all these points were accepted by the Planning Commission, even though they had to be further discussed.

6. Referring to the question of basic resources the Chairman observed that it was not necessary to discuss it further, as after a series of discussions, the figure of Rs. 4,800 crores had been arrived at, and it was realised that this meant stretching themselves out very greatly.

7. The Chairman mentioned that the future depended on various circumstances and it was not possible to act according to a number of set resolutions. In the face of hard realities, they had to adapt themselves from time to time. Formulation of any rigid five year plan limited that flexible adaptation. It had to be adapted in the light of better experience and greater knowledge obtained through statistical and other methods. The five year plan should, therefore, be treated only as a broad framework without any rigidity and capable of being improved upon in course of time; only the annual plan would be of a detailed and precise nature. There were, however, many items which were being taken up now and which would have to be carried on for two or three years.

8. The Chairman then referred to the question of long term planning and current planning. Long term planning meant a 15 or 20 year approach in the sense of having to keep a broad picture before them of the socialistic structure which was aimed at at the end of that period. It was necessary to keep this broad picture in view so as to fit into it the current planning; otherwise, they might go in wrong directions and be confronted with difficulties.

9. Dealing with the question of public sector and private sector, the Chairman said that the important consideration was that economic power should not be concentrated in private hands, and that vested interests should not grow up in regard to matters which were important either strategically or socially. In other words, the development of monopoly of any kind should be avoided. The development of the private sector did not matter so long as it did not touch the strategic points and did not develop into concentration of economic power. Inevitably, in the socialistic pattern of society arrived at, major items must be in the public sector. In this connection, the Chairman referred to the decision of the Government of India regarding the nationalisation of life insurance and observed that it was a good decision both from the point of view of the five year plan, and the objectives of socialistic pattern of society. The proper course to adopt would be to take steps one by one, consolidate them and prepare for the next step in a practical way, without talking too much



about nationalising every thing in terms of slogans. The Chairman mentioned that in spite of all kinds of distractions, economic and political, the country was moving continuously from the political plane to the social and economic plane, and planning represented that change.

10. The Chairman referred to the papers which had been circulated and suggested that discussion might proceed on the basis of the note\* on suggestions relating to changes in the draft second five year plan. The first paragraph of this note dealt with the social objectives, and if there was nothing more to be said about it, they could consider the next two paragraphs dealing with the size of the plan and the resources for the plan.

## **SIZE OF THE PLAN IN THE PUBLIC SECTOR:**

### **RESOURCES FOR THE PLAN :**

11. The Finance Minister, **Shri C. D. Deshmukh** stated that as they approached the budget stage, it was necessary to make the figures regarding the size of the plan and resources somewhat more realistic. For the sake of convenience it might be said that, for financing the total outlay in the public sector of Rs. 4,800 crores, Rs. 4,000 crores had to be raised on the ways and means side and Rs. 800 crores on the revenue side.

12. Dealing first with the revenue side, the Finance Minister said that out of Rs. 800 crores, Rs. 350 crores were to be made available from surplus proceeds of taxation levied at the present rates. Out of the remaining Rs. 450 crores, divided equally between the Centre and the States, Rs. 350 crores could be raised by maintaining the percentage of taxation to national income at the present level. In terms of taxation, raising Rs. 450 crores really meant adding Rs. 15 crores each year from the first year of the plan as fresh taxation at the centre and a similar effort by the State Governments as a whole. This would really mean realisation by the Centre during the five year plan of Rs. 75 crores from fresh taxes levied from the first year, Rs. 60 crores from those levied from the second year, Rs. 45 crores from the third year, Rs. 30 crores from the fourth year and Rs. 15 crores in the last year, giving a total of Rs. 225 crores. For the States taken as a whole a similar effort would produce Rs. 225 crores. So far as the States were concerned, Rs. 225 crores was the maximum which they should be able to raise; in fact the amount was about Rs. 70 to 80 crores in excess of what they had said they would be able to raise. The Finance Minister added that fresh taxation of the order of Rs. 30 crores a year was going to be very difficult indeed. Moreover, the pattern of taxation had to be changed every year. It was agreed that direct taxation should play a significant part in any scheme of taxation; but as they went on, it might be difficult to raise the bulk of taxation from direct taxes. As the disparity in incomes was reduced, the proportion of indirect taxation would have to be increased. In other words, perhaps in the last year of the plan, the bulk of fresh taxation would have to be in the form of indirect taxation.

13. The Finance Minister stated that on the ways and means side a fairly clear view was available regarding the budgetary position next year. It might be possible to provide during the next year for Rs. 675 crores, or say Rs. 700 crores, of capital expenditure for the Centre and States together out of the total investment of Rs. 4,000 crores contemplated in the public sector. According to estimates made, it has been found that borrowings, small savings, foreign investments and miscellaneous receipts during the next year would not exceed Rs. 300 crores which meant that recourse would have to be made to deficit financing to the extent of Rs. 400 crores. The current year's budget

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\*Annexure.

provided for deficit financing to the extent of Rs. 350 crores but the actual deficit financing might not exceed Rs. 300 crores. The Finance Minister observed that many economists were of the opinion that deficit financing beyond Rs. 500 or Rs. 600 crores during the five year plan was fraught with danger, unless various other steps were taken. Some economists were prepared to concede that they might go up to Rs. 1,000 crores of deficit financing. There was, however, no economist who was in favour of exceeding the limit of Rs. 1,200 crores indicated in the Draft Memorandum. For the second year of the plan the deficit financing would have to be reduced as, in the first year deficit financing would have created some inconvenient situations so far as there would be more or less twice as much money as would be needed to meet any conceivable increase in production. The Finance Minister, therefore, thought that in the second year, while the capital expenditure would have to be stepped up to Rs. 750 crores, deficit financing would be only Rs. 300 crores, which meant that Rs. 450 crores as against Rs. 300 crores in the first year would have to be found from various sources like borrowings, savings etc. Ultimately in the last year, as far as he could conceive it, deficit financing would be only Rs. 100 crores as against a capital expenditure of Rs. 900 crores, and this meant that a further effort would have to be made to increase net borrowings, small savings etc. The Finance Minister added that the picture given above furnished an idea of the difficulties inherent in the situation because of budgetary considerations.

14. The Finance Minister then referred to the raising of the estimate of foreign assistance from Rs. 400 crores to Rs. 800 crores. There was actually no factual basis for the addition of Rs. 400 crores. A reasonable estimate of foreign assistance would be Rs. 300 crores which could at the most be raised to Rs. 400 crores. On the other hand, doubling of this figure was not inconceivable, in so far as there were ample fiscal surpluses available in the world and it could be assumed that under the most favourable circumstances, the gap could be filled by means of loans or external assistance like export credit. The Commerce and Industry Ministry was confident that it might be possible to improve the estimate of export earnings, thus reducing the total gap to Rs. 700 crores and the uncovered foreign exchange gap to about Rs. 250 or Rs. 300 crores. Unless the problem of foreign exchange was solved from year to year, it was evident that the plan could not be got through.

15. Even after making allowance for all these optimistic estimates, a gap of Rs. 400 crores was still left uncovered. The Finance Minister thought that there was hardly any possibility of getting this Rs. 400 crores and he assumed that there might be a certain amount of time lag in the implementation of the plan. In terms of the figures given above, Rs. 400 crores meant above half a year's expenditure and it could be assumed that the completion of the plan would be delayed by a period of six months. The Finance Minister suggested that he would like the Chief Ministers to comment on the size of the plan and the available resources in the light of the position explained by him.

16. The Finance Minister suggested that it was necessary to get their ideas clear about the flexibility of the plan and the alternatives which could be considered. Taking the total investment of Rs. 4,000 crores, it has to be considered whether it would be practical to split the plan into two parts, of Rs. 3,200 crores and Rs. 800 crores, and the second part could be postponed if found necessary after review. Another suggestion for flexibility in a different sense was that within the broad plan frame, decisions might be taken from year to year, say, four months in advance of a particular year, as to what schemes were going to be implemented in the year. As one proceeded, achievements could be reviewed in retrospect, the horizon was extended and the perspective got enlarged. The Finance Minister said that a stage had been reached where a definite decision had to be taken on all these matters.

17. In answer to a query by Chairman, the Finance Minister mentioned that, on a rough basis, without assuming 100 per cent. collection, it might be stated that the Government was losing about Rs. 30 crores on account of evasion, say by ticketless travellers on railways, evasion of taxes etc. The Finance Minister observed that it was difficult to make a statistical assessment of the extent of evasion.

18. The Chairman observed that on the one hand the plan should be flexible and the Finance Minister had indicated the various aspects of this flexibility. On the other hand, while thinking of the second five year plan, they should all have some idea of what was proposed to be done in the third and fourth plans.

19. The Chief Minister, Hyderabad, **Shri B. Ramakrishna Rao** suggested that the figure of Rs. 4,800 crores for the size of the plan in the public sector should stand in spite of the difficulties mentioned by the Finance Minister. The division of the outlay into two portions, i.e. one of Rs. 4,000 crores and the other of Rs. 800 crores would not make much difference to the plan. There could not be any flexibility in the plan in the sectors of irrigation and power and the big projects covering factories etc. In the sector of social services, there might be some room for flexibility. Shri B. Ramakrishna Rao suggested that the plan should be so adjusted that Rs. 4,000 crores would cover the big projects which would run for a number of years and the remaining Rs. 800 crores should be treated as being allotable, from time to time from the budget.

20. Shri Ramakrishna Rao said that so far as the resources were concerned, the Finance Minister's emphasis on additional taxation was entirely correct. With reference to the suggestion that the States should raise additional taxation of Rs. 225 crores, Shri Ramakrishna Rao observed that at least for the first two years of the second plan, the States might find it difficult to impose taxation. Certain sources of taxation had reached their peak and the decisions on the implementation of the recommendations of States Reorganisation Commission would also result in curtailing the capacity of the States to raise fresh taxes. He, therefore, suggested that two-thirds of the additional taxation of Rs. 450 crores proposed in the draft memorandum might be taken up by the Centre and one-third by the States.

21. Shri Ramakrishna Rao said that he agreed with the other suggestions made under para. III of the note regarding changes in the draft second plan. He also agreed with the higher figure of deficit financing, viz. Rs. 1,200 crores mentioned in the draft memorandum. He was rather optimistic about the country being able to obtain foreign assistance of the order of Rs. 800 crores. He concluded by saying that the targets already fixed should be kept and certain adjustments made in the manner indicated by him.

22. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** observed that in his opinion, it would not be possible now to cut down the size of the plan. The plan was modest having regard to the needs of the country, even though looking to the size of the financial resources, it appeared to be a bold plan. He agreed with the third suggestion contained in sub-para. 2 of para. II of the note circulated and suggested that a serious effort should be made to raise the money so as to avoid the difficulties pointed out by the Finance Minister. He suggested that the Finance Minister with the help of the financial experts should examine the possibilities of different types of taxes which could be raised in different States and thereafter the States should make a serious effort to raise that amount. He realised, however, that in view of the financial difficulties some flexibility had to be introduced in the execution of the plan but he thought that the right course to adopt would be to raise the resources so that the plan as it had emerged might be executed.

23. The Chairman suggested that in a country like India, there was great scope for getting money from small savings but it required a great deal of organisation and a dynamic approach. He requested the Chief Ministers to suggest ways of increasing small savings. The Chairman added that economy was always important and mentioned that probably the most important element in economy was avoidance of delay.

24. The Chief Minister, Orissa, **Shri Nabakrushna Chaudhuri** said that every one was agreed that the size of the plan should not be reduced. He felt that if courageous steps were taken it would be possible to raise the necessary resources. There was scope for further taxation and he suggested that the State Governments should be advised by a permanent Taxation Commission regarding the items on which taxes could be levied. Apart from the possibility of increasing small savings, the nationalisation of insurance would create greater confidence in the public and they could expect a decent increase in life policies. Shri Nabakrushna Chaudhuri also referred to the suggestion regarding raising money by raffles. Substantial sums of money had been raised in Orissa by this means for building a Stadium. There was nothing immoral about it and he suggested that the gambling instinct which was rampant in some sections of the people should be canalised into proper directions, instead of being allowed to be exploited by the private parties and racketeers.

25. The Chief Minister, Madhya Pradesh, **Pt. Ravishankar Shukla** said that while he agreed with the suggestion that the Centre and the States should accept the responsibility for raising the resources, there were certain difficulties in the matter. In the first instance it would take about a year before anything could be done about it. There were difficulties arising on account of a number of articles being barred from taxation under the Essential Commodities Act; if the Act was repealed, it might be possible to raise a substantial amount through sales tax. The cutting down of the States Plans had created some complications. Certain difficulties, particularly in the matter of raising resources, were inevitable on account of the implementation of the recommendations of the States Reorganisation Commission. Pandit Shukla observed that there should be a clear cut decision regarding the schemes in the plan which had actually to be carried out; at present there was no definite indication even about the portion of the plan represented by Rs. 4,000 crores.

26. The Planning Minister of Uttar Pradesh, **Shri C. B. Gupta** said that the U.P. Government was agreeable to the suggestion made in the note that the States and Centre should boldly take the responsibility of raising further revenues. He suggested that the States should be permitted to impose or increase sales tax on essential commodities. Shri Gupta was of the view that all the targets indicated in the plan might not be achieved and therefore the whole money might not be utilised. He, therefore, suggested that the plan as it stood should go forward and taxation proposals from the Centre and the States might be boldly adopted.

27. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** said that it would not be proper to reduce the size of the plan from Rs. 4,800 crores as it would create disappointment throughout the country. He observed that taxes varied from State to State and it would be advisable for the Centre to call a conference with a view to fixing the minimum and the maximum rates for certain taxes and give some average on the basis of which the taxation structure could be decided upon in respect of sales tax, irrigation rates, betterment levy, etc. For instance, he pointed out that in Rajasthan they could not introduce multipoint taxation because Delhi, Ajmer, and U.P. had a different pattern. Shri Sukhadia suggested that in respect of P.W.D. works etc. the payment to the labour employed by the contractor might be made partly in cash and partly in small saving certificates.

28. The Chief Minister, Travancore-Cochin, **Shri P. Govinda Menon** observed that any proposal

to reduce the over-all size of the plan was likely to damp the enthusiasm of the people. Even for raising the revenues for any reduced size of the plan, it was necessary that there should be a certain tempo of enthusiasm in this country. He therefore suggested that the original target proposed viz., Rs. 4,800 crores, might be kept without any reduction.

29. As regards the resources for covering the gap which the Finance Minister had pointed out, Shri Govinda Menon suggested that no useful purpose was likely to be served by discussing the matter in that meeting. He suggested to the Planning Commission and the Finance Minister that a conference of representatives of the States might be convened to consider proposals brought forward by the States for raising resources by fresh taxation and other means. Each Chief Minister or Finance Minister should be requested to forward to the Union Finance Ministry, sufficiently in advance of the conference, proposals regarding the actual steps which would be taken to raise the resources. Steps should also be taken for raising fresh non-tax revenues; in this direction the nationalisation of the insurance business was likely to create the necessary moral climate. Unless it was established by precept and example that the Government was serious about the socialistic pattern of society, the people would not have enough enthusiasm to contribute towards the financing of the plan. In this connection he suggested that realisations from certain taxes and loans should be earmarked or named for particular projects or objects of the plan. He suggested that insurance policies might be issued specially for financing the national plan and that the Government might issue debentures earmarked for the execution of particular projects so as to arouse the local enthusiasm of the people. Generally speaking he was in favour of tapping the surplus wealth which was in the possession of a few people in the country. In a democratic set up, proposals for taxation which would hit the less clever or the less fortunate in the community should be avoided.

30. The Chief Minister, Saurashtra, **Shri Rasiklal Parikh** observed that any reduction in the size of the plan was not advisable. As regards the resources, he suggested that the work should be entrusted to a panel of financial experts and that thereafter final decisions could be taken at a meeting of the Finance Ministers or the Chief Ministers. He observed that if sufficient inducement was given to the people in the villages by stating that any surplus over and above a given figure would be spent in the area, the people would respond enthusiastically. He was of the view that it would be possible to raise more resources by way of institutional finances such as loans or debentures issued by State transport corporations, electricity boards, etc.

31. The Finance Minister, Saurashtra, **Shri Manubhai Shah** said that resources could be divided into two portions—the fiscal or monetary resources and the non-monetary resources. The fiscal or monetary resources would cover both taxation and borrowings. In this connection he repeated the suggestion which he made in 1950 that a Resources Council should be appointed, consisting of half a dozen people at the Centre, in order to assist the Planning Commission which was already over-burdened with so many other issues. Such a Resources Council could look into taxation, borrowings and into various other transactions.

32. Shri Manubhai Shah observed that the real money for financing the plan would have to come from the vast masses of people living in the country and for whose welfare the plan was being prepared. It would, therefore, not be correct to fight shy of indirect taxes or commodity taxes. He cited as an example the case of cotton bales. It was known that the production was about 45 lakh bales and if an excise duty of Rs. 100 was levied on every bale, Rs. 45 crores could be raised. As the tax could be collected at the presses where the bales were pressed, collection would be easy. He suggested a similar levy on coal.

33. Referring to the question of market borrowing Shri Manubhai Shah suggested that the system



of institutional finance should be developed. For raising resources all the avenues including land-mortgage banks, electricity boards, transport corporations etc. should be explored so that people could exercise their preferences while contributing resources for the plan. He felt that if market borrowings were decentralised and properly arranged, it would be possible to raise more resources from local areas. He suggested that the machinery for the collection of small savings should be decentralised and encouragement given to the local people by stipulating that a proportion of the amount collected would be spent in the taluka or tehsil.

34. Referring to the non-monetary sector of resources, Shri Manubhai said that this could be dealt with only with the public participation. Several Ministries of the Government of India, different Boards and State Governments had initiated programmes which provided for public participation. The terms of such participation were not however uniform and often it happened that the scheme which required the greater public participation suffered the most. If participation ratio was fixed for all schemes on a uniform basis of, say, 1:2, local resources could be increased through increased public participation.

35. The Chief Minister, Pepsu, **Shri Brish Bhan** said that the size of the plan should not be reduced. The necessary resources could be found if the responsibility for raising the resources was taken boldly. He suggested that it would be advantageous for States in a particular region to take concerted action for raising resources.

36. The Home Minister, Mysore, **Shri Siddaveerappa** agreed that the size of the plan should not be reduced and that an attempt should be made to raise the necessary finance. He supported the suggestion that the question of resources should be examined in greater detail and in a separate conference and that the States should be advised regarding the scope and fields for raising fresh taxation. He added that the Central Government should consider favourably proposals from the State Governments for taxation measures which might require the Central Government's sanction under the present arrangements.

37. The Prime Minister, Jammu & Kashmir, **Bakshi Ghulam Mohammad** agreed with the other Chief Ministers that any reduction in the size of the plan would not be desirable and might create complications. He felt that there was so much flexibility in the plan that it was not clear what were the schemes to be taken and what was the order of priority. A year-to-year plan was envisaged by the Union Finance Minister for achieving the objective. From para. II of the note placed before the meeting, it appeared that the doubt about the availability of resources arose only in respect of plan covering an outlay of Rs. 800 crores. For the rest the plan was really a five year plan.

38. Bakshi Ghulam Mohammad observed that it would be possible to achieve the targets set for the second plan, provided the suggestions made in note were accepted and honestly acted upon. The heads of revenue for financing the total outlay of Rs. 4,800 crores on the second plan had been indicated in the Draft Memorandum; but from the speech of the Finance Minister, it appeared that certain difficulties were likely to arise. In this connection he suggested that it might be examined whether any savings which had arisen from the outlay in the first plan, could be utilised for the second plan.

39. Bakshi Ghulam Mohammad observed that while having regard to the objective of making the plan a success, it would be in order to provide for a plan of Rs. 4,800 crores; this should not however mean that the plan was so flexible that the State Governments would find it difficult to decide which schemes to take up and which not to take up. The introduction of any new scheme would also be rendered difficult. He was, therefore, of the view that on the basis of the assurance

given by the Chief Ministers that they would help in raising fresh taxes, the Planning Commission should finalise the plan on the basis of Rs. 4,800 crores. If suitable steps were taken to stop the leakages, the need for additional taxation would be correspondingly less. Bakshi Ghulam Mohammad suggested that the second five year plan might be started with a provision of about 15 per cent. of the total estimated outlay for the first year; thereafter the outlay could be gradually increased, so that the targets of the plan were achieved. This would obviate the difficulties envisaged by the Finance Minister; on the other hand, if the difficulties were sought to be got over by means of the flexibility of the plan, it was possible they might not be able to get much beyond the stage of framing the plan. For preparing annual plans, they would have to waste a few months every time.

40. The Chairman observed that what Bakshi Ghulam Mohammad desired was a more stable plan. Apart from the question of the details and money allocations, changes might be required in the plan on certain fundamental points. It was not necessary to consider these points repeatedly, but it might be useful to meet after one year or six months and discuss matters in the light of the experience gained during that period and of the additional statistical and other information which would have been collected. Unless a procedure on these lines was adopted, mistakes were likely to occur and progress would be stopped.

41. The Finance Minister, Madras, **Shri C. Subramaniam** observed that there had been a certain amount of misunderstanding with reference to para. II of the note circulated. As he understood the position there was no suggestion that the size of the plan should be reduced. If possible, the targets should have been bolder than given in the draft memorandum but they had to bear in mind the resources available. The Union Finance Minister had pointed out that on the most optimistic estimates, there was a shortage of resources of about Rs. 400 crores. Ultimately the Implementation of any target would depend upon the resources available. It was therefore necessary to avoid the mistake of taking up too many projects which it might not be practicable to implement. There was also the likelihood of certain projects having to be abandoned at a later stage due to a shortfall in finances. If in working the plans, these important points were kept in view, there was no need to consider the question of putting forward a smaller plan than the one involving an outlay of Rs. 4,800 crores.

42. As regards resources, Shri Subramaniam felt confident that all the Chief Ministers would agree on the States' cooperation being available to the Centre in raising the resources. As regards the additional taxation to the extent of Rs. 225 crores to be raised by the States themselves, Shri Subramaniam suggested that it was essential to have a break-up, so that the responsibility of each State was known. Each State must be told as to how much of taxation it had to raise.

The Union Finance Minister intervened to say that to the extent of Rs. 160 crores, the position had been analysed State-wise and it could be stated that each State should now improve on this by about 40 per cent.

Shri Subramaniam observed that it would not be quite appropriate to say that there should be a 40 or 50 per cent. increase, as some States might have gone to the utmost limit already. An expert examination of the position in each State was necessary to determine the scope for raising additional taxes in each State with reference to capacity of each State for such further taxation. Unless definite indications on these lines were given before the formulation of the budget it might not be possible to push through taxation measures during the first year of the second plan.

43. Shri Subramaniam welcomed reference by the Chairman to the question of evasion of taxation. He however felt that the tightening up of measures against ticketless travelling might not produce additional resources. As regards taxes such as sales tax, there was considerable amount



of evasion. The position was that the honest man was also compelled to adopt dishonest methods so that he could compete with the others. He referred in this connection to the suggestion which he made to the Planning Commission and the Finance Ministry that an outside expert body should be sent to Madras for the purpose of examining the sales tax system in the State and to make recommendations for improving the system and for minimising evasion. The recommendations of such an expert body would be useful for other States as well. Shri Subramaniam welcomed the decision regarding the nationalisation of insurance and suggested that third party insurance in respect of motor vehicles should also be nationalised. The Union Finance Minister observed that this suggestion had been noted. Shri Subramaniam suggested that immediate steps should be taken to enable such of the States as wanted it to have a scheme for motor insurance. There was advantage in this in so far as the collection charges would be less as it could be collected along with the other taxes on motor vehicles. The only action to be taken would be to set up the necessary administrative machinery for paying compensation.

44. Shri Subramaniam then referred to the Electricity Supply Act under which it was obligatory on the part of the State Governments to appoint an Electricity Board. He mentioned that in Madras the Electricity Department was functioning efficiently and it was proving a good source of revenue. The setting up of any board at this stage might affect revenues for which credit had already been taken. He therefore suggested that the States should have discretion to work the Electricity Departments as Government Departments if they so chose. He mentioned in this connection that in Madras there had been a good deal of rural electrification-the target of electrifying 2,500 villages in the first plan had already been reached and it was hoped to electrify another 2,500 villages during the next plan period.

45. Shri Subramaniam observed that if resources were raised for particular purposes, there would be less resistance on the part of the people. He mentioned that in Madras, in the early stages, there was opposition to the proposal to have a surcharge on land revenue on a graded system but when, it was later linked with the idea of providing free education upto the III Form to the children of parents belonging to the lower income groups, there was general approval to the proposal. In this case there was only a theoretical link between the money resources and the particular object as the collection on account of the surcharge formed part of the consolidated fund of the State. Shri Subramaniam felt that if, for instance, the provision of mid-day meals to school children was linked with certain taxation measures there might be greater enthusiasm on the part of the people.

Shri Subramaniam was on the whole confident that it would be possible for the States to raise additional revenue resources to the extent of Rs. 225 crores; it would perhaps be possible to raise a little more if the proper approach was made to the people.

46. The Planning Minister, Punjab, **Shri Partap Singh Kairon** observed that in the present psychological pitch reached by the people the size of the plan should not be reduced. In spite of the fact that the State was already heavily taxed, the Punjab would play its part and a few taxes would be imposed in the coming budget. He was confident that the people would co-operate as they knew that everything was being done for them.

47. The Planning Minister, Assam, **Shri Baidyanath Mookerjee** observed that bold steps should be taken to raise the resources and that there should not be any idea of reducing the size of the plan. As a matter of fact the plan as envisaged by several States had been reduced to such an extent that any further cut in the size of the plan would damp the enthusiasm of the people. He agreed with Mr. Subramaniam that there should be a break-up showing how much should be realised through fresh taxation measures by each State. He emphasised that the capacity of the

people to pay the taxes should also be kept in view. In this respect the conditions in the various States differed. He felt that it would be difficult for Assam to go beyond the figure already given but an earnest attempt would be made to increase the resources. He appealed to the more favoured States to raise more resources and make them available to the Centre so as to assist in the development of the country as a whole. If other countries could help India for her development there was no reason why the States in India could not join together and try to pull up the weaker States to the level of the stronger ones.

48. With reference to the suggestion regarding varying rates of taxes in different States, the Planning Minister, Assam, stated that in Assam the transport cost was so heavy that it was almost impossible to levy more taxes. The geographical position of the States had also, therefore, to be kept in view in considering the extent and nature of the fresh taxes to be levied.

49. Shri Baidyanath Mookerjee made a reference also to the cutting down of the size of the Assam plan and suggested that if possible, instead of reducing the size of the plan, something more should be given to the State of Assam. He suggested that an attempt should be made to raise more resources, and to obtain the materials which would be needed for implementing the schemes of development.

50. The Chief Minister, Andhra, **Shri B. Gopala Reddy** said that he had hardly anything to add to what he stated at the meeting of the Standing Committee of the National Development Council. He suggested that the Economic Section of the Finance Ministry should constitute itself into a sort of a permanent Taxation Commission so that the picture of the position obtaining in all the States was available.

51. As regards savings, he suggested that it might be possible to introduce an element of compulsion. The savings campaign had not so far reached the rural parts; if it were provided that a surcharge would be levied on land revenue or on sales tax or on income tax and the proceeds invested in savings, useful results might be obtained.

52. Dealing with the question of economy in Departments, Shri Gopala Reddy suggested that there must be a probe into the PWD rates by an All-India body. He concluded by saying that Andhra would do its best to raise the additional taxation to the tune of the quota allotted to the State.

53. The Chief Minister, Ajmer, **Shri Haribhau Upadhyaya** said that the present size of the plan was agreed after a good deal of thinking and it would not be advisable to reduce it. He supported the suggestion that an Expert Committee should examine the scope for additional taxation in the various States. The suggestion regarding compulsory savings was reasonable and should be examined. He welcomed the decision regarding the nationalisation of life insurance and suggested that other sectors also might be considered for nationalisation so that the revenue might be increased. Similarly the question of nationalisation of the export trade of tea, pepper and jute could be examined. He suggested raising of the duty on liquor, mill cloth etc. So far as Ajmer was concerned, it would be possible to raise a revenue of about Rs. 2 crores by additional taxation. He felt that there was justification for devoting more attention to under-developed States and suggested that having regard to size, population and other factors, the allocations made to Rajasthan and Assam were small.

54. The Chief Minister, Bhopal, **Dr. Shankar Dayal Sharma** observed that it should be possible to raise the necessary resources for the second five year plan if some of the difficulties in regard to the levy of taxes such as sales tax and irrigation rates were eliminated and a measure of uniformity was introduced between different States. He suggested that some incentive should be given to the States by providing that the additional resources raised by them over and above the sums agreed

to, would be left with them for adding to their plan. In regard to savings, it might be stipulated that in a particular region, savings over and above a pre-determined figure could be left there for local projects such as minor irrigation. Similarly, it should be possible to recover taxes more easily if the proceeds were earmarked for specific purposes, e.g. education, health etc. Dr. Shankar Dayal suggested that foreign trade should be taken over so that more money might be available for the plan. He suggested that so far as buildings were concerned, a panel of engineers should be appointed to work out a utility pattern for hospitals, schools etc., so that buildings might be constructed at a much lower cost.

55. The Chief Minister, Vindhya Pradesh, **Shri Shambhunath Shukla** stated that the size of the plan should be retained at Rs. 4,800 crores. He was in favour of the proposal to split the plan into two parts. Rs. 4,000 crores and Rs. 800 crores. So far as resources were concerned, he stated that Vindhya Pradesh would stick to the account already given to the Planning Commission. The people of the State were at present somewhat uncertain as they were not sure about their future in the new State; but they would fall in line with proposals drawn up by the new State for raising additional resources. Shri Shambhunath Shukla suggested that bigger and richer States should raise more resources than the backward and less advanced States.

56. The Chief Minister, Delhi, **Shri Gurmukh Nihal Singh** agreed with Shri Subramaniam that there was no suggestion of reducing the size of the plan. During discussion, however, more attention appeared to have been given to the question of reduction than to ways of improving the position in certain respects. He was of the view that the amount allocated for social services in the second five year plan should be augmented; at any rate the needs of such urban areas like Delhi in this respect should be borne in mind. So far as resources were concerned, proceeds of taxation had been increasing in recent years in Delhi and this year there had been a windfall with respect to sales tax on account of the International Industrial Exhibition. He supported the proposal contained in para. II of the note and suggested that the expenditure in the first year might be small and that the outlay might be gradually increased as resources started coming in.

57. The Chief Minister, Himachal Pradesh, **Dr. Y. S. Parmar** observed that the size of the plan should not be reduced and that every effort should be made to find new sources of revenue. He supported the suggestion of Shri Subramaniam that the amounts to be raised during the period by each State should be specified.

58. The Chief Minister, West Bengal, **Dr. B. C. Roy** observed that the opinion of most of the Chief Ministers appeared to be that the total outlay of Rs. 4,800 crores should not be reduced and that the country should be prepared to accept broadly the responsibility of raising the resources needed for implementing the plan. He agreed that the time had come for each State to be told how much money over and above the amount already decided upon should be raised by it. The States should also be told that if they were not able to increase their resources, their plans would have to be cut down and if necessary, the Central contribution might also be slightly reduced. With regard to the steps for raising resources, Dr. B. C. Roy suggested that the articles which were on the essential commodity list should be removed from that list so that the States might get full value of the increased taxation on these items. In this connection, he drew particular attention to textiles which was one of the articles in respect of which there had been a lot of evasion. Pending a decision by the Government of India on the taxation on textiles, steps should be taken to prevent the evasion which was already taking place. In this matter, he was awaiting a reply from the Government of India.

59. Dr. Roy referred to the suggestion that the Centre should levy excise duty on articles like textiles, sugar and tobacco. The proposal appeared to be to guarantee to the States the amount which they were getting from the sales tax levied on these articles. The West Bengal Government might find it difficult to give up this source for increasing the resources. He wanted clarification of the statement on page 4, para. II of the note circulated, that States could levy sales tax on articles admitting of generally applicable rates and the Centre should levy excise duty on articles on which selective rates were likely to be needed. He was not sure whether this meant that the same article would be subjected to sales tax by the States and excise duty by the Centre.

60. The Union Finance Minister explained that the proposal was that sales tax on cotton textiles should be merged into the excise duty on the article. The merging of the sales tax and excise duty would reduce evasion and collection would be easier. This would not, however, preclude the Centre from increasing the excise duty on cotton textiles for general purposes. The States could not also have any reversionary claims on any excise on cotton textiles, because of their agreement to the merging of the sales tax into the excise duty. Excise was collected at the very first stage and there was a much larger yield in excise than in sales tax. It would not be practicable to have an arrangement under which the States could claim a bigger slice of the Central excise in view of their having surrendered their right to levy sales tax. If such a claim was seriously put forward, there would be no alternative but to allow the States to go on collecting the sales tax and the Centre to raise the excise duty on the same article.

61. The Chairman observed that the proposal under consideration was only one of replacing the present method of collection. Obviously it was easier and more efficient to collect the taxes through excise than through sales tax and the States would probably get more, as whatever was lost through evasion, would now be recovered. With reference to the argument that the States were being deprived of the yield of taxes represented by that, the Chairman observed that was an argument which had to be raised separately.

62. **Dr. Jivraj Mehta**, Finance Minister, Bombay, compared the position to the arrangements in Bombay under which the State Government collected the toll tax and gave it to the municipalities at a certain rate. Even though the revenue of the State from this source had gone up considerably, the amount paid to the municipality remained the same. Dr. Mehta explained that Dr. Roy's idea appeared to be that if the Centre got considerably increased revenue from the combined tax, the States should get a certain share.

63. The Union Finance Minister suggested that unlike the toll tax, there was no natural limit to excise as a form of taxation. It would, therefore, not be possible to agree to any system of division in that big field, merely because sales tax was also included in it.

64. Dr. B. C. Roy observed that on a particular commodity where sales tax was levied along with excise duty, the capacity of the State Government to increase their resources from that commodity was restricted.

The Deputy Chairman, Planning Commission, stated that there were two different questions. The first related to the share of the State in the excise duty, which was a matter to be settled by the Finance Commission. The second and limited question which was under consideration was the levy of a sort of addition to the excise duty in lieu of the sales tax; this was a limited agreement for a limited purpose and for a limited period.

Dr. B. C. Roy observed that it would be difficult for the States to increase their resources substantially if the main expanding resources of the State were taken away. Sales tax was Levied

on goods consumed in a particular State and the excise duty was levied at the production centre.

The Union Finance Minister mentioned that if there was any fear that the States would not get their due share representing their consumption, it could be arranged that the total quantity consumed in the State was calculated and the excise duty earmarked accordingly. In this manner, the States would get the proceeds of the tax without taking any action and there would be no evasion.

The Finance Minister, Saurashtra, observed that excise duty had naturally to be a Central subject; if the States levied it, it would mean inter-State export duty.

65. The Union Finance Minister mentioned that a letter had been addressed to the States regarding the levy of uniform excise duty inclusive of sales tax on cotton textiles and the intention was to extend the proposal to other items in the light of the experience gained in respect of textiles. The intention was to introduce the necessary legislation in the budget session of Parliament.

66. Dr. B. C. Roy mentioned that he was prepared to fall in line with the other States on the general question. In the meanwhile, the West Bengal Government might be allowed to go ahead with the proposal regarding tightening up of sales tax. The intention was to take away the exemption limit of Rs. 7-8-0 in regard to the textile dealers and to tax every one so as to prevent evasion.

67. The Chairman observed that there was general agreement in the meeting of the Standing Committee of the National Development Council regarding the general question of merging the sales tax on cotton textiles with the excise duty, and if the National Development Council also agreed and each State wrote to the Government of India formally about it, further action could be taken. The Chief Minister, West Bengal, said that even though he had not seen the proposal, he was in general agreement. On the question of raising resources, he agreed with Shri Subramaniam that each State should now be told what they would have to raise.

68. The Deputy Chairman, Planning Commission, observed that the Planning Commission proposed to discuss further with the States the question of allocation of the additional taxation resources which had to be raised by the States.

69. **Dr. Jivraj Mehta**, Finance Minister, Bombay, observed that it would not be desirable to split the plan into two parts as suggested. It would not be desirable to leave the position uncertain and he would rather suggest that if circumstances were unfavourable, the plan might be extended to 5½ to 6 years. Rearrangement on this basis would be easier than any splitting up of the plan. As regards resources, if the Bombay State had remained as it was, it would have been possible to raise additional revenue, but in view of the possibility of partition etc., some difficulties might arise in regard to increasing the revenue in the first year of the plan. He added that the main source of revenue in the State apart from land revenue was sales tax, and suggested that the State Government should be permitted to levy sales tax on essential commodities. So far as evasion was concerned, Dr. Jivraj Mehta drew attention to the evasion of sales tax on sugar sold in auction in Bombay. He mentioned that as many as 150 firms had evaded sales tax by giving fictitious names. He suggested that if it could be arranged that the delivery of bales sold was not made before the expiry of two or more days and the sales tax authorities informed on the day of the auction itself, it would be possible to avoid such evasion.

The Minister for Food and Agriculture, **Shri A. P. Jain** stated that when he went to Bombay he had given instructions about the matter and that he would look into the matter again.



70. As regards the proposal for replacing sales tax by excise or the addition of excise over and above the sales tax, Dr. Mehta suggested that these sources of revenue being elastic should not be centralised as he suggested that the States might be permitted by the Centre to levy a certain surcharge on excise and to have the additional revenue for the use of the States. He mentioned that as regards inter-State sales, Central legislation was long overdue and suggested that any revenue received on account of inter-State sales tax should be counted as a part of the State's contribution towards raising fresh taxes to the extent of Rs. 225 crores. The Deputy Chairman agreed with the suggestion.

71. Dr. Jivraj Mehta, Finance Minister, Bombay, observed that one way in which evasion could be stopped was to have really close cooperation between several departments, such as customs, railways and postal authorities, and the officers concerned in different States. As regards small savings, he reiterated the points made at the meeting of the Standing Committee of the National Development Council that a compulsory surcharge in the form of savings should be levied on land revenue, deductions made from the salaries of staff drawing a certain income and a percentage of bonus payable to workers retained as a loan to Government.

72. The Chairman observed that the simple issue which was under discussion was given in the three paragraphs of para. 2 of Section II of the note. There was no suggestion that the size of the plan should be reduced as was assumed by most of the Chief Ministers. Two or three Chief Ministers appeared to be in favour of the suggestion about dividing the Rs. 4,800 crores into two parts- Rs. 4,000 and Rs. 800 crores. Dr. Jivraj Mehta had suggested that the plan might be extended by a year or so. The Chairman observed that this idea of extending the period would strike at the very root of the conception of planning. In planning, account was taken of production, consumption, population and other factors for a certain period and any extension would upset the calculations regarding consumption, employment etc. In case it was not possible to complete the scheme within the specified period, it was necessary to look into the whole picture again. On other grounds as well it was essential to see the whole picture, how all items were being balanced and integrated and in the light of that knowledge a decision could be taken whether to go a little faster or a little slower.

73. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** offered a few remarks on some of the suggestions made by the Chief Ministers. He mentioned that it was proposed to have further talks with the State Governments regarding resources, the taxes they had agreed to levy during the discussions and especially the programmes for the first year. The taxation plans, for the first year, were particularly important in view of the heavy expenditure involving a deficit financing of about Rs. 400 crores.

74. As regards Small savings, the Deputy Chairman observed that the intention was to see whether a permanent organisation could be set up to establish contact with practically every family, in the country. In the first year of the second plan the total collections under small savings should be about Rs. 100 to Rs. 125 crores as against Rs. 70 to 75 crores during the current year and the amount should go on increasing to Rs. 300 crores in the fifth year. In this manner, it would be possible to bridge the uncovered gap of Rs. 400 crores. It was proposed to discuss this question with the individual States in connection with their proposals for additional taxation.

75. The Deputy Chairman said that it was proposed to set up an expert team to look into the question of evasion of sales tax. Evasion of sales tax could be checked to a large extent if there was the closest cooperation in towns between sales tax organisation and the municipal authorities.

76. The Deputy Chairman observed that the suggestion regarding local cess was important. Such a method of taxation would be useful in the districts, as a supplement to the revenue resources, for specific purposes like education, medical service etc.

77. The Deputy Chairman emphasised the importance of betterment levy for augmenting capital resources. During the First Five Year Plan 8 million acres of land were brought under irrigation and assuming an average betterment levy of Rs. 150 per acre, the total collection during a 10 year period would be Rs. 120 crores. In the course of the second plan, it was proposed to bring another 15 to 16 million acres under irrigation. There was no reason why the areas which benefited from irrigation sources should not pay the betterment levy. The payment would not be difficult for the individual farmer as it was spread out over a period of 10 to 15 years.

78. The Deputy Chairman agreed with the suggestion made by some of the Chief Ministers that the schedule of rates for building and irrigation works should be gone into and economy effected wherever possible. In most of the irrigation schemes, even when there was a distinct fall in food prices, the schedule of rates was going up. This was a matter which should be specially enquired into by every State, not only with respect to irrigation but with regard to buildings and other projects as well. By increasing administrative efficiency and strictness, by check measures and prompt action, it was possible to get much better value for the money that was spent.

79. Dr. Jivraj Mehta, Finance Minister, Bombay raised the question of providing incentive to the people of the States to contribute more towards small savings by fixing a certain basic limit and providing that out of any amount collected over and above this figure, a percentage would go to the State. The Union Finance Minister pointed out that any addition to the share of the States would correspondingly reduce the Centre's ability to assist the States in meeting capital expenditure. Dr. Jivraj Mehta observed that the People were not aware of Central assistance but would respond, if they knew that a portion of the collection under small savings was to be spent in the State itself. The Prime Minister pointed out that Dr. Jivraj Mehta's point appeared to be that in order to raise more and more of small savings, the incentive of paying a larger proportion to the State would be useful and might be preferable to Central assistance. The Union Finance Minister observed that on the basis of the clarification now made, it might be possible to devise some kind of a formula. Care had however to be taken to ensure that the poorer States did not suffer by any fresh arrangements that might be made.

## **SCOPE OF THE PUBLIC AND PRIVATE SECTORS IN INDUSTRY, FINANCE AND TRADE.**

80. The Chairman said that an important point for consideration was the re-examination of the Industrial Policy Resolution of 1948 in view of the subsequent developments and the objectives which had been laid down. It was assumed that there was general agreement that the question should be examined keeping this objective in view. Some, specific suggestions had been made at previous meetings but it would be helpful to know what particular items should normally be in the public sector.

81. The Chairman observed that after a definite and precise policy had been laid down that all minerals should be State-owned, specific questions could be considered with reference to areas which had been leased out to private parties. The first principle would be that no further leases should be granted to private parties. Thereafter the question of acquiring or controlling the existing



leases could be considered.

During the discussion that followed, it was pointed out that a distinction had to be made between leases which were being worked and those which were not. The Zamindari abolition legislation in West Bengal and Bihar included some provision for taking over of such leases by the States after a period of one or two years. Similar provision existed in the Zamindari abolition legislation in other States as well.

82. Shri K. C. Neogy mentioned that in Orissa, there was a further complication arising out of leases granted by the old Princely States. The Planning Commission had already considered a suggestion of the Ministry of Natural Resources and Scientific Research that the Central Rules relating to the exploitation of minerals should apply in respect of leases granted by the Princely States as well. When the matter was discussed in the Planning Commission, it was found that sufficient factual details were not available for assessing the extent of the evil and the practical difficulties that might arise. It had therefore been suggested that a small body of people should go round and collect details in regard to the various leases.

83. Shri K. C. Neogy also mentioned the complications arising out of the provision in the Rules that no single mineral area exceeding ten miles could be granted to any party in any State. The people concerned with the exploitation of the copper ore had represented that having regard to the scattered manner in which copper deposits were to be found, it would not be possible to work the lease if this rule was enforced.

84. The Chairman observed that the easier course would be either to acquire the lease altogether and not allow them to work it, or to acquire a share in the existing leases as a transitional phase and control their working. Any policy adopted in the transitional period should fit into the ultimate aim in view. Exceptions might have to be allowed where there were difficulties in the way of the public sector undertaking the work, e.g., the concession regarding oil exploration granted to big oil companies in Assam and other places. Such exceptions had to be allowed because the Government were not in a position to undertake the work due to lack of expert knowledge and other circumstances. The Chairman observed that broadly speaking the mineral resources of the country should be worked by the State and not through private interests. At present, coal and iron ore were the important minerals but new developments were taking place in regard to minerals; for example, titanium had been called the mineral of the future. The States, therefore, ought to be careful in regard to all mineral interests. The minerals pertaining to the production of atomic energy were essential in the public interest and legislation had been enacted to acquire control over them. A similar procedure had to apply to all basic minerals which were important. The Chairman observed that the term basic industry was probably vague and it might be necessary to clarify the position.

85. Prof. P. C. Mahalanobis suggested that the industries might be divided into two parts—one producing investment goods and the other consumer goods. A convenient method would be to treat as basic industries such industries as were primarily intended to produce investment goods. Cement was usually classified as an investment good even though in India it was used more as a consumer good for constructing palatial buildings etc. Apart from steel and coal, all the metallurgical industries, heavy chemicals machinery etc. could be treated as basic industries.

Shri K. C. Neogy suggested that the legislation which might be drawn up should specify the industries which were to be treated as basic. The Home Minister, Mysore observed that Mysore was interested in gold and expressed the hope that that would also come under the purview of the word 'basic'. He added that in view of the possibility of nationalisation, some sort of 'slaughter

mining' was going on in some mines without any regard to the exploratory or developmental work. It would therefore be better to finalise the matter as early as possible. The Mysore Government were interested in seeing that gold mining was nationalised as early as possible. The Chairman observed that the approach should be that in framing the resolution, sufficient details should be given so that there was no vagueness of language. In answer to a query by the Chief Minister, Madhya Pradesh, it was clarified that the term State would include not only the Government of India but the State Governments as well.

86. The Chairman mentioned that in Section V of the note, dealing with the scope of the private sector, there was mention about ferro-manganese, fertilisers, essential drugs, heavy chemicals, aluminium, etc. These items would have to be gone into individually. Fertilisers were in the main State-owned. Manufacture of essential drugs was a profitable business. These drugs should be made available to the public at a cheap rate. There was a reference in the note about Government's participation in equity capital and management of private units. The Chairman mentioned that the extent of control over the management or the manner of exercising such control would depend on the assistance which might be given by the State. Shri Neogy mentioned that though participation in capital might not enable the State to exercise majority voting right, yet it would be possible to provide special rights of control by special agreement. Shri V. T. Krishnamachari mentioned that in Mysore, there was a case in which the State Government had only 20 per cent participation in capital but they had an arrangement under which the Managing Director who was in absolute charge of the undertaking was appointed with the consent of the Government.

87. The Union Finance Minister mentioned that the question of Government participating in equity capital and the management of private units which were assisted directly or through various agencies, had arisen with particular reference to the resources indicated in the draft memorandum for the private sector. A figure of Rs. 40 crores had been shown against Industrial Finance Corporation. In addition there were special loans proposed to be given to the jute and cotton industry for rehabilitation. If there was an appreciation of the value of the assets of the undertakings as a result of Government contribution, the private sector derived the benefit and to that extent the tendency towards disparity would be accentuated. It might not be possible to apply the principle of Government participation over the field of institutional assistance to private industries through Corporations, Cooperative Societies, State Finance Corporations, etc. It could, however, be said that so far as basic industries were concerned, if any loans were given primarily through Government sources, the question of turning that loan into equity capital should be considered.

The Chairman explained that the principles laid down were of a general character and that each case would have to be considered individually. The conditions to be imposed would ultimately depend on the extent of the help given and the arrangement which could be made with the party concerned and how far the unit was considered to be a basic industry. A mention was made also of the participation on a minority basis by private enterprise in undertakings in the public sector. The Chief Minister, Orissa mentioned that as in the case of road transport where existing operators were allowed to have some share in corporations in the case of mining corporations also the private companies could be allowed to have some share.

88. The Minister of Planning, **Shri Gulzarilal Nanda** said that during the discussion on various subjects dealt with in the draft memorandum, frequent suggestions had been made for the need to expand the public sector. Expansion of the public sector was necessary for three reasons: firstly to augment resources; secondly to bring about greater equality; and thirdly to be in a position to implement the plan. Apart from the question of finding resources to finance undertakings in the

public sector, one factor which stood in the way of expansion of the public sector was the difficulties arising from lack of trained personnel of proper quality both managerial and technical. It was necessary not only to utilise immediately whatever facilities were available for training the necessary personnel for the needs of the second plan, but also to make arrangements for the larger needs which might arise in the subsequent period. So far as the Ministry of Irrigation and Power was concerned, an attempt was made to assess the requirements of the various projects and a committee had estimated the requirements over a period of years. Another Committee which looked into the whole engineering field had made certain interim recommendations which had been circulated to the Chief Ministers. The recommendations concerned both the Central and the State Governments and were of particular importance for the realisation of the targets in the public and the private sector. The question should therefore receive the special attention of the Chief Ministers.

89. In his remarks concluding the day's discussion the Chairman said that lack of finances stood in the way of the adequate development in the field of education and health, and the problem could be solved partly by the levy of local cesses. The proposal of the Madras Government to provide in this way one meal to the children was particularly important even from the educational point of view.

90. The Chairman emphasised that it was necessary to economise on construction and an attempt should be made to see whether the programme for educational development, for example, could be got through without buildings. He thought that it would be better to spread education under the trees in villages rather than not spread it because school building could not be built due to lack of funds. He cited the example of West Germany where two-thirds of the houses in the cities were destroyed completely but the people concentrated on running their factories and hardly cared for accommodation. It was only after they got the production apparatus functioning that they concentrated on building in a big way. The Chairman suggested that money should be saved in construction whether it was a hospital, educational building or anything else. In this connection he suggested that the scales and rates of building should be examined.

91. The Chairman also referred to the point which was mentioned at the meeting of the Standing Committee of the National Development Council regarding the provision of amenities, for example, to low paid Government servants. Some steps in this direction had been taken in Madras. He said that provision of such amenities went further than any increase in salary. An increase of Rs. 10 per mensem in salary would involve an expenditure of crores of rupees but with one-fourth of that amount, amenities could be provided for the staff.

92. The Chairman observed that nothing was more costly than delay in taking decisions in Government Departments and in the Central Ministries. There might have been some improvement in this respect recently but there was still much room for improvement. In big schemes like Bhakra-Nangal, even small delays would cost lakhs of rupees. A machinery working efficiently and without delay meant a great economy and this was perhaps more important than economy in petty things.

93. The Minister for Works, Housing and Supply, **Sardar Swaran Singh** said that he agreed with one of the Chief Ministers who suggested that the schedule of rates required revision. The fact however was that the schedule applied only to the framing of the estimates which, ultimately, were only a basis for inviting tenders; it was the quotation which really mattered. The schedules of rates applied however to such works as were carried out departmentally. Whether the quotation was above or below the schedule of rates depended on the areas where the work was undertaken. Revision of schedule of rates might however be useful as a better basis for planning. The essential

point was to change their ideas about construction. Sardar Swaran Singh added that in view of the rapid expansion of Government Departments, it was not possible to avoid a certain amount of construction.

94. The Chairman observed that it was not intended that construction should be stopped altogether. The reference was only to large scale educational expansion and things like that. Wherever necessary and to the extent practicable, construction of small buildings should be encouraged.

### January 21, 1956

The Chief Minister, West Bengal, **Dr. B. C. Roy** recalled the points regarding sales tax on cloth mentioned by him at the meeting held on the 20th January, 1956. The West Bengal Government had requested the Central Government for permission to remove the lower limit of Rs. 7-8-0 in order to avoid evasion. They were prepared to fall in line with the Central taxation policy about excise, but until the Central legislation was passed, the State Government might be allowed to realise the sales tax. Dr. Roy mentioned that the additional collections might amount to about Rs. 1 crore a year.

2. The Minister of Commerce and Industry, **Shri T. T. Krishnamachari** stated that if the intention was only to make the coverage of sales tax more comprehensive so as to remove loopholes, the Government of India would not have any objection to the proposal. On the other hand, if the effect of the amendment proposed by the West Bengal Government was to raise the incidence of the tax on cloth, the question would have to be examined further.

### MANUFACTURE OF HEAVY MACHINERY

3. The Chairman observed that at the meeting of the Standing Committee of the National Development Council, it was agreed that there was need for the manufacture within the country of heavy machinery, that the basic units for heavy machine building industry should be in the public sector and that there should be an integrated plan of development. The Chairman assumed that there was general agreement to these proposals on the part of the National Development Council also.

4. The Minister of Commerce and Industry, **Shri T. T. Krishnamachari** observed that in India there was, at present, some equipment for heavy machinery manufacture. A number of gaps had, however, to be filled in. In some cases, the equipment was not utilised and in some other cases, the know-how was not there, particularly in respect of castings. In some places forging was done as a private enterprise but the units were small and inefficient. It had now been decided that the Government might step into the breach and establish big foundries and forges and such equipment as would permit the manufacture of heavy machinery. Consultations were being held with technical experts in foreign countries. The intention was to start three big forges and foundries and ancillary equipment alongside the three steel plants.

5. The Minister of Commerce and Industry, **Shri T. T. Krishnamachari** stated that the next question was the production of machines to be utilised for the purpose of machinery manufacturing. As much as possible of the equipment, for the expansion of the steel factories after the initial stage, would have to be manufactured in the country itself. There was also the question of manufacturing

cement machinery, printing machinery, sugar machinery and also equipment for the chemical plants. For all this, foreign technical assistance and collaboration were necessary and planning for the training of Indian personnel both for making the machines and designing them should start now.

6. Shri T. T. Krishnamachari added that the National Industrial Development Corporation would take up this work and it was proposed to step up the allotment so as to enable the Corporation to undertake the work. It might be necessary to establish a plant somewhat on the lines of the Ural Max plant in Russia which was a completely integrated plant capable of making heavy machinery of any type.

7. The Minister of Commerce & Industry, **Shri T. T. Krishnamachari** observed that it was not the intention of the Government to undertake the manufacture of certain types of machinery such as textile machinery or jute machinery unless it was absolutely necessary. In certain sections of the textile and jute machinery the Government would have to step in if the private sector did not come forward. The blow room machinery for the textile industry and the heavy machinery for preparation of jute would come under this category. The cement companies were making some equipment for cement factories and 40 per cent of the sugar machinery was being made in the country. There was no intention that the State should enter these fields of machine making industries except in cases where the unit was heavy and investment was large or where it was considered necessary to utilise the latest designs.

8. The manufacture of special steel, alloy steel and stainless steel was important from the point of view of building up the heavy industry. It was, therefore, proposed to integrate manufacture of such steel with the steel plants.

9. The question of chemical industry was also engaging attention. The Government had been advised that a coal tar distillation plant, with a capacity of about 150 tons of tar every day, could be erected in each steel factory. The plant was important in so far as the basic chemicals which were necessary for the chemical industry, the drug industry and the dye stuff industry would be realised and the pitch that would be left over could be used for fuel purposes. The refineries in India gave an opportunity of starting a Petro-chemical industry but the equipment for extracting the chemicals from the refineries was somewhat costly and the processes were difficult. The intention was to have the coal-tar distillation plant in the State sector so as to have one composite plant and to facilitate coordinated direction. There was, however, no objection to the West Bengal Government working out any scheme for the utilisation of the by-products.

10. The Chairman requested the Minister of Commerce and Industry to give the picture of what the position was expected to be at the end of the second five year plan and at the end of the third five year plan in regard to heavy machine making and the putting up of iron and steel plants. It would also be useful to have information on how the programme would affect the imports of machinery on which large sums were being spent at present.

11. The Minister of Commerce and Industry stated that according to the present plans, by the end of the second plan the country would have the fabrication capacity for structurals, forging and for casting to the extent of about a million tons both in the public and the private sector. It was expected that all the structurals needed for steel factory except to the extent of about 25 per cent would be made in the country. On a rough estimate it would be possible to manufacture in the country between 60 to 70 per cent of the machinery which was at present being imported from abroad. In view, however, of the price of steel and the cost of skilled labour, the machinery manufactured in the country might not be cheaper than the imported articles. The position regarding



steel prices was however likely to improve after the steel plants had come into full operation. It was hoped that the steel made in the new plants would cost about Rs. 280 per ton as against the basic price of Rs. 600 per ton for imported steel.

In terms of value it could be said that Rs. 500 crores worth of structural steel and castings, forges and machinery would be made in this country but it did not necessarily mean that import at that time would be less. It might become necessary to import other things because of the technological progress. The Minister of Commerce and Industry added that what he stated applied only to the fabrication of the material; the designing of machinery and the operation of it would require about 7 or 8 years of training. In any case even though everything might not be made in the country itself a stage would have been reached where it would be possible to do so at a pinch at the end of the five year period.

12. The Chairman observed that it should be possible to design and make every thing in India. New designs should also be developed in the country itself. It was not necessary to manufacture each part of the machinery in the country itself, particularly when it was totally uneconomic to do so and when it could be easily obtained from abroad, but the capacity to manufacture should be built up.

13. Dealing with the question of allotment for heavy industry the Minister of Commerce and Industry said that the present allotment for the NIDC stood at Rs. 70 crores. Out of this a sum of Rs. 25 crores was meant for the rehabilitation of the jute and textile industries leaving only a sum of Rs. 45 crores for heavy industry. On a rough estimate, an additional allotment of about Rs. 55 crores would be necessary so as to make adequate provision for heavy machine building and for the other basic industries. With this allotment it should be possible to meet locally the machinery requirements of the country to the extent of about 60 to 70 per cent inclusive of the expansion of the fabricating plants in the private sector which would probably account for half the total production.

14. The Minister of Commerce and Industry observed that the steel plants would start working in the middle of 1959 and full production would be achieved during 1960. The expansion of the plants in the private sector would provide about 300,000 tons of additional steel by the middle of 1958. The Minister of Commerce and Industry added that his own estimate was that about 7.5 million tons of steel would be required by 1960 whereas the production would be only about 4.5 million tons. He was however hopeful of having some arrangements with / foreign countries for obtaining additional quantities of steel without affecting the foreign exchange resources.

15. The Minister of Commerce and Industry referred to the suggestion that the Government of India had not been alive and active in regard to providing the cement needs of the country. The position really was that in 1951, the production was 3 million tons and as there was not sufficient internal consumption exports were allowed. After 1952, the existing units were being pressed to expand but there was initial resistance and the expansion programmes came into operation only by the beginning of 1954. At present about 5 million tons of cement were being produced and by 31st March, 1956, the production would go upto 6 million tons and by about 31st March, 1957, it was likely to be over 7.3 million tons. The demand at present was estimated to be about 10 million tons. The Planning Commission's target for cement production by 1960 was 11 million tons but the estimate of the Ministry of Commerce and Industry was about 15.5 million tons.

16. The Chairman observed that according to the figures given by the Minister of Commerce and Industry, in spite of the 3 new steel plants, the needs would exceed the production and it might be necessary to import steel. It was therefore essential to plan even now for the additional plants



which would have to be set up in the country sooner or later. The heavy machine industry should have been sufficiently developed by then so as to avoid the necessity of having to depend on foreign countries.

17. The Minister of Commerce and Industry observed that the question should be reviewed some time in 1958 by which time the erection of the plants would have been completed. It was quite conceivable that the production could be stretched in these plants by about half a million tons. Dr. B. C. Roy enquired whether it would be possible to manufacture during the third plan, the machinery required for new steel plants. The Minister of Commerce and Industry stated that it would be possible to manufacture in the country most of what was needed for a coke oven factory, a large portion of a blast furnace and about 60 to 70 per cent of what was needed for a melting shop but in regard to rolling mills imports would still be necessary.

18. The Chairman observed that the position as explained by the Minister of Commerce and Industry emphasised the importance of examining the specific question of making certain types of heavy machinery like those required for iron and steel plants. It was necessary to expedite the laying of the foundation for heavy machine making industries and to have an integrated plan for the purpose. After having done that one had to consider how far the lack of resources came in the way of an integrated plan for the purpose. The question was important because they should avoid difficulties in the future about import of machinery and even more the dependence on other countries for such essential needs. The Chairman added that it was of the highest importance for the future industrial development of the country to develop heavy machine making industry as fast as possible. It might not be possible to manufacture every single part of the machinery required for, say, a steel plant in India but a good part of it should be done here and the country should be in a position to manufacture everything, even though the capacity might not be utilised. All this required an integrated approach.

## LONG TERM PLAN AND FIVE YEAR AND ANNUAL PLANS

19. **Prof. P. C. Mahalanobis** opened the discussion by stating that he would submit a few approximate calculations as a preface to a statement of the technical problem and an indication of the type of work involved in long term planning.

20. The question of reducing and removing disparities, regional disparities or those between different strata of society had been stressed repeatedly. One such disparity was between the city and the village. If, for example, it was considered necessary to bring up education and health facilities in the village to the city level, it would be necessary to increase the national income by about three or four times. Increase in national income meant more flow of goods and services, more food of better quality, more cloth and more shelter. It was only when all these goods and services were there that it would be possible to have higher educational and health services. In order to attain this level, roughly 15 to 20 million tons of steel must be produced in the country every year. It, therefore, followed that in order to remove the existing disparities between the city and the rural areas the level of steel production should be increased to 20 million tons a year. The task of long range planning was to consider whether this should be achieved in 50 years or in 10 or 15 years. If the aim was to do it in 10 years it would be necessary to add another 7 or 8 new steel plants of a million ton capacity each, in the third five year plan and another 7 or 8 in the fourth plan.

21. Prof. Mahalanobis added that this was the only way to look at the future and it was only in

this way that it would be possible to formulate a programme for the manufacture of heavy machinery within the country. In the draft plan frame, the investment proposed for heavy machines was Rs. 150 crores plus Rs. 40 crores for heavy electricals but in the Draft Memorandum, the allocation was reduced to about Rs. 50 crores. Prof. Mahalanobis said that he was glad that the allotment was being increased.

22. Dealing with the question of regional disparities in the geographical sense, Prof. Mahalanobis observed that regional disparities could be measured in a rough way by per capita expenditure. The difference was of the order of 40 per cent between the South and the North West. This disparity could not be removed by a system of doles; the only way was to increase the production capacity and the actual production in the different areas. This in turn meant that a great deal more thought would have to be given regarding the utilisation of the available resources.

23. Referring to the problem of disparities between different classes, Prof. Mahalanobis said that it was particularly difficult with the present taxation policy to avoid giving more to those who already had more. In the system of direct taxation, it was easy to take from those who were rich; the tendency would be to make the rich richer and to take away a larger proportion of the added income but even if the larger proportion was taken, in absolute terms a great more remained with them. On this problem some thinking had been done purely on the lines of chaining the income base to the expenditure base or a taxation on capital gains or on wealth or an indirect taxation on commodities and luxury items. All these would have to be considered further and a great deal remained to be done on the training programme. A good deal of thinking had to be done on the technical programme; technical training depended to a large extent on general education including the primary education,

24. Prof. Mahalanobis observed that from all these considerations it followed that if it was now decided to include Rs. 100 crores or so more for the heavy machinery, certain other changes would have to be made. A good deal more of thought would have to be given to all these matters in the light of further information on various matters. Prof. Mahalanobis added that from a purely technical point of view, his advice would be to have a detailed plan for one year and to lay down a kind of general target for the remaining period. During the subsequent year work could be done on the future programme and the details of the balances of consumer goods. From the technical point of view, he would also strongly recommend that the plan should be flexible in the manner indicated by the Prime Minister. This in brief was how he visualised long term planning.

25. The Chairman observed that as explained by Prof. Mahalanobis, all parts of the plan were inter-related and that too in a dynamic sense. Ultimately social advance was possible only by increasing the national income and increasing it in a dynamic way. If certain ad hoc methods were adopted, one might find oneself at the dead end and it might become necessary to retrace the steps and go in other directions. Unless, therefore, full planning was there and there was the dynamic integrated approach, there were likely to be bottlenecks. To have this integrated approach, the Planning Commission would need much more information and continuous information. It was, therefore, highly important to be clear about the perspective long distance planning. It would also be necessary to have a detailed plan for a short period. At present that period should be one year but it might become a little longer as they progressed. The Chairman referred in this connection to the example of Japan and Soviet Russia. Without having basic resources Japan was able to build up heavy machinery industry in the course of 15 to 20 years. In the Western countries the development was spread over a long distance of time. Soviet Russia and other countries went through the process in a much briefer period but at a tremendous cost. The important lesson to be learnt from the example of these countries was the integrated outlook.

26. At a subsequent stage in the discussion, the Chairman drew the attention of the Chief Ministers to the note on procedure for the annual review of State plans. The note embodied the recommendations of the Planning Secretaries of State Governments and the officials of the Planning Commission and the Central Ministries, who discussed the matter on the 19th and 21st January, 1956.

## PHYSICAL CONTROL AND TECHNIQUES FOR PLANNING

27. The Minister of Food and Agriculture, **Shri A. P. Jain** referred to Section VIII of the note circulated and enquired what exactly were the regulatory measures which the Planning Commission had in view.

28. The Chairman observed that in the course of discussion, it might be possible to indicate some methods of regulation, but the important thing was the broad idea that some such action might be rendered necessary. They had also to keep in view the broad technique of planning *viz.* the long perspective, the detailed plan for a short period and the continuous attempt to check up everything by detailed surveys, statistical and otherwise. The measures which could be adopted would depend on various factors including political and talking about control in abstract terms at this stage might be rather premature.

29. The Minister of Planning, **Shri Gulzarilal Nanda** observed that in working up to a high pitch of development, care had to be taken to avoid maladjustments which would result in serious consequences. When the deficit financing proceeded to a certain level, it might become necessary to control the situation or retrace the steps taken in the direction of economic development. It might be found that stepping back was not possible and the only alternative would then be to adopt some kind of device so as to make a suitable adjustment between the interests of development and any inflationary danger that might arise. In these circumstances, it would be advisable to prepare from now on for the adoption of the various measures and devices to control the situation.

30. The Minister of Food and Agriculture, **Shri A. P. Jain** observed that the measures adopted to arrest any inflationary trends, which might develop as a result of deficit financing, might be either fiscal or monetary measures or physical controls. The past experience in India of physical controls in respect of essential commodities had been very unhappy and he would, therefore, suggest greater emphasis on monetary and fiscal regulation. The Level of wages was also important as the foodgrain prices had to be related to that. He, therefore, suggested that they should apply their minds to the question of correlating the price of the agricultural produce at the harvest season and the rate at which it should be released in the off season. At present the difference was Rs. 4 per maund. The Chief Ministers of States might express their opinion regarding the type of controls that should be introduced, in case there was any indication of prices rising beyond the level which was considered reasonable.

31. The Union Finance Minister, **Shri C. D. Deshmukh** observed that, as he understood the position, the Minister of Food and Agriculture did not want to introduce physical controls under any condition. If physical controls were ruled out, there were only two other courses which were open: the first was to build up sufficient stocks of foodgrains in order to be able to carry on open market operations; the second course was to apply for a loan to a foreign country so as to augment domestic supplies; the supplies would have to be on loan basis as there would not be any spare foreign exchange available for the purpose. There were difficulties in adding to the quantity of wheat stored as there was not sufficient storage accommodation, but there were proposals for the

arrangement of godowns and warehouses. The Finance Minister added that a similar situation might arise in regard to cloth. Regarding cement, shortage was already evident and the Ministry of Commerce and Industry had requested the other Ministries to cut down their demands. It was not clear how it was possible to cut down the demands unless there was a system of allocation of permits or it was possible to say that cement was not allowed for certain purposes. All this really meant introduction of control. The conclusion, therefore, appeared to be that each item had to be studied and plans or alternative plans would have to be kept in view. In practice, among the measures that might have to be taken, it would not be possible to exclude any particular measure either on theoretical considerations or past experience. The Finance Minister added that while undertaking an ambitious plan, it would not be proper to say that regulation of controls should be ruled out altogether. The point made in the note circulated was that monetary or fiscal measures could not by themselves meet certain situations and this was based on general experience gained in all parts of the country. Economic thinking on these matters also did not rule out physical controls. The important point was that there was no single answer to all these problems and plans should be ready so that they could be put into use when the necessity arose.

32. The Minister of Food and Agriculture observed that any temporary disturbances that might arise could be effectively met by keeping adequate stocks of foodgrains and adopting regulatory methods other than controls. If there was absolute scarcity it might even be necessary to revise the targets and the extent of deficit financing.

33. The Chairman observed that there was no difficulty if the situation could be met by measures other than physical controls. The whole idea was that under certain circumstances, recourse might have to be had to some regulation and control, and the exact details of such control might have to be considered as and when the situation arose. It was obviously impossible to rule out such measures, unless planning was to be stopped. The Minister of Food and Agriculture stated that if there was any serious situation, the entire plan would have to be revised. The Chairman observed that in any plan of large scale development, small inflationary tendencies were inevitable and were in fact to be welcomed. It was only when things got out of grip, that it was dangerous and one might be ready to impose the strictest controls.

34. The Chief Minister, Orissa, **Shri Nabakrushna Chaudhuri** stated that the past experience about physical controls showed that they should evolve an administrative machinery which would help in the proper regulation and control over essential commodities.

35. The Deputy Chairman, Planning Commission, observed that from a different point of view what the Minister of Food and Agriculture had said emphasised the need for intensive efforts to raise food production. There was a good deal of irrigation available which was not utilised. If all possible efforts were made, the stage of physical controls would not be reached, at least for foodgrains. The Minister of Food and Agriculture agreed with this view and suggested that undesirable results might follow if there was too much talk about physical controls.

36. The Minister of Planning, **Shri G. L. Nanda** observed that it might on the other hand be useful to start thinking about the matter from now onwards. He said that the problem of controls could be dealt with more effectively if there were organised groups. He suggested that if in another two years it was possible to develop the cooperative system, it would be very much easier to organise action. It would also be desirable to examine the wage policy and the adjustments which would have to be made between wages and prices. He was confident that adequate arrangements could be made and a high level of development achieved without causing any undesirable consequences.

37. The Finance Minister, **Shri C. D. Deshmukh** observed that the present shortage of cement indicated that there had been some miscalculation of consumption and that early enough steps were not taken to meet the increasing demand for cement. It was not clear to him whether any further action was contemplated to prevent shortage in the future and to avoid the drain on the foreign exchange resources which would be caused by imports from abroad.

38. The Minister of Commerce and Industry, **Shri T. T. Krishnamachari** observed that there was another aspect of the matter which was referred to by the economists. The suggestion was that oilseeds should be exported in order to find resources for the plan. At present the prices were rising, as consumption of oil was increasing along with the rise in standard of living which was taking place. For finding the foreign exchange resources, one method was to export oil, which really meant restraint on domestic consumption. Restraint on consumption might in certain circumstances require control over distribution.

39. The Chairman observed that the attempt now was to lay down a plan of action, a broad approach. In doing this there should not be any fear of people getting nervous at the very mention of controls. Without going into details it was necessary to state clearly that under certain conditions it might be necessary to impose physical controls. Probably it would be better to prepare the people for such a situation from now on.

40. The Union Finance Minister, **Shri C. D. Deshmukh** observed that if the public was sure that there were plans to deal with such difficult situation, it would have a reassuring effect. It was not however, necessary that they should publish, the details of what was going to be done. There should be a great deal of thinking on these matters inside the Secretariat. It might however be possible to avoid a direct reference to control but use the term 'regulatory measures' instead.

41. The Chairman observed that the discussion started with the broad approach to planning technique-long term planning, perspective planning etc. The tendency to think more of the shorter term would endanger the long term planning. The difficulty was that unless the long term view was there, the short term itself might go in the wrong direction. Ultimately the long term view should be directed towards the type of society which was proposed to be built up. During the last five years, the people had become plan-conscious, but this consciousness, was perhaps limited to the immediate view. It might be helpful to extend the plan consciousness to the long term view as well. In these circumstances, it would be desirable to say something in the report about this long term perspective planning and the technique of planning. It was again in this context that the idea of flexible plan was being put forward. The flexibility was not merely from the point of view of resources etc., but in a basic way i.e. having regard to the long term objectives. It was quite possible that when further information, statistical or otherwise, was available, the conclusions reached might be different from those now given. Prof. Mahalanobis had therefore suggested that the present plan should be a flexible one and that precise planning should be confined to a year.

42. The Chief Minister, Orissa, observed that there was growing realisation that the planning was a highly technical subject and the main difficulty with the States was that there were not many good technical men. He, therefore, suggested that the Planning Commission might place one planning adviser in each State to advise the State Governments on the purely technical aspects of planning. The Chairman observed that the Planning Commission would always be glad, subject to its own capacity and availability of people, to help the States in the matter. The Planning Commission had been thinking of having a special adviser for each of the proposed zones. The Chief Minister, Orissa, suggested that this might not prove sufficient. He added that a large number of engineering personnel would also be required. Prof. Mahalanobis mentioned that certain schemes were being



worked out to help the States about evaluation and other technical matters. The Planning Commission had decided that the Central Statistical Organisation in association with the National Sample Survey and certain other Institutions would coordinate this work.

## BALANCED REGIONAL DEVELOPMENT

43. The Chairman observed that nobody would disagree with the proposal stated in section IX of the note circulated; the manner of giving effect to the principle was, however, a complicated matter.

44. The Chief Minister, Travancore-Cochin, **Shri P. Govinda Menon** stated that he was grateful to the Planning Commission for having accepted the suggestion made by him at the meeting of the Standing Committee, that there should be State sponsored schemes for colonisation of thinly populated areas within India by people from densely populated areas.

45. Shri Govinda Menon suggested that as one of the main objectives of the plan was to reduce unemployment throughout India, the Planning Commission should institute a systematic study regarding the effects of the programme under the second plan on unemployment in various States. If it was found, as a result of the study, that in certain regions unemployment would be greatly reduced while in certain other regions, the plan would have no effect on unemployment, a re-examination of the allocations under the plan would be necessary. He was doubtful whether the allocations already settled would have a uniform effect throughout India. Unless enthusiasm was created throughout the country, it would be very difficult to enlist the cooperation of the people about raising revenues, small savings etc.

46. The Chairman observed that what Shri Govinda Menon said was exactly what was implied in the paper *viz.* if it was found that one part of the country was developed more and more and another less and less, the matter should be examined and an attempt made to set right the scheme of development.

47. The Minister of Planning, **Shri Gulzarilal Nanda** said that an effort was made to conduct a study on the lines suggested by Shri Govinda Menon. There were, however, certain difficulties because the information available was incomplete in the case of certain States. Moreover, it would take some more time before the location of certain industries under the Central Government was decided. From the study so far undertaken, it appeared that the position was going to be improved substantially in certain places while in certain other places the position would be worse. Any further schemes of development such as those recommended by the Study Group on educated unemployed would have to be undertaken in the light of this preliminary conclusions.

48. The Finance Minister, Madras, **Shri Subramaniam** observed that no useful purpose would be served by undertaking the study after a decision had been taken about the location of the industries, to be started by the Central Government. In regard to a large number of industries, location would depend on raw materials and other considerations but there were several industries which could be located without reference to such factors.

49. The Minister of Planning, **Shri Gulzarilal Nanda** agreed that in taking decisions regarding location of industries this factor should also be taken into consideration. Generally speaking, he would suggest that in regard to industry, transport, communications, etc. all further steps must have some relation to whatever facts were disclosed regarding the relative needs of different regions. The principle has been accepted and all those who were responsible for decisions would have to



take that into account before taking decisions.

50. The Chairman observed that there was an unfortunate tendency all over the world for those who had to be given more. In all development, the more developed areas profit more because they had the capacity. In the matter of Central assistance also, only a State which could provide the matching share would be in a position to utilise it. There were no doubt certain areas which were conveniently situated for particular types of development. The important consideration should be to bring about a general raising of the common level, that is to say the minimum level should go up everywhere.

51. The Union Finance Minister, **Shri C. D. Deshmukh** said that there should be some idea about the indicators for determining development such as length of roads, number of children going to schools, electricity generated, irrigation, employment etc. If such an indication was given, it would perhaps be found that many States were far more advanced than what they imagined themselves to be.

The Finance Minister, Madras, **Shri Subramaniam** remarked that industrialisation was the best indicator of development and should be taken as an indicator for ascertaining how far a region had advanced. He observed that a little increase in agricultural production did not indicate economic development.

The Chairman mentioned that the importance of agricultural production could not be overlooked and he referred to the increase in agricultural production in Canada. The Chairman also referred to Bihar, parts of which were very poor in spite of the fact that certain iron and steel plants were located there.

52. The Finance Minister, Madras, **Shri Subramaniam** said that the per capita income would be the best indicator as it reflected both industrial and agricultural activity.

The Deputy Chairman observed that in about a year's time, information regarding per capita income of individual States might become available. The Chairman mentioned that work was being done on the subject in the National Income Unit and that in the course of a few months, useful information might be available.

53. Prof. P. C. Mahalanobis mentioned that the matter was discussed at the international level at a meeting held recently. It was generally agreed that there ought to be a series of indicators. Broadly there would be two different approaches; one would be the aggregative approach like roads per sq. mile, electricity and so on. The other approach aimed at the level of living not of the average but of the lower income groups of the country measured in terms of food, housing, certain essential commodities, health, educational facilities etc. In India material had been collected by National Sample Survey, covering most of these indicators; if necessary it was possible to supply fairly reasonable indicators aimed at the lower income groups and, also with reference to industrialisation, output of energy, output of machinery etc. This might be of help to the different States. About the actual level of living Prof. Mahalanobis thought that it should be possible to furnish an idea in the course of one year.

## THE COOPERATIVE SECTOR

54. The Minister for Defence, **Dr. K. N. Katju** mentioned that there appeared to be some ambiguity in the public mind about the phrase 'cooperative holdings' and it might be desirable to add a sentence or two in the plan explaining the meaning of the term. One type of cooperative farm would consist

of people who had small plots cultivating the land jointly and dividing the produce in accordance with their share in the land. The present position in U.P. and other places was that land was cultivated separately but the cooperative societies helped individual cultivators by distributing fertilisers, good seeds, etc. There was no joint labour and the question of mechanisation did not arise as the holding would not be large. If cooperative farming was undertaken on 100 or 200 acres, then production could be increased by the use of machinery. Even under this arrangement, the individual property rights would remain. Some people were however afraid that cooperative holdings or cooperative farming was tantamount to collective farming or was a forerunner of it. Dr. Katju suggested that this ambiguity should be removed and the meaning of the phrase 'collective farming' clearly explained.

55. The Chairman observed that normally speaking cooperative farming did not mean collective farming, but it meant joint farming. About 20 families might pool their resources keeping their separate ownership. Some times it might mean less than that-farming also being done separately and only the raw material supplies being arranged jointly. There were various stages of cooperatives and it would be necessary to experiment with all.

56. The Minister of Food and Agriculture, **Shri A. P. Jain** said that in respect of family holdings or economic holdings or holdings bigger than economic holdings, cooperative societies might be formed for arranging supplies of materials needed by the agriculturists and for joint marketing of products raised by them. The particular phrase 'cooperative farming' had been used in respect of farms which were uneconomic i.e., in such cases the intention was that the holdings might in the first instance be joined in the form of cooperatives. This would of course raise the problems of utilising the spare labour of a large number of small farmers, Perhaps it would be possible to combine industrial cooperatives with cooperative farming. Shri Jain added that there was no idea of introducing mechanised farming but the farms would be of a size where improved methods and techniques were capable of being applied.

57. The Chairman observed that when the Ministry of Food and Agriculture had drawn up a broad scheme for agricultural cooperative farming, the question could be further considered. In this connection he referred to the discussion that the Planning Commission recently had with an agrarian economist from China; a note by him on cooperatives in China had been circulated. Most of the cooperatives in China consisted of only 20 or 30 farmers. There were thousands of such cooperatives in China. It might be examined whether a similar procedure could be followed in India. The problem of surplus labour would arise only if mechanisation took place as a result of cooperative working.

58. In this connection, the Chairman observed that a natural line of development in the field of transport was the improvement of the bullock cart. In the context of present conditions in India fitting of rubber tyres to the bullock cart would be a far greater gain than stream-lined railway wagons and similar things. By putting on rubber tyres the efficiency of the vehicles was improved immediately by 100 to 200 per cent.

59. The Chief Minister, West Bengal, **Dr. B. C. Roy** mentioned that some encouragement was being given in West Bengal to the use of rubber tyres; a man having steel tyred vehicle had to pay Rs. 40 as licence fee whereas for the rubber tyred vehicle it was only Rs. 10. Except where there was a pucca road, the effect of a bus or truck going along the road was so damaging that it would be better for the village roads to be served by bullock carts with rubber tyres.

60. The Minister of Transport and Railways, **Shri Lal Bahadur Shastri** mentioned that the Ministry of Transport had drawn up a scheme for encouraging the fitting of rubber tyres on bullock

carts. It was proposed to make a distinction between those carts which were used for commercial purposes and carts used for private purposes by cultivators. The commercial carts which were taken to markets could be asked to use the rubber tyres in the first instance. The State Governments had asked for some subsidy to help the cultivators to fit in rubber tyres. The Minister of Transport and Railways added that the item had been included in the agenda for a meeting of the State Ministers of Transport on the 6th and 7th February, 1956. After this meeting it might be possible to take some definite steps.

61. The Minister of Works, Housing and Supply, **Sardar Swaran Singh** emphasised the necessity of strengthening the organisation in the States for dealing with the cooperative sector. The cooperative movement in the various States had been confined so far to credit facilities and store supplies. The argument appeared to be that normal trade channels should not be interfered with by cooperative effort. In the initial stages there were difficulties in developing the cooperative system in agriculture, in view of the individualistic tendency among the farmers who worked on the soil. Further efforts might be continued in order to obtain better results. There were, however, a large number of other activities in which cooperative effort could be directed, for instance, the field of small scale industries, cottage industries, construction or building industries, etc. Cooperative construction agencies consisting mostly of labour had done well in Hyderabad. Unfortunately the administrative staff in the Cooperative department and other departments were not fully cooperative and he requested the Chief Ministers to gear up the administrative set up so as to encourage cooperation.

62. The Minister of Food and Agriculture, **Shri A. P. Jain** mentioned that out of the 35 new sugar factories which were recently licensed, 20 were managed by cooperative bodies. He was confident that 75 per cent of the cooperative factories would come up very well. There was great scope for introducing cooperation in processing industries; the cooperative ginning and pressing mills in Bombay were very successful.

63. The Minister of Defence, **Dr. K. N. Katju** mentioned that in the U.P. cooperative societies were successful because the importance of individual efforts was reorganised by retaining individual ownership even though management was done on a cooperative basis. The Chairman observed that the farmer did not take easily to new ideas but unless the cooperative principle was adopted no progress could be made. Ultimately it might be necessary to go in for mechanisation and this could be done only on a cooperative basis. There was no question of forcing the people to accept the cooperative principle but every encouragement must be given to the idea by having joint working while retaining individual proprietorship. The Finance Minister, Madras, suggested that the cooperative farming might be introduced in areas where it could work successfully so that it might serve as an example for others to follow. The Minister of Agriculture, Dr. P. S. Deshmukh invited the attention of the Chief Ministers to the question of coordination at the State's end as cooperative development was divided among more than one Minister. In many States cooperative farming was looked after by the Minister of Agriculture, the industrial cooperatives by the Minister of Industries, and there was a separate Minister for the development of Cooperation.

The Chief Minister, Orissa, suggested that Cooperation might be introduced as a special subject in educational institutions at various levels.

## **REDUCTION OF DISPARITIES IN INCOME AND WEALTH:**

64. The Chairman observed that questions relating to disparities in income and wealth had

already been discussed in different contexts. With particular reference to sub-para 3 of the note on this item, he suggested that the lower paid personnel should be granted concessions specially in respect of health, education, housing and other services. In this connection, the Chairman referred to the problem arising out of lack of hostel accommodation for students in Calcutta. He suggested that the question of starting some sort of clubs where the students could go in and sit and study might be considered. During 1957, the Universities of Calcutta, Bombay and Madras would be celebrating their centenary and, that would provide an opportunity to start schemes for students' club etc. The Chief Minister, West Bengal, Dr. B. C. Roy stated that housing was an important amenity to be considered in so far as it would be appreciated very much and would go a long way in reducing disparities.

65. Dr. B. C. Roy drew attention to sub-para 4 of the note and enquired whether the recommendations had been accepted. The Union Finance Minister, Shri C. D. Deshmukh stated that like other recommendations of the Taxation Enquiry Commission, this recommendation regarding surcharge-*cum*-deposits and review of existing arrangements relating to taxation of corporate incomes was under constant examination. The proposal involved increased taxation on personal income, partly in the nature of taxation, partly in the nature of deposits against which loans could be taken, and partly in the nature of surcharge. The Finance Minister added that these matters were important and had to be considered in connection with direct taxation almost every year; parts of the recommendations in this respect were carried out last year.

66. The Minister of Labour, **Shri Khandubhai Desai** suggested that in the context of increased development expenditure and the trend of profits, it appeared desirable to make the excess profits a permanent feature of the taxation system as during the war. The profits which accrued during the last few years were exceptionally high and had started a very bad trend.

67. The Chairman made a reference to some discussion which had taken place in newspapers and elsewhere regarding the labour levy. With reference to the suggestion that it would be against international conventions, the Chairman observed that just as compulsory military service was not against international convention, compulsory social service would also not be against such convention. A suggestion had been made that no student should get his degree till he had done six months' work.

Dr. B. C. Roy mentioned that in Bengal, the medical graduates were not allowed to practise after passing the examination unless they had six months' service in any hospital in a village or local area. With reference to the suggestion about labour levy, Dr. Roy suggested that every man must contribute a certain number of days' work to the State and that it might be applied to all healthy persons below a certain age. The CHAIRMAN suggested that the question of labour Levy should be examined further by the States and the Planning Commission. The Chairman also referred to the calculations made by Shri Mohan Lal Saksena that if people could give ten days' labour, it would be equivalent to Rs. 100 crores in one year and Rs. 500 crores in the plan period. The Chairman suggested that Shri Mohan Lal Saksena's note on this subject might be circulated to all Chief Ministers.

## LAND POLICY:

68. The Chairman observed that there was some discussion on the subject in the Standing Committee where it was suggested that there should be a clear conception of what was aimed at.

The suggestion was that the aim should be an agrarian structure based on cooperative farming and cooperative village management and that this should be set out as clearly as possible in the plan.

69. The Minister of Planning, **Shri Gulzarilal Nanda** observed that the conception of the whole village community administering the bulk of the land had started even before the Bhoodan movement. For a time, the ownership element might remain, but the entire cultivation would be organised on the basis of the community's needs. Gradually the intention was that the people who were not required for agricultural operations would take to other occupations. The new development which had taken place and which had initiated further thinking about this matter was the Gram-dan. During the discussion in the informal Consultative Committee of Members of Parliament, it was felt that many problems could be solved by having the village as a unit of administration both on the cooperative and the panchayat side. The conception behind Gramdan was that the whole land belonged to the community and that land would be parcelled out according to the needs of the family from time to time. Cultivation would be on the basis of the family but all other operations would be on a cooperative basis including the marketing of the produce. The cooperative farming in the sense of merging of ownership might take some time, but the community could take charge of the entire land and assume responsibility for the cultivation of waste land and the leasing out of land.

70. The Minister of Food and Agriculture, **Shri A. P. Jain** observed that there would be four classes of people among the farmers :

- (i) Those who have an economic holding or more than an economic holding;
- (ii) Those who have less than an economic holding;
- (in) Landless labourers; and
- (iv) A certain number of artisans.

The persons who had an economic holding or more than that, would have a cooperative society of the pattern prescribed by the Rural Credit Survey, namely that four or five villages might be jointly irrigated and 10 to 15 villages might constitute a credit cooperative society. The credit society would also supply the needs of the farmers for fertilisers, seeds, implements, etc., besides looking after the marketing of the produce. Persons who had no economic holding would be joined together in a cooperative society and any surplus land available would be given to them. These cooperative societies would also become a member of the credit cooperative society referred to above. Allotment of surplus land to the landless labourers would also be on a cooperative basis. Besides there would be cooperatives of the artisans.

71. The Minister of Planning, **Shri Gulzarilal Nanda** observed that the concept of joint village management could be developed to bring in all elements of the village including the landless labourers and the artisans ; for the present the idea behind joint village management was fuller utilisation of manpower. The fact that the Gramdan villages were available made it possible to conduct some experiments regarding village management. Under cooperative village management it would be easier to pool resources and for the community to take responsibility for the people who had no work. The intention was to begin intensive experiments on a pilot scale in the field of cooperative management and cooperative farming in the villages which had become available under Gram-dan. As a result of these trials and experiments, it would be possible to find out the arrangements which could best suit the conditions in India, having regard to the response of the people and the



psychological adaptation that might be needed. The whole land of 80 villages had already been surrendered to the community and it was the duty of everyone to ensure that the best use was made of this opportunity.

72. The Chief Minister, Hyderabad, enquired whether the Panel of Land Reforms had submitted its recommendations. Shri Gulzarilal Nanda explained that there were four subcommittees of the panel dealing with :

(i) tenancy, (ii) size of holding, (iii) organisation of agriculture and (iv) Bhoodan.

All Committees except the committee dealing with agricultural cooperation had submitted their recommendations. The Bhoodan Committee had submitted only an interim report. The committee dealing with agricultural organisation presided over by Prof, Gadgil might require some more time to deal with this difficult subject. On the basis of the reports of the Sub-committees, certain proposals had been formulated and embodied in the chapter on Land Policy in the Draft Memorandum.

73. The Chief Minister, Hyderabad, drew attention to the reference in the chapter on Land Reforms about the definition of personal cultivation. One of the conditions stated for resumption of personal cultivation was that each of the elements of personal cultivation including labour participation in the main agricultural operations should be insisted upon. He suggested that the object in view could be achieved by following the Bombay Legislation or the Hyderabad legislation where it had been stated in the sections relating to resumption for personal cultivation that unless a major part of his living and income was agriculture, the cultivator would not be entitled to resume land for personal cultivation. It was perhaps not necessary to restrict the definition of personal cultivation to cases, where the cultivator took the plough in his hands.

74. The Minister of Food and Agriculture observed that the question of what should constitute personal cultivation had been examined very carefully and the conclusions reached were, firstly, that the person who claimed to cultivate the land personally must bear all the risk of cultivation; secondly, he must personally supervise the cultivation; and thirdly, he must put in some labour into the agricultural operation. In cases where resumption was involved, it was considered proper to include the condition, as a person who was already cultivating the land, was being deprived of his right and in such cases it would be justifiable to impose a stricter condition.

The Chief Minister, Hyderabad, observed that the agrarian life in the villages was so flexible that it was not possible to divide the people into water tight compartments. If resumption was restricted to cases where the men actually took the plough in their hands, the economic life of lower middle class people, who depended for their livelihood on agriculture, would be disturbed. The Minister of Planning observed that the important consideration was whether it would be possible to give some occupation to the man who would be dispossessed by the man who resumed the land. The Chief Minister, Hyderabad, observed that there were several conditions before exercising the right of resumption and it was perhaps not necessary to insist on the condition regarding labour. He thought that the additional restriction proposed was based on a rather doctrinaire conception of tenants and landlords. In actual practice, many tenants were more prosperous than the landlords.

The Minister of Food and Agriculture, observed that, it might be provided that the restrictions relating to personal labour would not apply to resumption by a small landlord having only a family holding or less than a family holding. The Minister of Planning added that the central idea was that as between a small landlord and a small tenant, preference should be shown to the small landlord provided he was going to put in his own labour for cultivation.



75. The Chief Minister, Travancore-Cochin, **Shri P. Govinda Menon** referred to the passage in Chapter IV of the Memorandum where it has been suggested that all the right of tenancy should be conferred upon crop sharers. He observed that the characteristics of crop sharers differed from State to State and place to place. It was, therefore, necessary for the Planning Commission to specify the meaning of the term crop sharer and the nature of the rights which were proposed to be conferred on them. Shri Govinda Menon stated that landless agricultural workers constituted a big problem in certain States. The importance of the problem had been realised by the Planning Commission but there was no concrete suggestion for solving the problem.

76. The Minister of Labour, **Shri Khandubhai Desai** stated that the problem of landless agricultural labour was a very big one, The landless agricultural labour constituted about 30 per cent of the rural population in India. The percentage was more in the South and it was about 52 per cent in Travancore-Cochin. There was a vague reference to the problem of providing employment to them in the first five year plan. Shri Khandubhai Desai stated that unless the question was tackled by the Planning Commission in a concrete way, it would become a very big political, economic and social problem. It was quite possible that as a result of some of the land reforms, the number of agricultural landless labour might increase.

77. The Minister of Planning, **Shri Gulzarilal Nanda** observed that rural problem in India centred round two factors viz., how the average holding went down and what was the number of agricultural landless labour. In the first plan, some amount was set apart for settlement of landless labour, but very little could be done during the first five year plan period. In the second plan period also nothing much had been provided, but to some extent, irrigation and other works might provide work for the agricultural landless labour. From the analysis of employment, it appeared that about two million people were going to be thrown back into agriculture, which meant that the pressure on land would increase. Possibly the ranks of agricultural labour would be increased. There were two solutions to the problem: one proposed by Vinobhaji viz., to give them a patch of land on which they could work the whole year; the second and more important part was to organise industrial production in rural areas. At least the processing of agricultural products should be done in the rural areas. The question of providing employment in the rural areas was the basis for the emphasis on cottage and small scale industries. There was opposition to village Industries on the ground that it might not be possible to ensure the supply of consumer goods. In fact the organisation of village industries would tax the administrative capacity of the States a great deal. The Minister of Planning also referred to the proposals regarding the decentralisation of the production of cloth. As regards weaving, the intention had always been that all further requirements of cloth could be obtained through handlooms. It was calculated that a fairly large number of persons could be absorbed in spinning through Ambar Charkha. The Ambar Charkha, if it turned out to be successful, would provide opportunities for absorbing the landless agricultural labour in rural areas.

78. The Chairman observed that there was no basic controversy about Ambar Charkha but some aspects connected with it were being carefully considered. Those who worked on the Ambar Charkha could, however, be given the assurance that all the yarn produced by them would be taken up.

## PROHIBITION:

79. The Minister of Planning observed that the Standing Committee had accepted the proposals in Chapter III of the Draft Memorandum. With reference to the recommendations in the chapter regarding prohibition, the Chief Minister, Delhi, suggested that while safeguarding the rights of foreign missions and foreign visitors, it had to be made clear that no drinking should take place in public places.

## ANNEXURE

### NOTE FOR THE NATIONAL DEVELOPMENT COUNCIL, JANUARY 20 AND 21, 1956.

*A Note on suggestions relating to changes in the Draft Second Five Year Plan.*

The Draft Memorandum on the second five-year plan has been considered in the Planning Commission, in the Standing Committee of the National Development Council and in the informal Consultative Committee of Members of Parliament. This note sets out briefly for the consideration of the National Development Council the suggestions which have emerged for strengthening the content of the plan and improving its presentation. A number of these suggestions are being taken into consideration in the preparation of the draft second five-year plan, there are other suggestions which will require fuller consideration before conclusions are stated in the plan to be presented by the end of March, 1956. The results of the recent discussions are set out in this paper for the consideration of the National Development Council.

2. Certain aspects which were not dealt with in the Draft Memorandum or were only briefly mentioned, will be set out somewhat more fully in the draft plan in the light of the discussions which have taken place. It is proposed to have the following additional chapters :

- (i) Approach to social and economic change (to replace Chapter III of the Draft Memorandum) ;
- (ii) Aspects of regional development;
- (iii) Training programmes under the second five-year plan; and
- (iv) Community development and national extension.

3. For the consideration of the National Development Council, in addition to the questions set forth in this note, papers on the following subjects are being submitted:

- (1) Draft of chapter on 'Approach to social and economic change';
- (2) Growth of investment in the public and the private sector;
- (3) A preliminary note on regional development;
- (4) Regional distribution of employment opportunities under the plan;
- (5) Educated unemployment; and
- (6) Requirements of engineering personnel.

4. The main suggestions which have been considered since the Draft Memorandum was submitted are summarised in this note.

#### I. SOCIAL OBJECTIVE

It should be made clear that the second five-year plan is intended to register a substantial advance in the direction of the socialistic pattern of society. The plan, therefore, aims at promoting measures which will lead to this objective; steps which will in any manner go against accepted policies are to be avoided. In particular, care should be taken to see that concentration of wealth

and of power arising from wealth does not occur. The public sector should, therefore, progressively expand until it includes all basic industries as well as machine building. It is also essential that disparities in incomes and wealth should be reduced.

## II. SIZE OF THE PLAN IN THE PUBLIC SECTOR

(1) The consensus of opinion is that provided the effort in raising resources which is contemplated for the second five-year plan is forthcoming, the proposed outlay of about Rs. 4,800 crores may be approved.

(2) One suggestion which the National Development Council may wish to consider is that in view of the large amount of deficit financing, the gap in external resources and the amount yet to be covered, it may be advisable to divide the outlay of Rs. 4,800 crores into two portions—one of Rs. 4,000 crores and the second of Rs. 800 crores. The points for consideration are :

- (i) If a large number of projects are begun and commitments are accepted on the basis of a plan of Rs. 4,800 crores, circumstances may arise in which the investment on many projects may have to be spread over a longer period than is justified on economic grounds. Or, a certain number of projects may be abandoned half-way through, which will entail a waste of resources. By dividing the plan into two portions, a degree of selection would be ensured which would assist practical implementation without, however, affecting the size of the plan.
- (ii) On the other hand, the plan as it has emerged from several months of discussion may get unbalanced if an attempt is made to break it up into two parts. One consequence might well be to cause either abandonment or postponement of projects relating to industrial development, irrigation and power, or rail transport, which have a high priority for the growth of the economy as a whole.
- (iii) The correct approach to the magnitude of the plan now envisaged is to ensure that the Centre and the States prepare the country for accepting boldly the responsibility for raising resources which are needed for the implementation of the plan.

## III. RESOURCES FOR THE PLAN

(1) The plan has proposed additional taxation of about Rs. 450 crores—Rs. 225 crores at the Centre and Rs. 225 crores in the States. Of this, Rs. 350 crores are required for merely maintaining the present proportion of taxation to national income. This should be made clear. Steps to raise additional taxation should be undertaken along with the commencement of the plan.

(2) In relation to every tax source, such evasion as now occurs should be reduced to the maximum extent. In this connection, the Standing Committee of the National Development Council recommended early action relating to the levy of sales tax on articles of inter-State trade. It was also agreed generally that as commodity taxes were likely to be the main sources of increased taxation, overlapping action by the Centre and the States should be avoided. Thus, States could levy sales taxes on articles admitting of generally applicable rates and the Centre could levy excises on articles on which selective rates were likely to be needed. For such articles as textiles, sugar and tobacco, the Centre should levy excise duties and make proceeds available to States, assuring them of their present collections.

(3) It was of the utmost importance that the Centre and the States should both strive to obtain the maximum return for money spent under the second plan. The Government of India are expected to appoint a high-level body to recommend measures relating to economy in public expenditure.

(4) The need to balance revenue and capital accounts was emphasised during discussions in the Standing Committee.

(5) It was suggested by the Finance Minister in the meeting of the Standing Committee that the terms of reference of the next Finance Commission might include-

- (i) distribution of revenues between the Centre and the States ;
- (ii) consideration of variations in the amounts given as grants to States so as to make larger amounts available to States which are less developed without, however, discouraging other States in raising larger resources; and
- (iii) terms and conditions of repayment by State Governments of loans advanced by the Central Government.

#### **IV. SCOPE OF THE PUBLIC SECTOR IN INDUSTRY, FINANCE AND TRADE**

(1) It is agreed that heavy foundries, forges and structural fabrications to be developed under the auspices of the National Industrial Development Corporation, should be in the public sector. Details of implementation are to be worked out.

(2) The Industrial Policy Resolution of 1948 is to be re-examined from the point of view of the objective of the socialistic pattern of society. For instance, the preamble of the resolution might now need some change. In respect of basic industries it might be necessary to provide that all future expansion should be in the public sector and in any event, the share of the public sector should be steadily increased. Another aspect to be considered is whether raw materials required for basic industries such as iron ore, bauxite etc. should be dealt with in the same manner as basic industries. As the period of ten years specified in the Industrial Policy Resolution will end in 1958, even in the ordinary course the Resolution is due for careful review. The subject will be considered more fully during the next few weeks.

(3) It is recognised that the most important condition for the expansion of the public sector in industry is the creation of suitable technical and managerial cadres, keeping in view the requirements over a period of 10 to 15 years. Personnel have to be trained in large numbers not only for the specific projects to be carried out in the public sector (both Centre and States) but also to enable the State to undertake important functions in relation to the private sector. Detailed proposals to this end are to be worked out.

(4) It is agreed that during the second plan an efficient State organisation which can undertake foreign trade operations should be built up.

#### **V. SCOPE OF THE PRIVATE SECTOR**

During recent discussions, a number of modifications of the programmes proposed for the private sector for the second plan were suggested. The suggestions relate to the following industries: ferro-manganese, fertilisers, essential drugs with heavy chemicals, aluminium, cement, rayon and

silk and the rehabilitation of jute and textile industries. After a preliminary consideration of the facts bearing on these suggestions, some tentative conclusions have been reached with a view to more detailed study and examination by the Ministry of Commerce and Industry and the Planning Commission.

In addition to the relative role of the public and the private sectors in industrial development, other questions of general interest which have to be considered are the following:

- (1) Circumstances in which the Government should favour participation in equity capital and management in private units which it assists directly or through various corporations.
- (2) Licensing procedures for private industry in relation to expansion in the public sector;
- (3) The extent to which undertakings in the public sector may admit of participation on a minority basis of private enterprise. (In considering proposals for the expansion of the steel industry in November 1954, the Central Government envisaged that the cooperation of private enterprise could be invited in regard to industries reserved for the public sector, provided that the State had the majority share in them and could regulate them as it chose); and
- (4) Fiscal measures to ensure that since planned development tended to increase profits in the private sector, a growing proportion of these should accrue to the State.

## **VI. MANUFACTURE OF HEAVY MACHINERY**

(1) It is agreed that the aim should be to take such steps during the second five-year plan as will enable the country to produce a considerable proportion of the machines needed for industrial development during the third five year plan. There should, therefore, be an integrated plan of development of machine building capacity. Proposals for machine building are being formulated by the Ministry of Commerce and Industry.

(2) It is also agreed that as a general principle basic units in the heavy machine building industry should be provided for in the public sector.

## **VII. LONG-TERM PLANNING AND FIVE-YEAR ANNUAL PLANS**

(1) The achievement of a socialistic structure of economy is necessarily a long-term policy. It is essential to be clear about the broad objectives to be aimed at, so that those trends are deliberately encouraged which promote the attainment of the objectives. Long-term planning is therefore of great importance. It is necessary to take, for instance, a view extending over 15 years which may be adjusted from time to time as experience is gained and fuller technical and statistical and other information become available. For shorter periods, such as a year, there has to be concentrated and detailed planning. Plans for five-year periods have to be fitted between general long-term plans on the one hand and detailed annual plans on the other.

(2) A five-year plan has to be flexible for several reasons such as,

- (i) uncertainty in internal resources, foreign exchange and supply of equipment or metals;

- (ii) changing conditions, both inside and outside the country;
- (iii) to take advantage of new information and experience; and
- (iv) to facilitate adaptation of technological developments.

It is therefore necessary that while annual plans should be specific and would entail precise commitments plans for later years within the frame-work of the five-year plan should avoid undue rigidity in implementation and should permit changes as may be required in the interest of the economy.

(3) It is recognised that long-term projects and development schemes necessarily involve commitments extending over several years. The attempt should, therefore, be made both at the Centre and in the States to mark out projects and schemes which specially lend themselves to short-term commitments and short-term adjustments.

(4) Suitable procedures should be established for the preparation of annual plans and for effecting the necessary changes and revisions from time to time.

## **VIII. PHYSICAL CONTROLS AND TECHNIQUES FOR PLANNING.**

It has to be recognised, especially in the context of deficit financing, that as development proceeds, fiscal and monetary measures may not prove sufficient for preventing rise in prices and maldistribution of goods. It is true that controls over essential articles come up against practical difficulties. It is necessary, however, to work out and keep in readiness appropriate regulatory measures, well in advance so that situations which may arise can be dealt with promptly with the support of informed public opinion.

## **IX. BALANCED REGIONAL DEVELOPMENT**

It is agreed in principle that within the resources available, every effort should be made to provide for balanced development in different parts of the country. To this end-

- (1) Programmes for setting up decentralised industrial production should be pushed forward.
- (2) In the location of new enterprises (public and private), in addition to the question of natural resources, consideration should be given to the need for developing a balanced economy for different parts of the country.
- (3) Steps should be taken to promote greater mobility between different parts of the country, including organisation of schemes of migration and settlement from more densely populated to less densely populated areas.
- (4) There should be continuous study of the problem of diminishing regional disparities and a suitable set of indicators should be evolved.

## **X. THE COOPERATIVE SECTOR**

- (1) As a vital part of the socialistic pattern of society, the development of cooperatives, specially



in agriculture, small industries, rural trade and construction should be organised on a large scale.

(2) The informal Consultative Committee of Members of Parliament made, amongst others, the following proposals which the National Development Council may consider:

- (i) Agricultural processing industries should be brought into the cooperative sector. Through licensing, expansion of private enterprise in this field should be controlled.
- (ii) In decentralised industries cooperatives consisting of producers should be developed as the main form of organisation. Government rules and regulations should be examined so as to facilitate the development of cooperative industries on a large scale and targets of development should be formulated in each State.
- (iii) Facilities for training in cooperation should be extended and, apart from special institutions set up for cooperative training, cooperation should be a subject of instruction in education courses at various levels.

## **XI. REDUCTION OF DISPARITIES IN INCOME AND WEALTH**

(1) The Standing Committee agreed that measures for reducing disparities in income and wealth, including ceilings on income, should apply both in the public and the private sectors.

(2) Proposals on this subject outlined in Chapter III of the Draft Memorandum are acceptable in principle and should be further examined.

(3) It is agreed in principle that for lower grade personnel, the grant of concessions, especially in respect of health and education services, may be facilitated.

(4) In this connection the informal Consultative Committee of Members of Parliament recommended-

- (i) consideration of suggestions of the Taxation Enquiry Commission for a scheme of surcharge-cum-deposits, and
- (ii) review of the existing arrangements relating to taxation of corporate incomes.

## **XII. LAND POLICY**

The Standing Committee generally approved of proposals for land reform outlined in Chapter IV of the Draft Memorandum. In the course of discussion, the following suggestions were made :

(1) The agrarian structure based on cooperative farming and cooperative village management which was visualised as the long-term goal for the reorganisation of agriculture should be set out as clearly as possible in the plan.

(2) The plan should provide adequately for experiments in cooperative farming and cooperative village management, and blocks of Government land and of lands obtained through the application of the ceiling on agricultural holdings should as far as possible be worked cooperatively.

(3) In certain areas lowering of rents to, say, one-fifth of the produce of the land might cause hardship to families depending on income from land. It might, therefore, be useful to provide for an option to such owners to surrender their lands to Government in return for compensation as laid

down by law.

(4) Rates of compensation might be graduated on the basis of a slab system. Legal aspects of this suggestion should be examined.

(5) In proposing exemption from ceilings, State Governments should be able to adapt the Planning Commission's general recommendations to local conditions.

(6) It should be considered whether there should be a time limit during which the policy of ceilings on agricultural holdings should be carried out by States.

### **XIII. PROHIBITION**

Proposals relating to prohibition set out in Chapter III of the Draft Memorandum were generally approved by the Standing Committee.

19th January, 1956

**PARTICIPANTS****PLANNING COMMISSION**

1.	Shri Jawaharlal Nehru	..	..	..	Chairman.
2.	Shri V.T. Krishnamachari	..	..	..	Deputy Chairman.
3.	Shri Gulzarilal Nanda	..	..	..	Minister of Planning.
4.	Shri C.D. Deshmukh	..	..	..	Member (Finance).
5.	Shri K.C. Neogy	..	..	..	Member (Industry).
6.	Shri J.C. Ghosh	..	..	..	Member (Education).
7.	Prof. P.C. Mahalanobis	..	..	..	
8.	Shri S.N. Mishra	..	..	..	Deputy Minister of Planning.
9.	Shri Y.N. Sukthankar	..	..	..	Secretary

**UNION MINISTERS**

1.	Maulana Abul Kalam Azad	..	..	..	Minister for Education and Natural Resources & Scientific Research.
2.	Shri Govind Ballabh Pant	..	..	..	Minister for Home Affairs.
3.	Shri Jagjivan Ram	..	..	..	Minister for Communications.
4.	Rajkumari Amrit Kaur	..	..	..	.. Minister for Health.
5.	Dr. Kailas Nath Katju	..	..	..	Minister for Defence.
6.	Shri T.T. Krishnamachari	..	..	..	Minister for Commerce & Industry.
7.	Shri Lal Bahadur Shastri	..	..	..	Minister for Railways and Transport.
8.	Sardar Swaran Singh	..	..	..	Minister for Works, Housing and Supply.
9.	Shri K.C. Reddy	..	..	..	Minister for Production.
10.	Shri Ajit Prasad Jain	..	..	..	Minister for Food and Agriculture.
11.	Shri Khandubhai Desai	..	..	..	Minister for Labour.
12.	Dr. P.S. Deshmukh	..	..	..	Minister for Agriculture.
13.	Shri K.D. Malaviya	..	..	..	Minister for Natural Resources.

**STATES**

1.	Shri B. Gopala Reddy	..	..	..	Chief Minister, Andhra.
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## Summary Record of Discussions of the NDC Meetings

2.	Shri Kala Venkata Rao	..	..	..	Planning Minister, Andhra.
3.	Shri Baidyanath Mookherjee	..	..	..	Planning Minister, Assam.
4.	Dr. Srikrishna Sinha	..	..	..	Chief Minister, Bihar.
5.	Dr. Jairaj Mehta	..	..	..	Finance Minister, Bombay.
6.	Shri Ravishankar Shukla	..	..	..	Chief Minister, Madhya Pradesh.
7.	Shri Kamaraj Nadar	..	..	..	Chief Minister, Madras.
8.	Shri C. Subramaniam	..	..	..	Finance Minister, Madras.
9.	Shri Nabakrushna Chaudhuri	..	..	..	Chief Minister, Orissa.
10.	Sardar Partap Singh Kairon	..	..	..	Development Minister, Punjab.
11.	Shri C.B. Gupta	..	..	..	Planning Minister, Uttar Pradesh.
12.	Dr. B.C. Roy	..	..	..	Chief Minister, West Bengal.
13.	Bakshi Ghulam Mohammad	..	..	..	Prime Minister, Jammu & Kashmir.
14.	Shri B. Ramakrishna Rao	..	..	..	Chief Minister, Hyderabad.
15.	Shri Takhtmal Jain	..	..	..	Chief Minister, Madhya Bharat.
16.	Shri Mishrilal Gangwal	..	..	..	Finance Minister, Madhya Bharat.
17.	Shri H. Siddaveerappa	..	..	..	Home Minister, Mysore.
18.	Shri Brish Bhan	..	..	..	Chief Minister, Pepsu.
19.	Raja Surinder Singh	..	..	..	Development Minister, Pepsu.
20.	Shri Mohanlal Sukhadia	..	..	..	Chief Minister, Rajasthan.
21.	Shri Rasiklal Parikh	..	..	..	Chief Minister, Saurashtra.
22.	Shri Manubhai Shah	..	..	..	Finance Minister, Saurashtra.
23.	Shri P. Govinda Menon	..	..	..	Chief Minister, Travancore-Cochin.
24.	Shri Haribhau Upadhyaya	..	..	..	Chief Minister, Ajmer.
25.	Dr. Shankar Dayal Sharma	..	..	..	Chief Minister, Bhopal.
26.	Shri C.M. Poonacha	..	..	..	Chief Minister, Coorg.
27.	Shri Gurmukh Nihal Singh	..	..	..	Chief Minister, Delhi.
28.	Dr. Y.S. Parmar	..	..	..	Chief Minister, Himachal Pradesh.
29.	Shri Shambunath Shukla	..	..	..	Chief Minister, Vindhya Pradesh.
30.	Shri Mahendra Kumar Manav	..	..	..	Finance Minister, Vindhya Pradesh.

**PROCEEDINGS OF THE  
SEVENTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**HELD ON**

**MAY 1 AND 2, 1956**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

**PLANNING COMMISSION  
PROCEEDINGS OF THE SEVENTH MEETING OF  
THE NATIONAL DEVELOPMENT COUNCIL  
HELD ON MAY 1 AND 2, 1956.**

**MAY 1, 1956  
MORNING SESSION**

The Chairman, **Shri Jawaharlal Nehru** in his opening remarks referred to the work on the Second Five Year Plan which had been going on for the last two years. The Draft Outline of the Second Plan which was published in February, 1956 had been commented upon and considered. After consideration by the National Development Council the plan would be put up to Parliament for approval.

2. The Chairman observed that even though a great deal of labour and joint effort lay behind the document, whenever it was considered, fresh ideas and fresh criticism were forthcoming and it was difficult to say at any time that it had been finalised. That was the reason why even though the present draft had a certain measure of finality for the moment, it had to be considered as flexible, as something which could be improved upon with further experience.

3. The experience so far gained in planning had shown that the problems of India had to be solved by the efforts of the Indians themselves and that mere imitation of efforts made by others in other countries would not be appropriate. The Chairman added that advantage had been taken of consultations with many eminent foreign experts who had experience in planning and allied matters. While their advice had been helpful, it had been found that more and more the country had to draw upon its own resources, not only material resources but also mental and intellectual resources.

4. The Chairman referred to the Resolution of the Government of India dealing with the Industrial Policy which was placed before the Parliament on the 30th April, 1956. The Policy laid down in that Resolution was the natural development from the experience and decisions taken during the last few years and, broadly speaking, industrial planning should be governed by the policy laid down in that Resolution.

5. The draft second five year plan placed before the Council incorporated many changes from the Draft Outline, but they were not of a basic character. The basic decision was that the country should be industrialised as rapidly as possible, as it was felt that without industrialisation there could be no real progress from the point of view of wealth formation and ultimately of employment and even from the point of view of the country being able to maintain her freedom. For industrialising the country, it was necessary to lay the foundation by establishing heavy industries, such as, iron and steel, machine making etc. Then there was the vital and important question of employment. At times it might appear that there was some conflict between the emphasis on industrialisation and the emphasis on employment. Ultimately, there should be no such conflict even though immediately there might appear to be some such conflict. In the previous discussions, it was mentioned that it might be possible more or less to solve the problems of employment in about ten years. The Chairman observed that it was difficult to be dogmatic about it. He felt that even though the problem might not be completely solved, they would have gone a long way in about ten years. It had been



calculated that the Second Five Year Plan now under consideration would not touch the backlog of unemployment. In any case, an effort had to be made so that at the end of the Five Year period, the problem was under control so that in the subsequent period it might be possible to proceed at a faster pace. In fact, the whole purpose of planning was to increase the *tempo* of progress as the resources and employment increased.

6. Referring to the procedure to be adopted for considering the two volumes of the Draft Second Five Year Plan, the Chairman said that it was not perhaps necessary to consider Part II, which dealt with definite programmes, unless any member wanted to raise some points. The first three chapters of Part I dealt with the broad approach. For the purposes of discussion, the first three chapters might be taken up as a whole. It might not be necessary to discuss in detail the fourth chapter, which dealt with Finance and Foreign exchange. The next important chapters dealt with employment and administrative tasks and organisation. Then came Chapters IX, X and XI, which dealt with land reforms, development of co-operation and community development. He suggested that the whole of Part I might thus be divided into four or five groups for convenience of discussion.

7. The Chairman observed that the more one considered the complexity of the planning the greater was the fascination for it. The new problems which arose at every step gave confidence in ourselves and in the ability of the people to achieve development. The main problem which arose in respect of planning was the gap in the programme and specially the gap in regard to things to be got from outside involving foreign exchange. Nevertheless, the programme could not be based on the ability of the country to get foreign help. He was not opposed to foreign help at all ; but the approach should not be that a particular programme could not be implemented without foreign aid.

8. The Chairman observed that he would like to emphasise the great importance of food production in regard to the Second Plan. In the First Five Year Plan, stress was laid on food production and the river valley schemes which were meant for production. In a sense the whole plan depended upon food being relatively abundant and the price of it not being high. All planning would be affected if food became scarce and prices tended to go up. Increase in food production was, therefore, of the highest importance. It was not correct as had been mentioned in some sections of the Press that there was a shortage of foodgrains. Foodgrains were being imported with a view to build up stocks. For the future, steps would have to be taken to ensure that production of foodgrains was adequate and prices remained at a fair level. In this connection the Chairman pointed out the importance of the Community Projects and the National Extension Schemes which were changing the minds and to some extent the habits of the people in the rural areas, apart from the material benefits which they brought. In the second plan it was expected that almost the whole of the country would be covered by National Extension Service. He suggested that it would be a good thing if the community development and national extension service blocks were to devote greater attention to the production of more food. After all, that was the primary purpose for which they were started.

9. The Chief Minister, West Bengal, **Dr. B.C. Roy** referred to the note by Shri K.C. Neogy (reproduced as Appendix I of the present Summary Record), which had been circulated and suggested that Shri Neogy might wish to say something on the points raised in his note. The CHAIRMAN stated that Shri Neogy had already stated his views in his note and no further statement was necessary. The Chairman referred also to the note of Shri V.T. Krishnamachari (Appendix II) and said that according to Shri Krishnamachari, it was not possible to reduce the size of the Plan. Shri Neogy, on the other hand, thought that the Plan was too ambitious. He suggested that it was not necessary to go into the detailed figures in the light of these notes and that the Council could

proceed to consider the first three chapters of the draft plan, which governed the approach to the Second Plan. While dealing with the fourth chapter, it might be necessary to make some reference to the views expressed regarding the size of the Plan.

10. The Chief Minister, West Bengal, **Dr. B.C. Roy** felt that there was hardly anything to disagree with regard to the first and second chapters.

11. The Chief Ministers of Bombay, Madhya Pradesh and Uttar Pradesh stated that they agreed with these two chapters.

12. The Chief Minister, Hyderabad, **Shri B. Ramakrishna Rao** referred to paragraph 28 of Chapter I and observed that if the Plan was broken into annual plans, the officers from the States who were engaged in the execution of the Plan would have to visit New Delhi every year for discussing the State Plans. He suggested that a certain measure of autonomy should be allowed to the States in the preparation of their annual plans, and it should not be necessary for the States to submit all the details and obtain the sanction of the Planning Commission. Such a procedure would entail delay in the preparation and execution of the annual plans. Shri Ramakrishna Rao suggested that a simple procedure should be evolved and that the Planning Commission should be able to give general directions to the State Governments to prepare their annual plans and go forward without having to wait for the actual sanction of the Planning Commission.

13. The Chief Minister, West Bengal, **Dr. B.C. Roy** suggested that the time schedule regarding consultations with the Planning Commission on planning and the preparation of budgets of States should be so arranged that there was no delay and no holding up of the execution of the schemes. He suggested that if it was possible, one of the Members of the Planning Commission or one of the Secretaries might go to the States for discussing the annual plans.

14. The Chairman observed that it was the common desire of the Planning Commission, the States and the Government to get things done and that the Planning Commission was attempting to simplify the procedure. He added that the States would be consulted in the matter.

15. The Union Finance Minister, **Shri C.D. Deshmukh** observed that the annual plan was essentially a budget map and therefore there must be an understanding at an early stage between the Centre and the various States. In respect of the current year the Planning Commission had issued a communication to the States asking them to provide for the year 1956-57 only one-sixth of the expenditure contemplated for the Plan period. This was related to the capacity of the Centre on whom the responsibility for raising resources rested. It involved also consideration of the amount of deficit financing that could be resorted to in any particular year, having regard to the general economic conditions. For the current year, the first year of the second plan period, provision had been made for nearly Rs. 700 crores both for the States and the Centre, as against an expenditure of Rs. 650 crores for the last year of the First Plan. This involved deficit financing to the extent of Rs. 350 crores and it was not clear how safe or unsafe this amount of deficit financing was likely to be. It was hoped that things would not go out of hand. It could be assumed that assistance from foreign sources, at least according to the old scale would be forthcoming. For the next year the provision for the plan expenditure might have to be about Rs. 1,000 crores, and this could not be obviously met by raising the figure of deficit financing from Rs. 350 to 650 crores. It might be possible to put a little additional taxation ; for the main part, however, effort would have to be concentrated on increasing the proceeds from borrowings and small scale savings. Borrowing could probably be arranged after two or three months' preparation but to gain the necessary momentum in small scale savings, longer preparation was necessary. Even with the best efforts in the matter of

borrowings and small savings, a gap would be left and it could be assumed that deficit financing to the same extent as during the current year would be resorted to. Whether this could be done or not would depend on how conditions develop during this year. It was possible that when the position was reviewed in November or December, it might be found that it was possible to provide for an expenditure of only Rs. 800 to Rs. 850 crores instead of Rs. 1,000 crores. That was the kind of indication that had to be given to the States who would be requested to prepare their budgets accordingly. The States had the power to go ahead with a fairly high figure of expenditure, but that by itself would not enable the Centre to raise more funds.

16. The Finance Minister added that this in substance was what was meant to be conveyed by paragraph 28 of Chapter I. For the rest, it was a question of arranging discussions according to the convenience of both parties.

17. The Chief Minister, Hyderabad, observed that it was for the Centre to control inflationary or deflationary trends. Subject to that, he wanted that the general structure and the framework of the annual plans should be left more or less to the State Governments. The Finance Minister observed that the suggestion would be considered by the Planning Commission.

18. The Chief Minister, West Bengal, **Dr. B.C. Roy** suggested that States should receive early intimation about the allotment of money from the Centre so that the States could prepare plans for raising their own resources. He mentioned also the suggestion which was made some time back about the postponement of the budget session and that the financial year might be extended from 1st April to 31st August.

19. The Union Finance Minister mentioned that there was some correspondence with the Speaker of the Lok Sabha in the matter and that as soon as some conclusion was reached, it would be circulated to all the States.

20. The Chief Minister, Mysore, **Shri K. Hanumanthaiya** stated that the principle laid down in the first and second five year plans of narrowing the gaps between the haves and the have-nots was acceptable. He was however, doubtful whether the principle had been translated into action. Planning meant not only proper allocations between sector and sector but also as between regions. Shri Hanumanthaiya added that in the first five year plan there was a great deal of dissatisfaction that more money was spent in some areas and not in others. Perhaps nothing much could be done in the first five year plan as the expenditure had already been planned. When proposals for the second five year plan were drawn up, some of them had expressed the view that there must be equitable distribution of expenditure as between regions. He was, therefore, surprised to find that the draft second plan was more imbalanced than the first plan from the point of view of equitable distribution of expenditure between one region and another. What was demanded was not equal distribution, but only equitable distribution. As an example of the inequitable distribution in the second five year plan, the Chief Minister, Mysore, mentioned the fact that even though a total sum of Rs. 1557 crores would be spent on railways under the two Plans, no amount was proposed to be spent in certain regions. He mentioned that not one mile of railways was to be constructed in any of the States in the Southern Region. The apparent reason for this neglect was that the steel plants and big industries in particular areas had to be provided with railway facilities. This really meant that apart from the dispute about the location of industries, certain areas derived double benefit of having hundreds and hundreds of miles of railways and also major industries. He referred to the fact that the first five year plan included a certain railway for Mysore but it had neither been completed nor was it proposed to be taken up in the second plan. Shri Hanumanthaiya remarked that planning ought to bring satisfaction and should not generate dissatisfaction of the extreme degree in

certain regions.

21. As regards the size of the Plan, Shri Hanumanthaiya was now beginning to feel that the outlay of the order of Rs. 4800 crores might be a little too high. The task of getting through the necessary tax measures for raising resources for the Plan would be difficult for the States, particularly because all elastic sources of revenue were allotted to the Centre under the Constitution. There were likely to be difficulties in raising the resources and it might prove necessary in the light of further discussions to reduce the size of the Plan. There were several items which Shri Hanumanthaiya felt could be kept aside for the time being. He was not satisfied with the manner in which Social Welfare Centres and Projects were working in the States. He felt that the programme under the Social Welfare Board was more or less equivalent to what was proposed under the National Extension Service and the Community Projects.

22. Shri Hanumanthaiya observed that if the draft plan was properly scrutinised from the point of view of co-ordination of economy and expenditure a sum of about Rs. 50 crores could be saved. The activities of some of the Ministries overlapped. He suggested that all such activities should be brought under the scheme of the Community Projects and the National Extension Service. Shri Hanumanthaiya mentioned that in the Mysore State each district had a jeep for the social welfare branch and even the taluka and district officers had jeeps. He suggested that each Central Ministry should accept the principle that the execution of the plan was to be entrusted to the State Governments. Effective supervision could not be undertaken from the Centre and periodical visits of Secretaries and other officials would not serve the purpose as they would not be sufficiently acquainted with the problems of the area. The Central Ministries should not retain all powers in their hands and should entrust the execution of the programme to the State Governments.

23. As far as resources were concerned Shri Hanumanthaiya suggested that instead of having numerous items of taxation, the Planning Commission should appoint a Committee for the purpose of minimising the items of taxation. He was of the view that the tax structure should be indirect and that every individual should pay to the extent possible; those who were in a better position should pay higher taxes. He felt that it was possible to devise a system of taxation which procured all the money needed in this way.

Shri Hanumanthaiya added that he agreed with the scheme of small savings mentioned in Shri V. T. Krishnamachari's note. Every man should contribute his mite to the Plan. He made a further suggestion that instead of collecting land revenue annually, a scheme might be devised of allowing people to pay in the form of interest on bonds. Depending on the rate of interest, bonds of suitable denominations might be issued and the interest automatically adjusted against land revenue dues. This would save the villagers from harassment of village officers. Shri Hanumanthaiya suggested that the Finance Minister might examine how far this suggestion was practicable. He was of the view that it should be possible to collect quite a few crores of rupees for investment during the plan period in this manner.

24. The Chief Minister, Assam, **Shri Bishnuram Medhi** observed that no substantial development of industries took place in Assam during the first five year plan period. Unless some weightage was given to the State in the second plan for the development of transport, power and industry, the imbalance in the region would continue. On account of transport difficulties, 25 to 30 per cent of the goods in Assam could not be moved and the State's economy was adversely affected. In regard to power also Assam was extremely backward and Shri Medhi suggested that in the second five year plan, weightage should be given for power development in the undeveloped areas.

25. The Chairman pointed out that the principle of balanced regional development had not only been accepted but repeatedly stated. It was possible that the principle was not implemented for certain reasons. The Chairman drew attention to paragraph 15 of the Industrial Policy Resolution where the principle has been stated in clear terms.

26. The Chief Minister, Hyderabad, suggested that in utilising the provision in the railway plan for the construction of new lines, special attention should be shown to parts of the country which had not yet been opened up. He suggested that before considering doubling of lines or conversion of metre gauge to broad gauge, the needs of the areas which had not so far been served by railways should be carefully considered.

27. The Chairman mentioned that there had been a good deal of criticism about the large provision made for railways. The answer might be that it was important to renovate the railways, as otherwise things would go to pieces. Secondly, it was obviously necessary for new industries to be provided with transport facilities. After meeting the requirements of these inevitable necessities, it became impossible to provide funds for construction of railway lines in other areas.

28. With reference to the remarks of Shri Ramakrishna Rao regarding doubling of lines, the Chairman pointed out that without doubling there might be a deadlock; every step had to be taken to facilitate the movement of coal and raw material required for the steel plants apart from the facilities required for moving the finished products. The Chairman observed that he was of the view that one of the greatest needs for railways was in Assam and he was sorry that nothing much could be done to help Assam.

29. With reference to a remark by Shri Hanumanthaiya that the steel plants could have been postponed to the fourth plan or that it could be located in the South, the Chairman pointed out that it was not possible to locate the steel plant at a place where it was not likely to function economically and properly. It was highly important that the problem of meeting the steel requirements of the country should be solved without delay. The Chairman agreed with Shri Hanumanthaiya that certain places had developed more than others. He observed that one of the industrial centres was Bangalore which was growing at a tremendous speed.

30. The Chief Minister, Mysore, pointed out that it was wrong to suggest that Mysore was an industrially developed part of the country. All the capital invested in Mysore was not more than Rs. 10 to 16 crores as against Rs. 100 to 150 crores in other developed States. Telephone factories, machine tools etc were located in Bangalore. He wanted them to be located in some other parts of Mysore State but the suggestion was not accepted.

31. The Prime Minister, Jammu and Kashmir, **Bakshi Ghulam Mohammad** observed that a plan prepared on the basis of the conclusions reached at the earlier meetings was now before the National Development Council. It was not necessary to discuss again the approach and the plan projects. At this stage, greater attention should be paid to the examination of the chapters of the Plan with a view to ensuring that they were in line with the objective of achieving the overall development of India.

32. Bakshi Ghulam Mohammad added that some States, *e.g.* Kashmir, had not received any share in the railways but these were not to be discussed now. It would be useless to approach the Plan, state-wise or sector-wise. The location of heavy industries had to be decided according to the advice of the experts. The States had their needs too, and it was for consideration how and when attention could be paid to them. For the present, the State Governments should pay greater attention to the question of implementing schemes which had already been discussed.



33. The question of works undertaken by the Central Government on behalf of the State Governments had been raised. The fact was that there were many schemes which could not be undertaken by the State Government. For example, it would be impossible for the Jammu & Kashmir Government to take over the work relating to the Banihal Tunnel Project. It would not, therefore, be wise to adopt a general policy of changing the existing system of Central Government undertaking certain works on behalf of the State Governments. This would apply to the steel plants also. The States could however help with technicians and by providing available facilities.

34. Bakshi Ghulam Mohammad observed that a limited view should not be taken regarding visits of experts. Experience of other countries should be utilised and efforts to gain from the visits of such experts should be encouraged.

35. Bakshi Ghulam Mohammad stated that he did not agree with the remarks of Shri Hanumanthaiya regarding social welfare activities. The country was progressing rapidly and things which were not done previously were being undertaken. It was possible that there might be mistakes, but this was perhaps inevitable as a good deal had to be done.

36. Bakshi Ghulam Mohammad added that propaganda and publicity were important in modern times. He did not agree with some people who did not want the world to be told about what had been done by the Country, It would of course be improper to tell the world that certain things had been done, whereas in actual fact nothing had been carried out.

37. The Minister for Railways and Transport, **Shri Lal Bahadur Shastri** observed that the Railway Board had drawn up a plan of Rs. 1480 crores in which they had provided for 3000 miles of new railway lines. In view of the shortage of resources, the Planning Commission could not agree to their plan and it had been cut down to Rs. 900 crores plus 225 crores from the railway depreciation fund. He understood the feelings of various States regarding the construction of new railway lines and he had discussed the matter with Chief Ministers of different States.

38. Shri Lal Bahadur Shastri referred to the criticism by some economists regarding the allotment made to the railways, but he somehow felt that the criticism was of general nature stating merely that the allotment to the railways, was rather high. The Planning Commission had given top most priority to heavy industries, but such industries could not be set up without providing the necessary transport facilities. The high targets of production for cement, coal, etc. also could not be achieved unless transport was made available. He was not sure how it would be possible for the railways to provide transport for the increased production of goods within the allotment made to the railways. With reference to the question of performance the Minister of Railways stated that the aim was to improve performance by 10 to 15 per cent within the next five year period. He personally felt that that was a high target to be achieved. He would, therefore, request the Chief Ministers and other Ministers of the States to realise the difficulties of the Railway Board. The Minister for Railways added that steps were being taken to utilise other means of transport to the maximum extent possible and to ensure proper co-ordination between railways, roads, sea transport and inland water transport.

39. Referring to the doubling of lines, Shri Lal Bahadur Shastri mentioned that doubling had to be done in areas where there was a bottleneck and that such doubling was proposed to be done on a number of stations on the Southern Railways. The movement of goods to and from Assam would also be facilitated by the doubling proposed to be undertaken in certain places in Bihar. The construction of the Mokameh Bridge would take some time but he was hopeful that it might be possible to complete the work in about three years' time. With the completion of these projects, the



transport problems in North Bengal, North Bihar and Assam would have been solved to a certain extent. To further facilitate transport in Assam, it was proposed to undertake during the second plan the construction of small line in West Bengal. Shri Lal Bahadur Shastri referred also to the Brahamaputra bridge, provision for which has been included in the plan. The intention was to construct a new line when the bridge was completed.

40. The Chief Minister, Assam, mentioned that even at the existing rate of production, the railways had not been able to supply sufficient tank wagons for the purpose of transporting petroleum goods out of Assam. The Minister for Railways observed that it should be possible to supply tank wagons but the main problem was of lines. Provision of transport facilities for increased production of petrol and for its movement through Assam and other parts of the country might cost about 15 to 20 crores. The matter had to be carefully considered by all the Ministries concerned. The proposals for doubling up lines and building new lines depended on whether the refineries were proposed to be built in Assam or whether crude oil was to be brought from Assam to other places.

41. The Adviser to Rajpramukh, Travancore-Cochin, **Shri P.S. Rau** observed that while the principles were unexceptional, they were not always borne in mind when translated into action. He referred in particular to the principle regarding balanced regional development. Shri Rau suggested that the railway programme for Travancore-Cochin had almost been forgotten by the railway planners. The Travancore-Cochin State needed also more schemes for the dispersal of population and for settling them in less populated areas. Shri Rau wanted also to make a few observations about the problem of educated unemployed.

42. The Chairman observed that the discussion might be confined to the principles stated in first two Chapters of the Draft Plan. There was a reference in the Draft to perspective planning. Unless there was planning for a long time ahead, what was done now was not likely to be followed up. The Chairman remarked that ultimately the development of railways depended on steel; construction of new lines would be facilitated by the stepping up of steel production.

43. The Chairman observed that a great deal of future development depended on the Second Five Year Plan and for the success of the plan it was necessary to ensure adequate supplies of food at reasonable prices. In this connection, he referred to the fact that in China from 300 million acres under cultivation they produced 165 million tons of foodgrains, whereas from the 270 million acres of cultivated area in India, only 75 million tons of foodgrains were produced. There was much more intensive cultivation in China than in India even though there was relatively much more irrigation in India than in China. The Chairman observed that it would be possible to produce much more food in India specially in irrigated areas and according to Deputy Chairman's estimates, food production should be increased by at least 40 percent during the next five years. It had to be remembered that whatever be the rate of industrial production, the major part of production in India was obtained from land. He mentioned in this connection the importance of agricultural production, even in a country like Canada, which was going through a second industrial revolution as a result of the huge oil finds etc. The Chairman added that from the point of view of both utility and avoidance of inflation, the two important items were foodgrains and cloth. There should be adequate supplies of foodgrains and cloth and no risk could be taken about these two items.

44. The Chairman stated that the Council could now proceed to consider Chapter IV of the Draft Second Five Year Plan and Chapter III in so far as it related to Chapter IV.

45. Dr. B.C. Roy observed that if the expectations had to be fulfilled, there was no alternative but to resort to taxation in an increased measure. The number of items of taxation left to the States

were however very few and there was a tendency for intruding into the sphere of State taxation by declaring certain items as essential commodities. He felt that, as recommended by the Taxation Enquiry Commission, commodities declared to be "essential" should be as few as possible so that the States might be helped to contribute a fairly decent amount for financing their projects. The States had an advantage in so far as they were in touch with the people and it was possible that they could evolve methods of raising income without upsetting the people.

46. Dr. B.C. Roy added that the Community Development and National Extension projects should be utilised in an increasing measure for popularising the method of asking people to contribute more. He had already forwarded to the Deputy Chairman a programme for increasing receipts from small savings. If that programme was followed, they would be able to increase small savings collections by 25 to 30 per cent. It was, however, necessary to take the small savings campaign into the rural areas. The price of the agricultural products had gone up tremendously in the last three years and there was a certain amount of increased prosperity for the people in the rural areas. The method of approaching them was however important and required planning. Dr. B.C. Roy also emphasised the importance of voluntary efforts by the people in respect of particular projects meant for their benefit. Experience of the local development projects during the last five years was encouraging and if a proper approach was made, greater result could be expected.

47. Dr. B.C. Roy then referred to the question of raising food production. He would like to find out whether in China the increased production was due to the employment of more labour, use of modern agricultural implements or use of more fertilisers or manures, or availability of more irrigation facilities. There was no doubt that as irrigation projects were being implemented in every State in India it should be possible to increase production by 25 per cent provided there was a concerted move in that direction. He was, however, doubtful whether production could be increased to the extent of 40 per cent. He felt that in any case, there was bound to be an increase in the prices of agricultural produce. In West Bengal, even though the total production was the same for 1955-56, as for 1954-55, the price of rice had gone up by Rs. 3 to Rs. 4 per maund. As a result of supplying foodgrains at reduced prices from Government Depots, the tendency of rising prices had been halted.

48. Dr. B.C. Roy suggested that there should be an adjustment between the plan of the railways and the plan for industrial development. He realised the difficulty about providing additional resources, but felt that it would not be correct to say that Rs. 900 crores was just what the railways should have and nothing more. Dr. B.C. Roy suggested that Shri Neogy might be requested to explain the position, as it appeared from his note that he was pessimistic about the capacity of railways to carry the additional traffic. The CHAIRMAN observed that Shri Neogy had already explained the position in his note.

49. The Chairman observed that in view of Shri V.T. Krishnamachari's statement that production of foodgrains in the irrigated areas would go up by say 40 percent Shri Neogy's difficulty would not probably arise.

50. Shri Neogy stated that if the Chief Ministers were to give an assurance that they accepted the higher target now proposed, he would withdraw his objection.

51. The Chairman observed that everybody realised the importance of laying stress on increased production, but it was now necessary to discuss the actual steps which had been taken in each State separately for achieving the increased production. He enquired whether it was possible to state broadly the increased of production per acre during the last five years. It was reported that

rice production could be doubled by the Japanese method ; there was no reason why if it could be done at one place, it could not be done everywhere.

52. The Minister for Food and Agriculture, **Shri A.P. Jain** stated that millions of people had to be dealt with and it would be a question of time. He added that the targets had been worked out by the Planning Commission who had assessed the increased production at about 10 millions tons of foodgrains. There was stress on production of foodgrains in the Plan but there would be greater stress on other foods, particularly, protective foods. The CHAIRMAN suggested that increasing production of foodgrains was most important and that it should not be assumed that people would eat less of wheat or rice because of increase in the production of milk or fruits.

53. Dr. B.C. Roy observed that the total increase in production of foodgrains had already been taken into account and there was no room for another 40 percent increase during the five year period. Shri K.C. Neogy observed that what was required was 40 percent increase in agricultural production as a whole or of raising the present target of increased production to 40 percent. The lower target was adopted deliberately by the Planning Commission in consultation with the Ministry of Food & Agriculture and the State Governments and it was for the Chief Ministers to declare whether they accepted the 40 percent target in place of the present target. Dr. B.C. Roy stated that the target could not be increased beyond 20 percent. The Minister for Food and Agriculture added that to increase the target to 40 percent was too big a rise.

54. The Chairman observed that while talking about percentages, it should not be forgotten that in India the present level was very low. It was a question of increasing the percentage not of a good yield but of trying to increase the percentage of a very low yield. The rate of production of food in India was very low in comparison to other countries of Asia and Africa ; it was perhaps the lowest in the world. It had been shown that by the adoption of Japanese method etc. it was possible to increase production of rice in the country by 100 percent or more. There was, therefore, no reason why food production in the country could not be increased by making use of the increased facilities, irrigation, fertilizers, etc. to the rate suggested by Shri V.T. Krishnamachari.

55. The Development Minister, Delhi State, **Shri Brahm Parkash** stated that an important aspect of the matter was marketing. In China, they had adopted state trading and marketing in respect of food. In India, co-operative marketing had been adopted, but it was not likely to lead to better results because agriculturist was very sensitive to prices. To give him sufficient incentive to produce more and more, he should be assured of the price and also that the produce would be properly marketed. What was needed, therefore, was that Government should directly, at least at the State level enter into marketing. Such a procedure would help the farming and co-operative societies in increasing production as well as arranging the supplies required by agriculturists. Shri Brahm Parkash suggested that irrigation facilities and adequate supplies of fertilisers were available but unless and until the question of marketing was tackled properly, one could not be sure of higher results.

56. Shri V. T. Krishnamachari referred to the letter (Appendix III) sent by the Planning Commission in 1955 in which it was suggested that agricultural production should be doubled in ten years. Unfortunately however, the State plans were not framed on that basis. Unless the suggestion in the letter was followed up and effective steps taken, inflationary tendencies would develop and it would not be possible to handle the plan properly.

57. The Union Finance Minister, **Shri C.D. Deshmukh** suggested that there should not be any rigidity in regard to the calculation of agricultural production with reference to investment. A sum of about Rs. 350 crores had been spent on irrigation and there would be an increase in production on

this account. There were, however, certain marginal methods which would not cost so much money but which would yield disproportionately large increase in production. The Finance Minister drew attention to the latest report of the Programme Evaluation Organisation on the national extension projects and C.P.A. in which it was pointed out that the Gram Sevak had almost forgotten the extension programme in the community Projects. Most of their time had been taken up in the execution of amenity programmes such as projects, roads, etc. It was essential to remember that the Gram Sevak was primarily meant for extension work. Agricultural production could be improved by establishing suitable demonstration farms, providing better facilities for fertilizers and opening research centres to deal with local problems. The expenditure on the items would not be heavy. It would be worthwhile to find out how much improvement in production could be effected by the addition of a few crores to the provision and by the utilization of the existing Gram Sevak machinery.

58. The Deputy Chairman pointed out that what was called short term finance was not included in the agriculture plan. There was a provision for short term finance to the extent of Rs. 3 lakhs per year for each block but they were not utilized in any State. He felt that short term finance was not utilised to a sufficient extent in the first five year plan. In the second five year plan, short term finance of the order of Rs. 100 crores was available through co-operatives, Reserve Bank and taccavies. The point made in his note was that the targets in the plan were not adequate, and that larger targets could be achieved by making use of the community project areas for the purpose for which the movement was intended.

59. The Chief Minister, Punjab, **Shri Partap Singh Kairon** observed that there were two types of irrigation, canal irrigation and tubewell irrigation. So far as the Punjab was concerned, the facilities available were not adequate. In the last five years agricultural produce had increased to the extent of 50 percent but that was due mainly to fertilisers and good seed. The fertilizers could be availed of only if sufficient water was available at regular intervals. He suggested that there should be provision for increased irrigation through tubewells and the supply of cheap electricity. Shri Partap Singh Kairon suggested that in his province people put in hard work and in some cases they had beaten the record of hard working Chinese cultivators, in the matter of increased production of foodgrains. He concluded by saying that if there was adequate flow of water, 40 percent increase in production was possible.

60. The Minister of Food and Agriculture stated that he would like to ascertain the views of the Chief Ministers regarding the rate at which the price of rice should be stabilized. He mentioned that recently it had been decided to release rice at the rate of Rs. 16/- per maund. The Chief Minister, Bombay observed that Rs 16/- was a fairly good price. The Chief Minister, West Bengal, added that so far as Bengal was concerned Rs. 16/- or Rs. 16/8/- would be a fair price.

61. Before concluding the forenoon session, the Chairman observed that there would be an exhibition of a domestic spinning machine at 3 p. m.

**MAY 1, 1956**

**AFTERNOON SESSION**

62. The Minister for Agriculture, **Dr. P. S. Deshmukh** observed that the targets of agricultural production suggested in the Plan were not unreal and could easily be achieved. It was possible to exceed the targets and even to achieve 40 per cent increase over the present rate of production provided, firstly, the interests of agriculturists were protected in the event of prices falling unreasonably and secondly, the prices of fertilizers were reduced as much as possible. He added that better results could be achieved if the energies of the National Extension blocks and the Gram Sevaks were diverted in greater measure towards agricultural production. Dr. Deshmukh observed that the vagaries of nature should also be taken into account in fixing the targets of agricultural production.

63. The Deputy Chairman observed that he agreed with Dr. Deshmukh's remarks regarding the National Extension Service blocks and the Gram Sevaks. The tendency in States was for the agricultural and other departments to set up their own independent agencies instead of using the National Extension movement and the Gram Sevak for increasing agricultural production.

64. The Chairman mentioned some of the important figures of agricultural production in China. According to Chou en Lai, production in 1955 was 182,500,000 tons. It was proposed to increase this production at the average rate of approximately 7.9 per cent per annum to 456 million tons by the end of 1967. Cotton production was to be increased at the average rate of about 9.6 per cent per annum from 1,500,000 tons in 1955 to 4,500,000 tons by the end of 1967. This was tremendous increase. Nevertheless, the forecast had been made with a great deal of confidence. The estimates were made for each region of production and practically every family or cooperative unit had a target of its own. Having regard to the experience in China, it was conceivably possible to raise agricultural production in India by about 40 per cent. This would involve intensive effort reaching down to each individual family and full utilisation of suitable agencies, specially the community projects and the national extension service blocks.

65. Referring to the broad questions dealt with in Chapter IV of the Draft Plan, the Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** stated that to a considerable extent, the size of the Plan would be determined by the resources. In considering the resources, he suggested that it would be desirable to consider also the question of economy. He referred in particular to some of the examples of duplication of effort mentioned by Shri Hanumanthaiya. Except in cases which could not be dealt with by the States themselves, normally the Central Government should leave the execution entirely to the State Governments. The Central Government should not engage staff of their own for such subjects. His experience regarding social welfare schemes was similar to that of Shri Hanumanthaiya. So far as Uttar Pradesh was concerned, the results under these schemes were not commensurate with the expenditure undertaken. Dr. Sampurnanand suggested that if there was some money available for this purpose, it should be placed at the disposal of the State Governments.

66. The Chief Minister, Uttar Pradesh, said that leaving out the uncovered gap of Rs. 400 crores, Uttar Pradesh had undertaken to find Rs. 40 crores through taxation. The only elastic source of revenue left with the States was the sales tax. In spite of the complications and difficulties arising out of the general elections and opposition from interested quarters and exploitation by several political parties, the Uttar Pradesh Government decided to proceed with a scheme for the levy of



sales tax; but he was surprised to find that some Central Ministries did not seem to see eye to eye with the U.P. Government and expressed the view that the tax proposal, was unjustified and not in accordance with accepted policy. Unless the State Government proceeded with the tax proposal, it was not possible to raise the revenues for the Plan. Dr. Sampurnanand remarked that the Central Government should back the State Governments completely if they were to go in for fresh taxation in spite of opposition.

67. As regards public loans, the normal expectation was that the U.P. Government would raise about Rs. 5 crores. Last year the State Government were able to get about Rs. 9 crores and the Planning Commission had stated that Rs. 7 crores could be realised by State Government as public loans. With the nationalisation of insurance, that source of public loans was closed to the State Government.

68. The Uttar Pradesh was in advance of most other States in the matter of small savings, but according to the new formula for sharing between Central Government and State Governments, the share of the State from this source would become three-fourths or two-thirds.

69. Dr. Sampurnanand observed that, in view of the difficulties pointed out by him regarding resources, adequate consideration had to be given to some of the points raised by Shri Neogy in his note, even though they should remain optimistic.

70. The Chief Minister, Bombay, **Shri Morarji Desai** observed that it was good that Shri Neogy put up his note. Shri Desai was, however, of the opinion that the note had come from pessimism rather than from a realistic view of things. A pessimistic view was dangerous and would not enable anything to be done. The essence of planning was that it should be possible to raise resources and income to a greater extent than could have been done without planning. Shri Desai added that some risk had to be taken and the Plan now settled should not be lowered in any way. It was possible that funds might not be available but efforts had to be made and the aim should be to exceed the Plan targets rather than fall short of them. Hopes had been raised among the people by the first plan and if it was not possible to fulfil even the Plan now put forward, there would be greater demoralisation than what was feared by Shri Neogy.

71. Shri Morarji Desai observed that there was a possibility that the States might not be able to raise the taxes which were expected of them. He was not sure that full efforts had been made in all States to ensure maximum taxation. If money was provided to the States from the Centre when the States Governments were unable to raise resources, there would be the tendency in the States not to resort to taxation. It might not be possible for the Centre to provide all the money. The Centre and the States had, therefore, to raise resources together. He, therefore, suggested that the Centre should tell all the States after making a proper survey of the capacity of the various States to tax themselves to the limit indicated. In Bombay, taxes to the extent expected had been levied. Agitation about sales tax was now over and the yield had increased from Rs. 3 crores in 1945-46 to Rs. 20 crores at present. The Bombay Government had intended to tax the essential goods, but the Central Government was not in favour of that. In spite of the fact that articles like cotton etc. were exempted, the yield was fairly good. There might be some possibility of avoiding evasions and steps in this behalf were being taken. He had no doubt that the Central Government would be in a position to raise their part of the resources.

72. Referring to agricultural production, Shri Morarji Desai observed that the reason why Gram Sevaks were not devoting sufficient attention to this matter was that the Centre was attaching more importance to amenities than to agricultural production. He had no doubt that if proper instructions



were issued that they should increase agricultural production, Gram Sevaks would carry them out. Shri Morarji Desai added that the rate of agricultural production was very low in India and he felt that it was possible to raise it by 40 per cent. In fact there had been some deterioration in production as compared with the earlier days when without much extra effort, about 4000 lbs. of foodgrains were obtained from one acre of land. The maximum paddy produced in one area in Bombay State was 16,900 lbs. This might be an extraordinary production but half of it was practicable, whereas the present average was only 1600 lbs. If sufficient attention was paid to this matter and if sufficient pressure was put on the people it was possible to increase agricultural production to a considerable extent. Even in areas where irrigation facilities were not available, it was possible to improve production by inducing the agriculturists to take to improved methods of production.

73. Shri Morarji Desai observed that he agreed with what Dr. Sampurnanand had stated about duplication of expenditure. The work done by the Central Social Welfare Board might be necessary but nevertheless, it was duplication in so far as the Community Projects had also similar programmes. In Bombay, he was not interfering with the work done by the Social Welfare Board; his officers did not also inspect the work. If the funds were made available to the States, they could be used to greater advantage. There was duplication also in the matter of propaganda. It should not be that the States were dependent on the Centre for all assistance. The States and Centre were interwoven and they should not be disconnected. If care was taken about such matters, it was possible to ensure the utilisation of available resources to the best advantage of the country.

74. The Chief Minister, Madhya Pradesh, **Pandit Ravi Shankar Shukla** observed that it was evident from the discussion that in spite of the emphasis on industries in the second five year plan, agricultural production was also important. In Madhya Pradesh there were 65 lakhs of acres of land under paddy cultivation, out of which 16 lakhs were irrigated. The rest were dependent on rainfall. If irrigation was provided and fertilizers utilised, it was possible to increase production several-fold. So far as irrigation was concerned, Madhya Pradesh did not get a square deal in the first plan. In the second plan, about Rs. 12 crores had been provided, out of which Rs. 7 crores were put down for Tawa Project, Rs. 3.75 crores for another project and about Rs. 1.69 crores was left for other irrigation works. If separate provision was made for Tawa Project, it would be possible to utilise about Rs. 7 crores for schemes which would further increase agricultural production.

75. Referring to taxation, Pandit Shukla pointed out that in the earlier stages, the State was asked to raise Rs. 12 crores by taxation. This had now been increased to Rs. 15 crores. If all the recommendations of the Taxation Enquiry Commission were implemented, it might be possible to raise Rs. 12 crores. It was not clear how Rs. 15 crores could be raised as was now proposed by the Planning Commission.

76. The Chief Minister, Hyderabad, **Shri B. Ramakrishna Rao** stated that he did not agree with the position taken by either Shri Morarji Desai or Shri Neogy. In view of the high hopes raised among the people and the consideration already given to the size of the Plan during the previous discussions, it was hardly necessary to review the matter again. It was possible that the achievements would be lower than the expectations.

As regards resources, Shri Ramakrishna Rao agreed with the observations made by Shri Morarji Desai. He would, however, like to make a plea on behalf of the States which were facing disintegration. In Hyderabad owing to various difficulties it had not been possible to raise much revenue by way of sales tax.

Shri Ramakrishna Rao stated that the uncovered gap of Rs. 400 crores should not cause

much anxiety as there would always be some gap between targets and achievements. In the first two years of the Second Plan, not much progress was likely, in the first year owing to the States Reorganisation and in the second year due to elections. Ultimately, therefore, it might not be necessary to fill the uncovered gap.

77. Shri Ramakrishna Rao thought that there was room for bringing about economy in several ways, and the aspects mentioned by Shri Hanumanthaiya and Shri Morarji Desai should be considered. He referred also to the necessity of exercising more control over the many conferences and meetings at various places in the country, which the Ministers and officers of the States were summoned to attend.

78. Referring to agricultural production, Shri Rao observed that the conditions which were often prescribed for the grant of short term loans were not fulfilled by cultivators of small holdings. He, therefore, suggested that the recommendations of the Rural Credit Survey Committee in regard to such short term loans should be accepted by the Government. He agreed that there was room in the community blocks and N. E. S. areas for greater concentration on agricultural production. The village level workers had not been doing their best in the matter of agricultural production and had been devoting more attention to social activities, schools etc. Shri Rao concluded by saying that the Plan should be accepted as it is in spite of the limitations of the financial resources.

79. The Finance Minister, Madras, **Shri C. Subramaniam** said that the notes by Shri Neogy and Shri V. T. Krishnamachari should have been first considered by the Planning Commission itself and guidance given by the Commission to the National Development Council. The notes now circulated had thrown doubts on the tentative conclusions regarding the size of the Plan and the extent of the deficit financing which could be resorted to. Shri Subramaniam was of the view that the size of the Plan could not now be reduced. At the same time, due notice had to be taken of the increase in prices during the last two or three months, particularly, of the articles of food and cloth. There was a boom in the cloth industry, a boom much greater than what existed during the war time. Shri Subramaniam suggested that the Planning Commission and the Finance Ministry could go into the question and take suitable measures for curbing the tendency of the prices to rise, otherwise, the Plan would be upset.

80. Shri Subramaniam stated that it might be possible to increase agricultural production by 40 per cent instead of 15 per cent but that would mean provision of more money for agricultural schemes. The entire agricultural plan had to be revised with respect to various schemes and the States would need guidance in this matter from the Planning Commission.

81. Shri Subramaniam said that the States should play their part in raising resources. Otherwise what happened in the First Plan period would be repeated; no State was happy about levying taxes. There should be no duplication of effort in the matter of raising resources. At present excise duty and sales tax were collected on the same article.

82. Shri Subramaniam also referred to the desirability of ensuring that the authorities in charge of the insurance business continued to purchase State Bonds, so that prices remained at a stable level and the people continued to have the confidence to invest. Dr. B.C. Roy mentioned that there were complaints in Calcutta also. The Union Finance Minister, Shri C. D. Deshmukh observed that the matter had been gone into, and suitable instructions had been issued.

83. The Finance Minister, Madras, **Shri Subramaniam** observed that there should be a scheme of compulsory insurance and pensions for commercial and industrial employees. He thought that

insurance would be a better inducement than provident fund.

84. Shri Subramaniam referred also to the popularity of the local development works and the desirability of continuing the scheme. He requested that funds might be allotted so that the tempo of the local development works could be kept at the level it had already reached. Shri Subramaniam suggested that the provision for local development works for the current year should at least be equal to what was made last year. The Union Finance Minister mentioned that several States had not sent the reports about the works carried out and that they had not adjusted the Advances made already.

85. Referring to the question of regional disparities, Shri Subramaniam observed that every State should have something of everything of industrial development and agricultural development. It might also be useful to have a zonal conception so that each zone reached a certain amount of development. The investment for each State should be worked out. The figures of investment for each State were important not only from the financial point of view, but also from the point of view of providing extra employment. Shri Subramaniam stated that the Plan allotment for the Southern Zone with reference to the State Plans and the Central Plan was inadequate. It might not be possible to have a steel plant in the zone but there was great scope for the sugar industry in the Southern Region. The standard of sugar contents of the sugarcane produced in the South was more than that of the sugarcane produced in other parts of the country. There was probably some resistance to the grant of new licences for factories in the Southern Region from the sugar interests in the North.

86. Shri K. C. Neogy mentioned that while it was true that existing sugar concerns in U. P. and Bihar did not favour the idea of any expansion of the industry in other regions, it was not correct to suggest that because of their opposition, the licensing authorities had failed to grant any licences to parties from the South. As a matter of fact, the policy was to encourage the establishment of sugar plants in the southern region. The Deputy Chairman added that on receipt of a letter from Shri Bhaktavatsalam, he had gone into the question and found that no licences had been refused in Madras. The Minister for Food and Agriculture stated that during the last two years, more than 80 per cent of the licences for sugar factories were granted to factories in the South. Shri Subramaniam observed that considering the economies of production of sugarcane, South was comparatively favourably situated. There was, therefore, a case for allotting the entire quota for expansion to the southern region. The Finance Minister, Andhra also wanted particular preference to be given to South so far as sugar industry was concerned. Shri K.C. Neogy stated that it was definitely the policy of the Ministry of Food & Agriculture as well as the Planning Commission to encourage establishment of sugar industry in the South.

87. The Minister for Commerce and Industry, **Shri T. T. Krishnamachari** stated that there was some misunderstanding regarding the policy governing the issue of licences for sugar industries apparently due to the fact that some time elapsed before the formulation of policy. It would not be correct to say that anybody in the Government of India wanted to shut out any region from producing sugar, merely because any other region was to be favoured. The only factor that guided the issue or the refusal of a licence was the availability of sugar cane and nothing else. Shri T. T. Krishnamachari added that there were a few licences in respect of which no action had been taken. If the State Governments concerned could agree to the cancellation of these licences, it would be easier to grant fresh licences to other parties. The policy regarding issue of licences was decided not on a territorial consideration, but on the economics of the problem as a whole.

88. Shri Subramaniam suggested that the heavy electrical industry at Bhopal ought to have been located in one of the Southern States and not in Bhopal. Shri Subramaniam referred also to the transport bottleneck. Sugar had to be carried from the Northern areas to the Southern areas. Shri K. C. Neogy observed that transport difficulty was not confined to the South. The difficulty in transporting coal for a short distance had resulted in a blackmarket developing in Calcutta. Shri Subramaniam observed that if each area was developed in a proper way, transport bottlenecks could be avoided. He felt that if the Planning Commission went into the figures of investment and the employment potentiality in respect of each State and zone, there would be more sympathy for the Southern zone.

89. The Minister for Food and Agriculture, **Shri A. P. Jain** mentioned that anybody who had a grievance about the grant of licences regarding sugar factories could meet him. Shri Jain said that he would explain the policy and procedure followed so far; if it could be shown that any licence had been improperly rejected, he was prepared to review the question. Shri Subramaniam stated that he was prepared to withdraw his complaint but would like the general question to be kept in mind.

90. The Chairman observed that a number of important points were mentioned during the discussion. He stated that it was not actually intended that the notes of Shri Neogy and of the Deputy Chairman should be circulated to the Council; the proper course would have been, as observed by Shri Subramaniam, for these to be considered fully by the Planning Commission and the Central Government. Nevertheless, it was good that the members of the Council had the various aspects of the questions placed before them so that they could think about them. The question of agricultural production should obviously be considered afresh and new targets laid down. The figure of 40 per cent increase mentioned by Deputy Chairman was not given casually, but after some consideration. The question of stepping up in a substantial measure the agricultural production in the country was mentioned in a communication sent to the States over a year ago. The Ministry of Food & Agriculture and the Planning Commission should now hold discussions with individual States and settle new targets of production.

91. With reference to the sales tax, the Chairman observed that a proposal regarding unification of sales tax and excise duty had been put forward by the Central Government, but it had not so far been accepted by all the States. The Central Government would naturally support the steps taken by the State Governments for raising resources for the Plan. The Chairman mentioned that one point had to be considered namely, the effect of sales-tax on food prices. As a result of the imposition of sales tax, food prices would go up and then the Centre was expected to give subsidy to keep the prices down. This was an anomalous position.

92. The Chairman observed that overlapping and duplication should be avoided, and as far as possible, one agency should be responsible for the same work.

93. With reference to the point mentioned by Shri Ramakrishna Rao that the representatives of the States were summoned too frequently, the Chairman observed that Central conferences were useful for coordinating and expediting work. It was perhaps true that people were summoned to Delhi on slight provocation. In many cases, it might not be necessary to summon everybody from all over India for everything. He suggested that some effort should be made to coordinate the conferences which every Ministry and sometimes the Planning Commission summoned. In other words, these conferences should not be called as a routine matter by circulars addressed to all States. Only those who were really interested in the subject matter need be invited to come.

94. With reference to the remarks made by the Chief Minister, Uttar Pradesh, regarding the change in the method of sharing of the proceeds of the Small Savings, the Union Finance Minister, Shri C. D. Deshmukh mentioned that the expectation was that the States would find the new scheme more attractive. Perhaps the experience of Uttar Pradesh was not shared by other States. A formula which was acceptable to the majority of the States had to be devised. On the whole, however, this would not make any material difference, as the overall resources remained unaffected. The Finance Minister added that the special position of Uttar Pradesh in regard to this matter would, however, be examined.

95. As regards sales tax, the Finance Minister mentioned that there were one or two small points which remained outstanding and it was necessary to await the views of every State Government. So far as the rate was concerned there would be a separate rate in lieu of the State sales tax. The Central Government would not have any interest in this part. The distribution of proceeds of the excise duty among the States was to be determined on the basis of the figure of consumption. On the whole, it was felt that the States would profit by the new scheme.

96. The proposal to set up a Committee on Development Projects, about which a paper had already been circulated was then taken up for consideration. The Finance Minister observed that the proposal arose out of the recommendations made in Chapter III of the Report of the Taxation Enquiry Commission dealing with the trends in public expenditure. The reference by the Taxation Enquiry Commission was more to the need for restraint on the growth of non-developmental expenditure. The Planning Commission thought that in view of the greater importance of development expenditure under the new Plan, the important consideration was that full value should be obtained for the money spent on the various schemes. The intention was that the manner in which works were executed should be examined in a broad way with reference to targets, materials used etc. This was more important than examination of the details of staff, employees etc. The Planning Commission thought that a kind of Steering Committee functioning as an offshoot of the National Development Council might be the best agency for exercising this control. Under this Committee, there would be a working group of officials at a fairly high level consisting of engineers also who would conduct a detailed examination of Projects on which large expenditure was being incurred. Thereafter the Steering Committee would appoint competent officials and non-officials to go into the details and furnish a report. In this way, there could be a different Committee for each sector and several Committees could function at the same time. As soon as the reports of each Committee were received, the Steering Committee could take action on them.

97. The Finance Minister mentioned that in the budgets of the States, there was an excess of about Rs. 70 crores on non-developmental expenditure on revenue account over the estimate prepared by the Planning Commission. In the capital account, the excess of non-planned expenditure was about Rs. 60 crores. In other words, in addition to the excess over plan outlay and shortage of resources etc., additional non-planned expenditure amounting to about Rs. 130 crores has been provided for in the State Budget. The Planning Commission would have to go into this matter regarding non-developmental expenditure separately in respect of each State.

98. With reference to a remark by Shri Morarji Desai that there was already a Standing Committee of the National Development Council and that it could go into the question of economy in developmental expenditure, the Finance Minister mentioned that the Standing Committee was quite large and would have to meet oftener than they did now. Moreover it was not constituted to handle matters like expenditure and economies.

99. The Chief Minister, Madhya Pradesh suggested that on the proposed Committee there



should be one Chief Minister from each zonal council. The Chief Minister, Uttar Pradesh observed that there should be a number of Committees for tackling different subjects. Dr. B. C. Roy mentioned that it would be better to have a smaller body. The Chairman suggested that it might be considered whether the matter could not be entrusted to sub-committees of the Standing Committee of the National Development Council on which some of the Chief Ministers and some of the Central Ministers would be represented. On the suggestion of Dr. B.C. Roy, it was agreed to postpone the discussion on this item till the following morning.

100. The Chairman suggested that Chapters V, VI, VII and VIII of the Draft Plan might be considered together. The Chief Minister, West Bengal, enquired whether increase in administrative efficiency would mean increase in the strength of personnel on the job. The Minister of Planning said that to some extent increase was inevitable. Work in the districts was expanding in view of the new responsibilities coming under the district machinery. On the whole there was going to be an increase in the quantum of work. The Chief Minister, West Bengal, mentioned that public participation and co-operation required constructive effort on the part of the administration. Some remarks on these aspects, had been offered by one of the West Bengal officers and these will be communicated to the Joint Secretary of the Planning Commission.

101. The Chief Minister, Uttar Pradesh, observed that the whole pattern of administration was slowly changing for the better. In the U.P. every village was covered by village panchayat and the State Government was considering the question of effecting some kind of co-ordination between the village panchayat and the district board. The State Government was also considering the question whether the district board should be elected from among the members of the village panchayats and what exactly should be the position of the District Planning Council.

102. The Chief Minister, Uttar Pradesh mentioned that formerly the various departments of the State Government used to function more or less in isolation at the lower levels. The work in the N.E.S. blocks had however brought the various departments together. There were certain officers who represented all the departments. This change was likely to revolutionise the whole pattern of administration. He felt that it would be worthwhile to study this new development from all angles both the philosophy of it and the practical aspects.

103. The Chief Minister, Uttar Pradesh mentioned that the requirement of having to consult the Public Service Commission in the matter of selection and promotions caused difficulties at times. As an example, he cited the selection of Block Development Officers. The State Government thought that the people selected should have some public work to their credit but the Public Service Commission insisted on making the selection themselves. The Chief Minister, Bombay, mentioned that such posts in Bombay had been excluded from the scope of the Public Service Commission. The Chief Minister, West Bengal, observed that there were some appointments of a standardised character which required judgment on the basis of an examination. Such appointments should be with the Public Service Commission. The Chairman observed that an occasional discussion in legislature about the posts excluded from the purview of the Public Service Commission would not do any harm. In fact that was an essential part of democracy. He felt however that the Public Service Commission was not suited for making appointments in specialised fields. In recruiting specialised personnel, the better course would be to associate the Public Service Commission with the Selection.

104. Referring to the question of employment, the Chairman observed that various claims had been made on behalf of Amber Charkha. The Government had taken the attitude that before taking any decision, the Charkha should be thoroughly experimented upon and examined on a large scale



both in the laboratories and in the field. If it were a question of 10 or 20 or 30 lakhs of rupees, a certain amount of risk could have been taken but when the provision required was of the order of Rs. 100 crores the matter required extensive experimentation and careful consideration. There was also the basic argument about the final results in terms of employment and even more so in terms of wealth production.

105. The Chief Minister, Uttar Pradesh enquired about the policy in respect of the extraction of oil from oilseeds. The oil crushing factories in the U.P. were slowly disappearing. This was partly due to the difficulty in selling oil from U.P. in Bengal. If the policy was to encourage ghani to crush oil, there was no room for the factories.

The Minister of Planning observed that there was a report of a Special Committee which enquired into the subject. The report had not been fully considered.

Shri K.C. Neogy referred to paragraph 33 of Chapter **XX** of the Draft Report which dealt with crushing, marketing etc. of oil.

The Chairman mentioned that in order to encourage cottage industries, it was necessary to collect cess from the other industries. It was therefore necessary to have the other industries as well.

106. The Minister of Planning mentioned that there was a report on rice pounding in which it was stated that no increase in existing capacity should be allowed in regard to hullers, shelters, etc. The Minister of Food and Agriculture mentioned that the report of this Committee was under consideration and that the conclusions contained in the Draft Plan were only tentative. The Chief Minister, West Bengal, mentioned that it was difficult to control effectively rice-milling in view of widespread smuggling and evasion of various kinds.

**MAY 2, 1956**

The Chief Minister, Mysore, **Shri K. Hanumanthaiya** observed that the reforms proposed in Chapter **IX** had for the most part been implemented. He would, however, like to deal with two or three aspects of the problem. The first of these related to the ceiling. Shri Hanumanthaiya said that fixation of ceiling for holdings at a size which would yield an income of Rs. 1200/- per annum and three times that amount when the family was big would discourage people with ability and experience from settling down in villages. When the income of the villager was fixed and that of the urban dweller remained unlimited, there would be a tendency for people to move from the villages into the cities. It was for consideration whether such a process of urbanisation was desirable or not. Within the limited income the villager would not be in a position to educate his sons and daughters to the same extent as the people in the towns with the result that his children would continue to remain agriculturists and the professions and services would be monopolised by urban people. If the idea of ceiling was adhered to, it might be necessary to give special concession to people from the villages in the matter of education. Shri Hanumanthaiya suggested that in case it was considered necessary to place a ceiling, the level of income should be the same as the exemption limit for income-tax. There should be equality of income and opportunities between people living in the rural and the urban areas. Shri Hanumanthaiya, therefore, suggested that the income level for purposes of fixation of ceiling on land holdings should be increased.

2. Referring to the question of agricultural production, Shri Hanumanthaiya said that in addition to supplying artificial fertilisers, encouragement should be given to the scheme of compost making in the villages. He observed that vast quantities of natural fertilizers were being wasted, in most cases to the detriment of society. He suggested that a method of compost making should be devised for every village and every town. The big towns should also be assisted to convert the sewage disposals into fertilizers. A comprehensive project for compost making would encourage agricultural production to a very large extent. A scheme for the purpose had been started in Mysore State with the voluntary co-operation of the Bharat Sewa Dal. Shri Hanumanthaiya suggested that a scheme might be drawn up for this purpose and necessary amounts allotted.

3. Shri Hanumanthaiya observed that the idea of co-operative farming and the principle behind it were attractive but in practice it had been found that the individual sense of the cultivators asserted itself and militated against co-operative effort. Shri Hanumanthaiya observed that the co-operative farming was akin to collective farming which was in vogue in totalitarian countries. In China, Soviet Union and other countries, cultivators who did not work or worked slow were liable to punishment, but in a democracy reliance has to be placed on voluntary effort. The cultivators were anxious to have a plot of land which they could call their own. Co-operative Societies giving loans and aids to agriculturists might prove successful but it was doubtful whether to ask the ryots to bring their individual holdings into co-operatives and to farm them jointly would be successful.

4. Shri Hanumanthaiya said that even the Labour Government in the U.K. did not touch land holdings. He added that it was inconsistent to propose that there should be consolidation of holdings while at the same time land was divided as a result of the imposition of the ceilings.

The Minister of Planning explained that there was no conflict between the proposals for imposing ceilings and consolidation of holdings. Consolidation did not make any change in the area of a holding.

5. The Chief Minister, Madhya Bharat, **Shri Takhtmal Jain** referred to the proposals made in

paragraph 40 of Chapter IX, in which it has been recommended that the compensation for land, in excess of the ceiling, acquired by the State should be twenty times the fair rent minus land revenue. He was not sure whether this would be applicable to States where schemes of abolition of zamindari and jagirdari had already been implemented three or four years back and fair rent fixed for the land held by the tenants. The States would not in such cases be deriving any additional income from the imposition of ceilings and the acquisition of excess holdings. The difficulty arose because fair rent was charged in these areas at the rates prevailing 30 years back. The principle that compensation would be payable out of the increased income accruing to the States would apply, therefore, only in areas where fair rent had not already been fixed.

6. The Minister of Planning, **Shri Gulzarilal Nanda** said that the concept of fair rent has been clarified in the Draft Plan. In most places the rent was higher than the land revenue, *i.e.* one-fourth of the produce. In the Draft Outline, the fair rent was put down as one-fifth. In the present Draft, it is put down as one-fourth or one-fifth of the produce. In some States rents were lower but in others even now the rent was as much as one half or more. Some States had taken the lead in reducing the rent by successive stages.

7. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that so far as the Uttar Pradesh, was concerned, fixation of a ceiling on land was not a practical proposition. Until the work relating to the payment of compensation on account of zamindari abolition was over, it was not possible for the State Government to take up any other work.

8. The Chief Minister, Bombay, **Shri Morarji Desai** said that he was not in agreement with the distinction proposed between land held personally and otherwise.

9. Shri Gulzarilal Nanda said that ceiling was not proposed for rubber plantation, orchards etc. The question of sugarcane farms was under consideration. The Minister for Food and Agriculture said that the co-operative pattern would have to be applied by careful adjustments. The existence of small units would adversely affect production. Dr. B.C. Roy mentioned that in considering exemptions, it should be realised that there were tea gardens which were not utilising the land for the purpose for which it was acquired.

10. The Chief Minister, Uttar Pradesh observed that at the last meeting, it was made clear that consolidation of holdings was the first and necessary step towards co-operative farming. It was not, therefore, realistic to think in terms of co-operative farming at present.

11. The Chief Minister, Hyderabad, **Shri B. Ramakrishna Rao** observed that he was in entire agreement with the principles laid down in the chapter on Land Reforms. Many of the recommendations had already been implemented in the Hyderabad State. He had, however, certain observations to make with regard to some paragraphs of the chapter. With reference to paragraph 15 of the chapter, he pointed out that Hyderabad should come in the second category and not in the third. This was clear from the legislation in Hyderabad as amended up-to-date. Shri Ramakrishna Rao mentioned that certain difficulties were caused by ejections of protected tenants. There have been voluntary surrenders, some of which are *malafide*. While inquiries are being made into cases of dispossession of tenants, it would be difficult to take *suo moto* action for restoration.

12. Shri Ramakrishna Rao referred also to paragraph 18 of the Draft Chapter where personal cultivation was sought to be defined. He thought that, having regard to the agricultural pattern of the rural areas the expression 'personal cultivation' was not capable of being strictly defined.

13. The Chief Minister, West Bengal, **Dr. B. C. Roy** referred to the delay in the examination of

Land Reform Bill forwarded by the West Bengal Government for obtaining the assent of the President. He explained also the important provisions included in the legislation proposed by the West Bengal Government. With reference to ceiling, Dr. B.C. Roy mentioned that 25 acres of land were as much as a cultivator could cultivate himself or through agricultural labour. Dr. B.C. Roy observed that a compromise could be achieved as between ceiling, that is, ownership of a limited area and consolidation of holdings as well as prevention of fragmentation below an economic unit.

14. The Chairman observed that he agreed with the general policy laid down in the chapter on Land Reforms but with the problems facing the various States as they were constituted today, it was inevitable that the State Governments should interpret these general policies and directions to a large extent according to their own capacity and the conditions prevailing in their respective States. The Chairman added that land policy could not really be isolated from the general approach to the entire programme. Obviously, anything relating to land was of the utmost significance because agriculture was still the basic industry of the country and affected the largest number of people. One of the basic approaches must be to increase agricultural production. It was through increased agricultural production that well being was to come and the people would feel satisfied so that they might take a further step forward. The objectives of social justice can be fulfilled only in this context.

15. The Chairman referred to the remarks of Shri Hanumanthaiya regarding the inequality between urban and rural areas. The inequality was there but it was not encouraged by Government. The whole object of the policy was to provide opportunities to a larger number of people. The Chairman mentioned that the talk about limits and ceilings were in a way artificial approaches, although they were good. The ultimate objective would be to afford opportunities to everybody by providing free education, free medical facilities etc.

16. There were certain advantages of large scale production but to attain certain social objectives and to avoid social evils, the land area had to be limited. If this brought about a fall in production, the ultimate result is that the social evil is greater, not in inequality but in poverty. This cannot be allowed. The only ultimate solution, therefore, lay in co-operatives which were both socially right and at the same time enabled the people to produce to the best advantages. The Chairman agreed that the peasants could not be coerced into co-operatives. They have to be offered encouragement and an atmosphere created for inducing them to join co-operatives. The present regulations, laws, etc., relating to co-operatives were cumbersome : those who made such rules were not thinking in terms of producers' co-operatives. It was essential that every legal inducement and friendly pressure should be brought to bear on to the peasants in order to win them over to producers' co-operatives.

17. The Chairman observed that the only country which was at all comparable to India was China. It was not correct to compare conditions in India with the United States or U. S. S. R. where land was plentiful and population was less. China suffered a great deal on account of the Civil War, nevertheless agricultural production in China was impressive. Agricultural production in India, on the other hand, was very low. The Chairman stated that there was no reason why in India they should feel satisfied with only a 15 per cent increase in agricultural production. There were difficulties but it was unrealistic to think of only about 15 per cent increase. The chairman then read out the following extracts from a report on China's agriculture :

“Agricultural output increased in one year by as much as in the previous three years : in 1951 grain output was 158 million tons, in 1954, 170 million tons, in 1955, 182 million tons. And the response to Mao Tse Tung's demand for more rapid formation of agricultural producer co-operatives exceeded all expectations : at midsummer 14 per cent of peasant households were members of co-operatives, by December more than 60 per cent. These developments have made far more

rapid economic progress possible, certainly in 1956 and, the Communists believe, in subsequent years.”

“The most important, more or less fundamental situation is that the cooperatives have made or are making overall plans to develop production and that the production enthusiasm of the peasants is reaching an all time high level.” “The Draft Twelve Year Plan for agriculture is the result of this mood of extraordinary confidence.”

“The Plan is much more than a programme of agricultural development : its aim is the transformation of rural society. Higher production is to be associated with the tremendous rise in living standards: the isolation of the countryside is to end and town and country are to be knitted into a single coherent economy. The price to be paid is the destruction of rural China as it has existed for centuries, the disappearance of the peasant farmer into the collective. The Plan is thus in part the straightforward application of Russian theory and practice to Chinese conditions. But in certain of its aspects it strikingly resembles the Indian Community Projects Programme. The emphasis on peasant self-help is very marked : so is the importance given to improvements which are small individually but add up to something enormous. There is the same method of approach, that is improving what exists rather than introducing some entirely new technique such as wholly mechanised farming. The technical means by which the plan is to be executed are simply the methods of the last five years writ large : there is no alteration save in scale and therefore the less likelihood of serious technical mistakes. In its approach to social welfare, too, the Chinese plan resembles India’s Community Projects with the vital difference that it will have behind it all the energy and authority that the State can command to galvanise the peasant into action.”

“Grain yields per acre on land already cultivated are to be doubled in twelve years and cotton yields doubled or trebled according to local conditions. This is to be the chief method of raising China’s agricultural output.”

“Higher yields are to be secured by more intensive application of labour to land. Better seeds are to be used, animal husbandry is to be developed, small scale irrigation extended and so forth. Local, government enterprises are to provide greatly increased supplies of improved farm tools, horse-drawn farm machinery, pumps, waterwheels etc. Local governments and the collectives themselves are to be chiefly responsible for securing increased supplies of manure. State enterprises will continue to be responsible for the production of synthetic fertilisers and modern farm machinery ; their output will largely be reserved for land reclamation projects. A greater proportion of the cultivated area is to be devoted to high yielding crops—rice maize and potatoes. A special campaign, on the lines of the successful campaign to eliminate flies from the cities, will be launched to wipe out the ‘four evils’ rats, sparrows, flies and mosquitoes.”

“Collectivisation will make possible the cultivation of boundary strips, separating one man’s land from another’s ; this is expected to increase the cultivated area by 5 per cent or 5.3 million hectares.”

“They are also chasing the unemployed out of the cities into the countryside to reclaim wasteland and expect to set one million of them to this task in five to seven years.”

“It has been assumed that major increases in Chinese agricultural output could not be secured, at least in so short a period, from land already cultivated ; intensive farming has long been practised in China and yields are high by Asian standards, twice as high as in India for example. On the other hand they are far below Japanese yields, particularly for rice and wheat. Japanese farmers have one great technical advantage over the Chinese in an assured supply of large quantities



of chemical fertilisers. This China cannot hope to command. On present plans it will hardly have enough to supply poor newly reclaimed land, let alone the more fertile long-cultivated areas. Against this weakness may be set the improvement in yields to be derived from flood control, irrigation and the development of animal husbandry if the targets for these items under the plan are met. They should be sufficient to balance Japan's advantage in fertiliser supplies. It seems possible therefore that Chinese yields per acre of some major crops—rice, wheat, potatoes and rapeseed—could be raised by at least 50 per cent though hardly by 100 per cent without a technical revolution in farming”.

“Half fulfilment, however, could be achieved and it would mean the solution of China's worst economic problem—how to feed the growing population and yet secure a sufficient agricultural surplus to pay for industrial development. Population is growing by 2 per cent annually ; if the Twelve Year Plan were half fulfilled, grain output would grow by something over 6 per cent annually or about 12 million tons, exactly the increase registered in 1955 when the weather was exceptionally favourable but also when less effort was being put into agriculture than is to be put into it in any of the next twelve years. The degree of success achieved in carrying out the Plan is going to be the most important single factor in the development of China's economy. The lack of a firm basis in agriculture for the planned development of industry has been until now the most serious weakness of Chinese economic planning ; this the Communists intend to rectify. The effectiveness of their efforts depends primarily on the weather, than on the energy of the peasants themselves, on the work of rural party cadres and on whether sufficient agricultural technicians can be trained to keep things moving. With luck, enough of the plan can be fulfilled to transform the Chinese economy.”

18. The Chairman referred to the observations made by some of the Chief Ministers the previous day regarding the Social Welfare Board. It was mentioned in particular that there was not enough co-ordination and that there was duplication and overlapping of activities. A further point was made that the Central Social Welfare Board was not in intimate touch with the State Governments and their activities. Instances of extravagance like the distribution of jeeps were also mentioned.

19. The Chairman observed that even though he was not in continuous touch with the Social Welfare Board, he had been much impressed by the good work done by that body. The work in the States was done by the Board through local boards set up, largely, by the State Governments themselves. There was no reason why the Chief Ministers should not take the initiative and keep in touch with the State Boards and guide them in their work.

20. The Chairman observed that the Social Welfare Board dealt with social service organisations in the States and helped them with grants where they were doing good work. The State Governments came into the picture by contributing to the finances of the Board. The Board could also assist by keeping a check over the activities of certain types of organisations. There were instances where institutions recommended by officers of the State Governments were found on enquiry to be bogus institutions engaged in exploitation of women. The Chairman referred in this connection to the facts brought out in the report of the Rama Rau Committee.

21. The Chief Minister, Mysore mentioned that the local boards were constituted with the consent of the State Governments, but his point was whether it was at all desirable to have parallel institutions. The money available should be allotted in his view to the railways or for compost-making. He mentioned that the Central Social Welfare Board proposes to start two more Social Project Centres in each district. The National Extension Service had also similar Projects in the districts.



22. The Chairman observed that the Planning Commission and the State Governments might examine any instances of duplication or over-lapping. His own advice to the Central Social Welfare Board would be not to expand too fast. In expanding too fast, the basis might sometimes become weak. Steps should also be taken to ensure that there was no overlapping. There should be close co-ordination between the Central Social Welfare Board and the Community Projects Administration. The Chairman mentioned that according to his information, the Social Welfare Board provided *dais* only in those villages where they were not posted by any other agency. The Deputy Chairman, Planning Commission mentioned that this particular question was considered at a meeting between the Health Ministry and the Community Projects Administration and the Planning Commission satisfied itself that the work that was being done by Central Social Welfare Board was supplementary to the work of the Health Units established in community projects and national extension service areas. The Chief Minister, Mysore mentioned that in Mysore, midwives etc. in the villages were provided by the State health units.

23. The Minister of Planning, **Shri Gulzarilal Nanda** observed that there were a large number of institutions engaged in social welfare activities and more people were offering voluntary services. A specialised organisation was, therefore, needed to get the work done in a systematic way. It was with a view to meeting this need that the Central Social Welfare Board was set up.

24. The Chairman observed that the basic work of the Central Social Welfare Board was improvement work, *i. e.*, reaching social services organisation and health units etc. to places where no other work was being done. It also brought women to work in such organisations. There was, however, likely to be some overlapping and wastage which could be looked into. He would request the Chief Ministers to take interest in the work of the Social Welfare Board and direct their representatives on the State Boards to ensure that there was no overlapping.

25. The Chairman mentioned that he had recently sent to the Prime Minister of Jammu & Kashmir a note written by a foreign expert who went to Kashmir and was impressed by the beautiful handicrafts in the State but who deplored the exploitation of the craftsmen and the intolerably low wages given to the boys and girls who worked in the establishments producing these handicrafts. The Prime Minister, Jammu and Kashmir, Bakshi Ghulam Mohammad observed that the foreign expert might have seen some of the establishments conducted by private persons and not the Government centres. The private centres were too numerous and widespread, and it was difficult to control the wages paid at these centres. In the Government emporia and production centres, the provisions of the Minimum Wages Act applied and adequate steps were taken to ensure that the workers got fair wages.

26. Referring to the Community Development Blocks, the Chief Minister, Uttar Pradesh, mentioned that in order to arrange for the intensive development of 40 percent of the N.E.S. blocks, the provision required in Uttar Pradesh would be of the order of Rs. 46 crores, whereas only Rs. 26 crores had been provided in the State Plan. The Chairman recalled that even though there was a decision that 40 per cent of the blocks would be selected for intensive development, the matter was considered again from the point of view of the finance involved. It was suggested that (1) the actual grants given for each block could be reduced and (2) the position should be examined from time to time, certain standards being kept even if it meant extending the period by a few months. The Deputy Chairman observed that all the finance needed could not be sanctioned. The whole question of utilisation of the amount now allotted was to be discussed at the Development Commissioners' Conference. Thereafter, a decision would be taken. The Chairman added that even if after a decision was taken, the matter would have to be considered every year in the light of the progress that was

being made.

27. The Chairman mentioned that a small delegation was going to China to study Agrarian Co-operatives. The subject was important and a study of the conditions in China would be of assistance to the programme in India.

28. The Union Finance Minister, **Shri C.D. Deshmukh** explained the proposal regarding Committee on Development Projects. The intention was that the investigations by the Committee should cover all Projects, industrial and non-industrial, included in the Central and State Plans. It would perhaps be convenient to have separate committees for different Projects. Broadly, the committees might be for six sectors namely, irrigation and power, Public Works and Buildings, agriculture and Community Development, transport and communications, public industrial and mineral enterprises, and social services. Each committee would be composed of the Union Ministers of Home Affairs and Finance; the Deputy Chairman, Planning Commission, the other members being Chief Ministers of States to be proposed by the Prime Minister as Chairman of the National Development Council, for each class of Projects. The Union Home Minister would be the Chairman of the Committee. The Committee could also include the Union Ministers concerned with the investigation. The Joint Secretary in the Ministry of Finance in charge of Special Reorganisation Unit assisted by an engineer will provide the Secretariat of the Committee on Plan Projects.

After a brief discussion the proposal was approved by the National Development Council. At a later stage in the proceedings, the Chairman suggested and the Council approved that the Minister of Planning should also be a member of the Committee on Plan Projects.

29. The Chief Minister, Uttar Pradesh, suggested that there should be a special provision for broadcasting for the border areas particularly for the areas adjoining Tibet. The Chairman said that he was not sure how broadcasting could be arranged for these areas. The most important thing about the border areas was communications. The question was important not only for the U.P. Tibetan border but also for the border areas of Assam and West Bengal. The Chairman suggested that the teaching of languages like Tibetan should be encouraged.

30. Dr. Sampurnanand suggested that there should be landing grounds also in the border areas as at present it was difficult to reach these areas. The U.P. Government had suggested some places where landing grounds could be constructed. The Chairman observed that border areas were of political and strategic importance. Rather special and unique problems had to be faced in some of the border areas. The security of the frontiers could also be safeguarded more efficiently if proper communications existed.

31. The Chief Minister, U.P., stated that the provision for flood protection had been drastically cut down. This would adversely affect several parts of the U.P. The Minister for Planning observed that originally the flood protection programme envisaged a provision of Rs. 117 crores, but like other items, the provision had to be reduced first to Rs. 100 crores, and ultimately to Rs. 67 crores.

32. The Chairman observed that at the last stage of the consideration of the First Five Year Plan, the National Development Council passed a resolution placing on record the Council's general approval and acceptance of the objectives, priorities and programme embodied in the Plan and called upon all citizens to work whole-heartedly for the realisation of the tasks set in the Plan. It would be desirable to pass a similar Resolution about the Second Five Year Plan. After a brief discussion, the Chairman read out the following Resolution which, he said, was drafted in the form

of the resolutions of the United Nations :—

HAVING considered the Draft Second Five Year Plan;

THE National Development Council places on record its general approval and acceptance of the objectives, priorities and programmes embodied in the Plan; and

RELYING on the enthusiasm and support of the people;

AFFIRMS the common determination of the Central Government and the Governments of all the States of the Union of India to carry out the Plan, and to improve upon the targets set out in it; and

CALLS upon all the citizens of India to work wholeheartedly for the full and timely realisations of the tasks, targets and aims of the Second Five Year Plan.

33. The Chief Minister, Mysore, **Shri K. Hanumanthaiya** observed that he was not in agreement with the Resolution as it did not contain any reference to the points which he made regarding injustice in the matter of regional distribution of expenditure in the Plan. The Chairman observed that a great deal was mentioned about regional distribution in the discussion on the draft plan and there was a reference to the subject in the draft plan itself. He presumed that Shri Hanumanthaiya wanted a record to be made that he agreed to the Resolution subject to the objection he raised about regional distribution.

34. The Minister for Planning observed that analysis of the Plan from the regional point has been attempted but the work could not be completed as there were certain projects regarding the location of which, decisions had yet to be taken. There was, therefore, no question of any dissent at this stage.

35. Shri K. Hanumanthaiya observed that he was entirely one with the framers of the Resolution in regard to the objectives of the Plan and that he wholeheartedly accepted it but with regard to priorities and programmes he had certain difficulties and had already explained his point of view.

36. The Chairman observed that there was not one person, including some members of the Planning Commission, who did not have their own points of view in regard to some matters contained in the Draft Second Five Year Plan. The Resolution merely put on record the general approval and acceptance of the objectives, priorities and programmes.

After a brief discussion it was agreed that it was not necessary to say anything in the Resolution itself about the observations made by Shri Hanumanthaiya. The Chairman then announced that the Resolution has been passed by the Council, one member voting against it.

37. In his concluding remarks, the Chairman observed that the questions raised in the Report on the Second Five Year Plan were important questions affecting almost every sector of activity in India. He did not know whether the Ministers of Central Government and of the State Governments were big enough for the task. The task was big not only because of the bigness of the country, but also because of the fact that the start was from a very low level. Something worthwhile was done in the first five year plan but that was hardly a beginning. The second five year plan was the real beginning. The Chairman observed that until after the completion of the second and third five year plans, it could not be stated that the country's economy had reached a momentum when it could go ahead self-propelled. After that the progress would be continuous. Potentially speaking, India has greater resources than probably any country excepting three or four countries-resources in capacity,

human beings, in materials and other matters. The capacity of the country to view the problem of development as a whole was important. The National Development Council should think of problems concerning India as a whole. The report now approved by the Council was the result of great effort and of widespread and long consultations. It represented a great deal of concentrated labour not merely of the Planning Commission but of the State Governments and of the Central Ministries at various levels. The advice of people from outside was also taken but essentially it was the result of the labour of a vast number of people in India. The report should not be looked at from individual points of view. The essence of democracy was the joint working of a common plan. When a country was put on war footing it really meant that apart from the necessity of active co-operation, the war became the dominant feature and everything was subordinated to success in war. In doing so, many things were sacrificed ; apart from material sacrifices even opinions and convictions were to some extent sacrificed. In dealing with the problem of development two attitudes of mind had to be developed, one of giving supreme importance to the co-ordinated approach to the Plan and second of being courageous enough to suppress individual selves for the wider good. The Chairman expressed his gratefulness to all members and requested them to realise that this was not the end of a journey but the beginning of a difficult and tremendous journey. He wished them all well in this journey.

38. The Chief Minister, West Bengal observed that on his own behalf and on behalf of the members of the Council he would offer heart-felt thanks to the Prime Minister for conducting the meeting. He remarked that it was the leadership of the Prime Minister which would help the country in facing the task ahead.

## APPENDIX I

### **Note By Shri K C. Neogy, Member (Industries) Planning Commission, on the Second Five Year Plan.**

I regret to append a separate note.

The calculation of the financial resources for the Public Sector of the Plan at Rs. 4,800 crores, seems to be characterised by wishful thinking rather than reasonable expectations. Even then there is an uncovered gap ; and large as the gap is, it may well prove to be an under-estimate. There are indications that the revenue surplus may prove disappointing. The assumed Foreign Aid figure is a measure of our need, but that does not make it easily attainable. It will perhaps be idle to expect State Governments as a whole to fulfil their targets of additional taxation. Tax efforts even at the Centre will have to recognise its limitations at some point. If the Plan is seriously attempted to be maintained at its present size, and the visible domestic resources cannot be stretched to provide more than half the outlay in the Public Sector, deficit financing of the order of Rs. 1,200 crores may no longer be the upper limit, as urged by the experts, but the inevitable minimum. Once inflationary conditions supervene as a concomitant of this order of deficit financing, all monetary calculations of the Plan expenditure will be upset, cost of projects will be increased and Plan fulfilment reduced in real terms. And in that process, those to be hardest hit would be people in the fixed income groups who number over five million and include Government servants at all levels, teachers and other non-Government employees. These classes would thus be called upon to bear the brunt of capital formation through deficit financing after they have patiently borne the war-time and post-war decline in their standards of life.

Inflation, progressively heavy taxation and rigid controls that appear to be inevitable may well set in motion forces of reaction and demoralization at different levels of society. And if demoralization overtakes the people in general, it will in all conscience be too dear a price to pay for economic progress, even if real progress be possible under such conditions.

Apart from financial imponderables, there are undoubted uncertainties in the physical and organisational spheres which should not be minimised. The problem of finding managerial personnel for all the Projects is no small one ; and, until much more is done for Technical Training, a shortage of skilled personnel may limit practical achievement. The answer to all these uncertainties is sought to be found in the idea of detailed annual plans which will be drawn up in the light of practical experience and are expected to meet the requirements of the situation as it unfolds itself year after year. But the annual plans are not likely to add up to the five-year picture as given in the Plan. Their sum-total will be smaller, because to finance the entire Plan and fulfil its physical targets in the five year period is beyond our capacity ; and it will also be different because the individual Projects and programmes constituting the Five Year Plan are not equally elastic and cannot all be reduced in the same proportion. The ultimate picture that is, therefore, likely to emerge after the operation of the five annual plans may turn out to be materially different in dimensions and content from the Five Year Plan that is now being put forward. The question that arises in these circumstances is whether a less ambitious Five Year Plan should not have been drawn up, such as would be capable of fulfilment in practice and to which the country could pledge itself as a clear and definite programme that would be not merely desirable but also possible to achieve. Such a realistic Plan would still be open to some degree of annual adjustment found to be necessary and possible, and be capable of being improved upon by the utilization of any favourable turn of events from year to year.



In an economy like ours there is a good deal of leeway to be made in every sphere of national activity, and many are the matters that directly or indirectly touch the life of the individual and call for suitable ameliorative action as an unavoidable obligation of an enlightened State. As a matter of abstract reasoning, sufficient progress deserves to be made at the same time on all fronts; but the inexorable logic of circumstances unfortunately sets a limit to any such all-embracing effort. Relative priorities should, therefore, be fixed in a planned programme of development, so that the programme for any five-year period allows for discrimination between one project and another for the purpose of determining the degrees of attention to be paid to them, in that period of time. Such a policy would, in due course, work out a satisfactory result in all the desired directions. It is often urged that the nature and size of the Plan have been influenced largely by the pressing need of creating employment on a large scale. Such an argument seems to imply that the desired volume of employment can be created by the simple process of enumerating targets, whether or not such targets are attainable in financial and physical terms. In our attempt, however, to cover as wide a field as possible all at once on theoretical grounds of desirability, we have, in my view, failed to recognise the necessary priorities and packed the Plan with too many proposals that make it spectacular but are in excess of our financial and physical capacity. In an attempt to reconcile ever increasing financial demands for various Projects with an overall total of Rs. 4,800 crores, the cost of some of them at least appears to have been under estimated. In reality the Plan as put forward requires financial resources substantially in excess of the figure of Rs. 4,800 crores. Vague assurances of a somewhat uniform character have been given to the Ministries, that suitable upward revisions would be made in the financial allocations in the course of the operation of the Plan. Thus, the authorities concerned will be kept on tenterhooks of expectation of improved financial provision as a result of the annual revisions of the Plan. Having regard, however, to the overall shortage of funds, such an assurance given impartially to different Ministries at the same time, can only lead to ultimate disappointment and confusion, apart from throwing doubts upon the proposals and targets themselves.

It is not surprising that a Plan of this character lacks balance ; and this defect is best illustrated by the want of correlation between production and transport ; and nowhere is that imbalance more glaring than in the case of the obligation of the Railways to carry the traffic resulting from industrial and other targets of development. It is being demonstrated today how the failure to correctly assess and adequately provide for Railway requirements in the First Plan period has, in spite of the best efforts of the Railways, resulted in continued restrictions on the movement of important commodities. It is apprehended that the contemplated development under the Second Five Year Plan also may prove seriously unmatched by the transport capacity of the Railways. A shortage of railway capacity will surely react unfavourably upon the supply of raw-materials of industry and other basic commodities, as also upon the movement of export articles and distribution of foodstuffs and consumer goods, on the regular supply of which the country can rely for the purpose of countering the forces of inflation. In this view of the matter, all the traffic generated, which may belong to any of the above categories, should be capable of prompt movement. The large foreign exchange content and heavy steel requirements of the Railway programme are sometimes pointed out as its inherent difficulties. But even if these uncertainties are a valid argument against a proper Railway Plan, the effect that inadequacy of transport would produce on the rest of the Plan is self-evident. Indeed, no production should be undertaken unless it can be transported; or, in other words, the extent of available transport facilities should set the limit to production.

Another form of transport which has not secured adequate attention, due principally to lack of finance, is Shipping, whose importance to the Indian economy is difficult to exaggerate. Coastal



Shipping, which has been reserved to the Indian Flag, should be capable of relieving the Railways of their burden as much as possible. But Overseas Shipping is in a sense even more important, particularly from the point of earning foreign exchange. Unless an adequate provision is made for expansion of overseas Shipping, every day that passes makes it difficult for us to occupy our rightful position in this trade because of the steady expansion that is taking place in the Shipping of different other countries. Apart from this factor, one should not ignore that merchant marine forms the second line of defence in any maritime country—an aspect which India could ill afford to overlook.

It is an irony, however, that expert advisers are still advocating a further reduction in the allocation for Transport, mainly on the strength of abstract formulas borrowed from other lands.

In my humble judgment, basic schemes of overriding importance should have been carefully selected and given top priority in the Second Plan, and the rest arranged in descending order of lower priorities, to be taken up for implementation as and when possible in the five year period. Thus, the Second Plan should have been primarily treated as marking a momentous transition to a fuller and more comprehensive Plan in the third quinquennium for which the foundations would have been well and truly laid in the Second Plan period.

The Plan as it stands is, however, open to the criticism that, as a Five-Year Programme, it lacks definiteness, is unrealistic and over-ambitious, and its massive superstructure has been raised on precarious foundations.

## APPENDIX II

### NOTE BY SHRI V. T. KRISHNAMACHARI, DEPUTY CHAIRMAN, PLANNING COMMISSION ON THE SECOND FIVE YEAR PLAN.

I do not think it is possible to reduce the size of the Plan at this stage. The Plan for Rs. 4800 crores has been before the country for a long time with the approval of the Cabinet and the National Development Council and, as the Plan seeks to initiate large-scale industrial development with emphasis on heavy industries, the country should be prepared to find investment of at least 10 to 12 per cent of the national income. With the issues placed before the country clearly, the necessary national effort should be forthcoming.

2. In implementing the Plan we have to take all steps needed to see that there is no inflation.

3. The most important thing from this point of view is agricultural production. Early in 1955, the Planning Commission addressed a letter to States (copy enclosed) suggesting that the aim should be to double agricultural production over a period of about ten years. What was envisaged was the doubling of the value of production in agriculture, including foodgrains, raw materials, fruit and vegetables, animal husbandry and dairying and milk supply, poultry etc. In the Second Plan, some effort is being made to diversify agricultural production. But on the whole, the agricultural targets stated in the Plan are conservative, even insufficient. With the resources provided in the Plan, it should be possible to achieve higher targets. Increased agricultural production is an important 'resource' for development. If an all out effort is made in national extension and community project areas and elsewhere and the agricultural programmes are organised efficiently at the village level, it should be possible to step up production in the third year of the Plan to a level at which our agricultural exports can be increased. What I have in mind is an increase of about 40 per cent in agricultural production by the end of the Plan and a price level of, say, Rs. 10 to Rs. 11 per maund of wheat. The agriculturist stands to gain if production increases by 40 per cent and prices decline by 20 per cent. His terms of trade should of course be safe guarded, so that his net return is not allowed to diminish. For this, adequate amounts of short-term finance should be assured. Short-term loans are over and above the allocations in the Plan. It has been suggested in the Draft Plan that each district and, in particular, each National Extension and Community Project should have a carefully worked out agricultural Plan. Within this framework, it is necessary to bring every family into the movement for increased production and to get every village to make its own Plan and set up for itself certain standards of performance. Larger quantities of fertiliser should be imported till our new factories come into production. The Food and Agriculture Ministry and the Planning Commission should arrange for discussion with individual States formulating programmes with this end in view.

4. The second aspect to be stressed concerns the related fields of industry, mineral development and transport. In fields other than these, the allocations in the Second Five Year Plan are only slightly in excess of the level reached in 1956. In these three fields, however, the public sector is to be expanded and the expenditure is to be stepped up to several times the amount in the First Plan. There are large administrative tasks involved ; personnel have to be trained and efficient organisations set up. Planning in these fields must take account of uncertainties in the supply of steel and equipment from abroad and in the amounts of foreign exchange available. Within each field in this sector—industry, minerals, railways etc.—there should be careful priorities, so that adjustments can be made readily. Secondly, programmes in this sector should be worked in a co-ordinated manner.

Connected projects—in industry, minerals and transport—should be implemented in an inter-related manner so as to ensure that the expenditure incurred on each groups of projects yields the maximum return.

At one of its meetings, the Planning Commission considered that special machinery would be needed for bringing about co-ordination and integrated planning in these fields. These might take the form of a Standing Committee consisting of a member of the Planning Commission with Secretaries of the Ministries concerned and the Chairman of the Railway Board, The Standing Committee should draw up priorities and propose allocations of all resources, including foreign exchange, materials and certain categories of technical personnel. The proposal of the Standing Committee should be submitted to the Economic Committee of the Cabinet from time to time. Such co-ordination is a continuous process. The Committee should be a permanent one, meet frequently, review conditions from time to time and suggest readjustments to ensure the maximum returns for the expenditure incurred. Whether the Plan in these sectors can be completed in five years or whether it will take a longer time depends, to a considerable extent, on factors beyond our control. But, it is necessary that, in either contingency, programmes in inter-related spheres are closely co-ordinated so as to result in balanced development.

5. The third suggestion I wish to make is that as part of the effort to mobilise resources the small savings movement should be intensified, so that every family in the country makes its contribution and feels it has a stake in the success of the Plan. Collections under the small savings scheme have nearly doubled during the first plan, but they still come largely from urban and semi-urban areas, and from the more well-to-do persons in rural areas. The small savings targets of Rs. 500 crores for the Second Plan calls for a doubling of the present rate during next two years. The National Extension movement should take its full share in carrying the message of small savings to every village and in organising the necessary effort in rural areas.

6. To sum up : For the satisfactory implementation of the Plan, the following measures are essential in my view :

- Firstly,* the stepping up of agricultural production and the maintenance of a lower range of prices
- Secondly,* the setting up of a permanent machinery for co-ordinating the programmes of industry, mining and railways in such a manner as to ensure the best return on the expenditure incurred.
- Thirdly,* an intensive drive for savings organised so as to reach every family in the country.

V. T. Krishnamachari  
28-4-1956.

**APPENDIX III**  
**GOVERNMENT OF INDIA**  
**PLANNING COMMISSION**

NO. FYII/CDI/6/55

*New Delhi, February 22, 1955.*

From :

Shri Y.N. Sukthankar, I.C.S.,  
 SECRETARY, PLANNING COMMISSION.

To

All State Governments.

Subject :—The Second Five Year Plan—Preparation of district and village plans.

Sir,

Much valuable work is being undertaken at present in the States in regard to the preparation of district and village plans on the lines suggested in the Planning Commission letter No. FYII/CDI/1/54 dated April 28, 1954. Examination of the work done in some States and discussions with Ministers and officials indicate that it might be useful if the scope and central objectives of the rural development programmes contemplated in paragraph 7 of the letter are further elucidated.

2. Paragraph 7 of the letter is closely linked up with the programme for the spread of the national extension movement throughout the country by the end of 1960-61. As has already been explained, this movement is a permanent one and is not limited to two or three years of intensive work such as was contemplated in the initial community projects. Its object is to provide the means—administrative, technical and financial—to enable each village community to solve its own problems and to raise living standards for every section of its population. This can be achieved only if the programme is sufficiently wide in scope to make a real impact on the life of all sections of the village community, including those who in the past have been without land or without adequate employment opportunities or have suffered from social or economic disabilities. The essence of national extension work is the achievement of social change, that is, a change in outlook and in the sense of obligation which those who are better placed should have to other members of the community and the building up of common institutions such as panchayats and co-operatives, which serve the whole group.

3. Paragraph 7 of the Planning Commission's letter outlines a comprehensive programme of development, embracing all aspects of the village economy. This is evident from the detailed programmes listed in that paragraph. These have, broadly speaking, two connected aims :—

- (i) Increased employment and production with the object of doubling real income within the shortest possible period, and
- (ii) Side by side with this the bringing about of social change by the spread of the co-operative movement in its varying forms and the inculcation of the spirit of self-help.

The specific items enumerated in paragraph 7 of the letter fall under three headings :—

- I. Improvements of a permanent or medium-term nature :—
  1. Village Irrigation works ;
  2. Reclamation of waste land ;
  3. Contour bunding and soil conservation ;
  4. Planting trees : village forest and improvement of grazing grounds;
  5. Consolidation of holdings ;
  6. Improved cattle, including dairying ;
  7. Development of subsidiary occupations, e.g., poultry, bee-keeping, piggeries etc ;
  8. Khadi ;
  9. Village industries, especially for supplying the needs of the rural market.
- II. Steady improvements in methods and techniques :—
  1. Use and production of improved seeds ;
  2. Use of fertilisers and manures including compost, green manure etc ;
  3. Introduction of new crops including vegetables and fruit growing ;
  4. Improved implements and methods of cultivation.
- III. Local Works Programmes :—

Improvements of village communications and other local works programmes, provision of sufficient wholesome drinking water supplies.

In all these, the present pattern of financing—shares to be borne by the village people and by the States—should be followed. The above list is by no means exhaustive and programmes needed in villages or groups of villages not enumerated in the list, should be included. The programme for education and medical relief has been separately referred to in paragraph 9 of the Planning Commission's letter dated 28th April, 1954, and does not form part of this letter.

4. In framing these programmes, it is necessary, from the national point of view, to place before villages a goal which they should strive to attain. This should be doubling of production within a period of ten years. The aim is to see that there is a more diversified pattern of cultivation and to ensure that land is put to the best use and that there is a balanced economy. It is unnecessary to point out that this goal involves, on the part of the State Governments, an obligation to provide the supplies and services and finances needed—good seeds, fertilisers and manures (compost, green manure, etc.); short, medium and long-term finance, etc. Plans for these purposes should be worked out as a necessary supplement to the programmes of production. Similarly, programmes for expanding the co-operative movement, for setting up and assisting cottage and small-scale industries, etc., should also be prepared. As regards Central assistance, the pattern of assistance for the national extension service and the community projects areas is already familiar to the States. The question of adjusting the assistance for Grow More Food into the framework of assistance for national extension areas is under consideration. Assistance for other development schemes will

be decided in each case on the basis of the State plan as a whole.

5. In working out these programmes, it is further essential to keep in mind the fundamentals of the national extension movement. These are :—

*Firstly,* every family should have its own plan for increased production and employment for which it is assisted.

*Secondly,* every family should be assisted so that it can be represented on co-operative society in its own right. This is a cardinal part of the programme. At present even in the best areas, only about 30 per cent of the families are members of co-operative societies in their own right. The problem of assisting others, to become creditworthy by increasing production should be systematically tackled in every village. This is best done by giving loans in kind of seed and fertilisers recoverable at the time of harvest and enabling them to have supplementary occupations. The village panchayat or development council should be induced to take up this work under the guidance of the project and other district authorities.

*Thirdly,* every family should set apart a portion of its time for voluntary work as part of the community effort of the village.

*Fourthly,* the women and the youth of the villages should also share in the activities.

6. A programme under which every family in a village is offered the assistance needed, in a well-organised manner, with the objective of doubling agricultural production in the country within a period of ten years and in which every village will be enabled to provide itself with such amenities—wholesome drinking water supply, a road connecting it with a main road or railway station, etc., within a short time—cannot fail to appeal to the countryside and evoke enthusiasm. It is the duty of the official and non-official organisations to explain this objective and see that the implications of this are fully understood so that every family in the countryside is animated by a common aim and outlook and public co-operation is secured in the widest possible measure.

7. It is hoped that this elucidation of the central aim of the Planning Commission's letter of April 28, 1954 will be of assistance in the completion of the rural development plans of the States.

Yours faithfully,  
**Y.N. Sukthankar,**  
Secretary, Planning Commission.



## PARTICIPANTS

### PLANNING COMMISSION

- |    |                          |    |    |    |                              |
|----|--------------------------|----|----|----|------------------------------|
| 1. | Shri Jawaharlal Nehru    | .. | .. | .. | Chairman                     |
| 2. | Shri V.T. Krishnamachari | .. | .. | .. | Deputy Chairman              |
| 3. | Shri Gulzarilal Nanda    | .. | .. | .. | Minister of Planning         |
| 4. | Shri C.D. Deshmukh       | .. | .. | .. | Member (Finance)             |
| 5. | Shri K.C. Neogy .        | .. | .. | .. | Member (Industry)            |
| 6. | Dr. J.C. Ghosh           | .. | .. | .. | Member (Education)           |
| 7. | Shri S.N. Mishra .       | .. | .. | .. | Deputy Minister of Planning. |
| 8. | Shri Y.N. Sukthankar     | .. | .. | .. | Secretary                    |

### UNION MINISTERS

- |     |                           |    |    |    |   |
|-----|---------------------------|----|----|----|---|
| 1.  | Shri Govind Ballabh Pant  | .. | .. | .. | Minister for Home Affairs.                  |
| 2.  | Shri Jagjivan Ram         | .. | .. | .. | Minister for Communications.                |
| 3.  | Rajkumari Amrit Kaur      | .. | .. | .. | Minister for Health                         |
| 4.  | Dr. Kailash Nath Katju    | .. | .. | .. | Minister for Defence                        |
| 5.  | Shri T.T. Krishnamachari  | .. | .. | .. | Minister for Commerce and Industry          |
| 6.  | Shri Lal Bahadur Shastri  | .. | .. | .. | Minister for Railway and Transport          |
| 7.  | Sardar Swaran Singh       | .. | .. | .. | Minister for Works Housing & Supply         |
| 8.  | Shri K.C. Reddy           | .. | .. | .. | Minister for Production                     |
| 9.  | Shri Ajit Prasad Jain     | .. | .. | .. | Minister for Food and Agriculture.          |
| 10. | Shri V.K. Krishna Menon . | .. | .. | .. | Minister without Portfolio                  |
| 11. | Dr. B.V. Keskar           | .. | .. | .. | Minister for Information and Broad-casting. |
| 12. | Dr. P.S. Deshmukh         | .. | .. | .. | Minister for Agriculture                    |
| 13. | Shri K.D. Malaviya        | .. | .. | .. | Minister of Natural Resources.              |
| 14. | Shri Mehar Chand Khanna   | .. | .. | .. | Minister of Rehabilitation.                 |

### STATES

- |    |                       |    |    |    |                           |
|----|-----------------------|----|----|----|---------------------------|
| 1. | Shri Kala Venkata Rao | .. | .. | .. | Planning Minister, Andhra |
| 2. | Shri Bishnuram Medhi  | .. | .. | .. | Chief Minister, Assam     |

3.	Shri Baidyanath Mookerji	..	..	..	Planning Minister, Assam
4.	Shri Morarji Desai	..	..	..	Chief Minister, Bombay
5.	Shri Ravishankar Shukla .	..	..	..	Chief Minister, Madhya Pradesh
6.	Shri Kamaraj Nadar	..	..	..	Chief Minister, Madras
7.	Shri C. Subramaniam	..	..	..	Finance Minister, Madras
8.	Shri Nabakrushna Chaudhuri	..	..	..	Chief Minister, Orissa.
9.	Sardar Partap Singh Kairon	..	..	..	Chief Minister, Punjab.
10.	Dr. Sampurnanand	..	..	..	Chief Minister, Uttar Pradesh
11.	Dr. B.C. Roy	..	..	..	Chief Minister, West Bengal.
12.	Bakshi Ghulam Mohammad	..	..	..	Prime Minister, Jammu & Kashmir
13.	Shri A.V. Mir	..	..	..	Dy. Development Minister, Jammu & Kashmir
14.	Shri B. Ramakrishna Rao	..	..	..	Chief Minister, Hyderabad.
15.	Shri Takhtmal Jain	..	..	..	Chief Minister, Madhya Bharat
16.	Shri K. Hanumanthaiya	..	..	..	Chief Minister, Mysore.
17.	Shri Brish Bhan	..	..	..	Chief Minister, Pepsu .
18.	Raja Surinder Singh	..	..	..	Development Minister, Pepsu
19.	Shri Mohanlal Sukhadia .	..	..	..	Chief Minister, Rajasthan
20.	Shri Rasiklal Parikh	..	..	..	Chief Minister, Saurashtra.
21.	Shri P.S. Rau	..	..	..	Advisor, Travancore-Cochin
22.	Shri Haribhau Upadhyaya	..	..	..	Chief Minister, Ajmer
23.	Dr. Shankar Dayal Sharma	..	..	..	Chief Minister, Bhopal
24.	Shri C.M. Poonacha	..	..	..	Chief Minister, Coorg.
25.	Shri Gurmukh Nihal Singh	..	..	..	Chief Minister, Delhi.
26.	Shri Brahm Perkash	..	..	..	Development Minister, Delhi.
27.	Dr. Y.S. Parmar	..	..	..	Chief Minister, Himachal Pradesh.
28.	Shri Shambunath Shukla	..	..	..	Chief Minister, Vindhya Pradesh.



**EIGHTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : DECEMBER, 1956**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## Proceedings of the Eighth meeting of the National Development Council held on December 8 and 9, 1956.

### DECEMBER 8, 1956

In his opening remarks, the **Chairman** referred to the fact that the present meeting was the first meeting of the National Development Council since the re-organisation of the States and extended a cordial welcome to the new Members of the Council. He said that as the developmental activities increased, the movement got its own impetus apart from the push that they might give it. As the tempo of activities get geared up and the movement developed speed, new problems were brought out. The Council had to be alert and wide awake all the time and it might be necessary to have more frequent meetings than before.

2. Apart from the development programmes and activities, certain other happenings made it necessary for them to be more alert and wide awake. The international situation continued to be a highly explosive one. The Chairman expressed the hope that there might not be war but the fact remained that the international situation produced new problems which had to be faced. Any improvement in the international situation would be a slow process. The blocking of the Suez Canal made a considerable difference in the imports and exports. There was a tendency all over the world for inflationary effects to be produced and machinery, goods etc. had become more expensive.

3. The Chairman observed that the foreign exchange resources had been rapidly depleted and a stage had been reached when brakes had to be applied even at the cost of certain activities. On the other hand, because of external and internal causes, the figures embodied in the Plan had to be revised upwards. Because of the rise in prices and of certain very important additional items, the size of the Second Plan might go up by Rs. 400 or Rs. 500 crores from the figure of Rs. 4,800 crores mentioned in the Second Five Year Plan. Even when the figure of Rs. 4,800 crores was discussed, the difficulties in raising the resources and implementing a Plan of this magnitude was realised; it was going to be a far more difficult job now that the figures went up by Rs. 400 or 500 crores. At the same time, to the extent possible the major activities contemplated under the Plan had to go through.

4. All these factors had raised very important problems for consideration, namely, the question of resources, the question of meeting dangers of inflation, the international dangers etc. A time has come when every item had to be carefully considered and a view taken as to whether it was absolutely necessary or not and whether it involved the slightest degree of waste and whether it could be postponed or not, keeping in view the fact that the main features of the Plan must go through.

5. The Chairman observed that the question of inflation obviously revolved round the production capacity of the country. The foreign exchange situation could be remedied only by more exports. Some welcome external help might come but the basic way was to increase exports and limit imports, Even necessary imports would have to be limited because more necessary things had to be done. Even though production had to be increased in all sections, in the final analysis, it was agricultural production that was going to be of crucial importance. The people had to work with their

sweat and blood to increase agricultural production and if they did not do it, they could not get on with the Plan. This was a patent fact. The choice was to get on with the Plan by increasing the agricultural production or not to get on with the Plan at all. There was no other way out.

6. One had to be careful that in the enthusiasm to get things done and to go faster, the entire economy was not overstrained. At the back of the political conflicts in Eastern Europe, there had been tremendous strains on their economy resulting from each country trying to do too much in some directions and could not do it and therefore had to suffer greatly in other directions. By and large, it was the lessening of agricultural production that has affected Poland and Hungary. They were anxious and eager to promote industrial growth and they did it. Ultimately, this would be of advantage. But the main incentive for building up heavy industry was the cold war. Because of the possibility of war coming, they tried to build up all industries connected with war even at the cost of agriculture and many other fields of development. War fortunately did not come but their economy suffered very greatly and more particularly agricultural economy suffered. In some cases, they did not have manpower for agriculture due to rapid changes. The Chairman emphasised that they all should learn from the experience of these countries. He drew attention particularly to the fact that almost in any country agriculture was the pivot; in India, it was infinitely more the pivot of what was intended to be done and the slightest slackening on the agricultural production front was likely to be fatal to planning.

7. The Chairman added that the questions for consideration by the National Development Council were grave and serious. The members of the Council met in some respects as custodians of the interests of the States; but even more in the other capacity as the Members of the National Development Council of India, looking at India, the picture of India as a whole and realising that the health of the whole was absolutely important for any part to be healthy. The stress was to be on the whole of which they were all separate parts and the stress was to be on the progressive health of the country.

8. After the opening speech of the Chairman, items 2 and 3 of the agenda were taken up for consideration, item 1 being reserved for consideration at a restricted session.

9. The Chief Minister, Madhya Pradesh, **Shri Ravishankar Shukla** said that for the all round development of the new Madhya Pradesh, the Central Government should assist in the development of the communications system. The development of the communications system, road, rail and air, was necessary to facilitate the industrialisation of the State and to ensure the utilisation of the forest and mineral resources of Vindhya Pradesh and other areas which now form part of the new State. Bridges had to be constructed over Narbada and Mahanadi rivers to link one end of the State with the other. The road communications should be developed as national highways as the State would not have adequate resources to construct and maintain them.

10. The Chief Minister, Madhya Pradesh, observed that the problem of dacoities in certain parts of the State could be tackled by covering the area with community projects and National Extension Service and by developing the ravines into very good fields for cultivation. The scheme for the reclamation of the ravines would cost about Rs. 35 crores or more but it should be taken up as seriously as a river valley scheme as it would transform the ravines into a fertile field for development.

11. **Shri Ravishankar Shukla** pointed out that building up of the State's capital required a large sum of money, for which no provision existed in the Plan. The State's finances could also not provide for the expenditure required. He pleaded, therefore, that the Centre should make a fresh



assessment so as to make adequate provision for the scheme for building up of the capital.

12. The Chief Minister, Orissa, **Dr. Harekrushna Mahatab** observed that the emphasis laid on agricultural production was correct. It was not a good sign that in spite of the new harvest, the price of foodgrains remained high. He said that in his opinion there should be no hesitation in reintroducing control to keep prices in check.

13. Dr. Harekrushna Mahatab said that the Railway Ministry should pay more attention to extension of lines than to providing amenities at station and elsewhere. He also emphasised the importance of constructing bridges on important rivers in order to make full use of the national highways.

14. The Chief Minister, Orissa said that it will not be possible to industrialise the rural areas by mere extension of village industries such as hand-pounding of rice. Stress should be laid on rural electrification and modern technological development.

15. As far as the resources were concerned, Dr. Mahatab said that people would be prepared to undergo any sacrifice provided the Plan suited their immediate needs. The Plan has, therefore, to be formulated from the point of view of the people and should not be imposed upon them. Orissa had a large deficit and would not be in a position to make any substantial contribution towards the expenditure on the Plan in the State. He would have a discussion about this matter separately with the Deputy Chairman of the Planning Commission.

16. Dr. Mahatab referred also to the problems of technical personnel. In order to provide the medical facilities contemplated in the Plan, Orissa would require 600 doctors whereas at present the Orissa Medical College could produce a maximum of only 225 doctors. The position was bad in respect of other technical personnel also. Dr. Mahatab said that the Plan should be re-adjusted in the light of the situation which might develop from time to time.

17. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** said that in Bihar the expenditure incurred and the physical targets achieved under the First Plan had been impressive. Agricultural production increased from 43 lakh tons in 1950-51 to 64 lakh tons in 1955-56. During the Second Five Year Plan the intention was to increase production by another 15 lakh tons.

18. As regards the development Plan for 1956-57, the progress was rather slow partly because of the delay in obtaining sanctions for the schemes, the delay in recruiting the required personnel and other factors. It was however expected that out of the target of Rs. 29 crores for 1956-57, the expenditure would be about Rs. 25 crores. While referring to the delay in obtaining sanctions from the Central Government Shri Sinha drew specific attention to the scheme for electrification of 1,000 villages, the sanction for which was delayed as the State Government was asked to give the names of all the 1,000 villages proposed to be electrified.

19. The Chief Minister, Bombay, **Shri Y. B. Chavan** said that the question of agricultural production was very important. There has been some reduction in food production due to certain changes in the cropping pattern and diversion to commercial crops in certain areas. Shri Chavan suggested that some guarantee should be given regarding food prices. He felt that the food problem could be solved if some sort of dynamism was developed in the agricultural economy.

20. Shri Chavan said that the new State of Bombay had to face certain difficulties arising from the reorganisation of States. Five administrative units had to be integrated and some uniformity evolved. He suggested that the Planning Commission should continue to give to Bombay the same type of assistance as was given before to the administrative units. Otherwise there would be a serious dislocation. The introduction of uniformity in the scales of pay would also increase the

salary budget of the State. He said that the Planning Commission should help the State Government in tackling these problems.

21. Shri Chavan said that the Bombay Government would be able to implement almost fully the programme drawn up for the first year of the Second Plan.

22. The Finance Minister, Madras, **Shri C. Subramaniam** observed that it might not be possible for the Madras Government to reach the targets set out in the development Plan for 1956-57 as some of the schemes were started late. One cause for the delay was the late sanctioning of the schemes. The other major cause was the difficulty in finding the right type of personnel, particularly in the field of small scale industries. Shri Subramaniam suggested that the Planning Commission should go into this question and ensure that the personnel requirements in the small scale industries and the village industries were looked into and the necessary training programme taken up immediately.

23. Referring to the programme for the year 1957-58, Shri Subramaniam said that the Madras Government had already framed a provisional budget and the State Legislative Assembly was meeting on the 17th December, 1956 to consider the budget and a vote on account. Care has been taken to include only the essential schemes in the provisional budget. It was not possible to hold any prior consultations, on the programme, with the Planning Commission.

24. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** said that along with the stress on agricultural production, they had to consider the question of control. The question of price should be given equal priority with production. He thought that with some more attention to irrigation facilities and fertilisers, it should be possible to better production.

25. Shri Sanjeeva Reddy said that in spite of the separation from Madras, the Andhra State has been able to achieve the targets of the First Five Year Plan. He expected that the result would be satisfactory also for the first year of the Second Plan. For 1957-58 the Andhra Government were expecting to spend large sums on Irrigation and Power. He said that if the State could get a little more assistance the projects which were under execution could be completed earlier so as to facilitate larger production of foodgrains.

26. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that the Physical targets set by the Planning Commission were being fulfilled. There was however been some delay in the starting of certain small schemes due to the uncertainty regarding the assistance from the Central Government. It was hoped that this would be cleared up when the representatives of the Planning Commission discussed the Plan for 1957-58 with the representatives of the Punjab Government. The difference between the First Plan and the Second Plan was that the schemes of the Second Plan were being implemented from the beginning itself.

27. Sardar Partap Singh Kairon observed that the Punjab Government would increase agricultural production by 40 per cent as desired by the Planning Commission. The cottage industries were also going on quite well. The people in the Punjab were capable of taking the initiative individually as well as in a cooperative and collective manner. If they were given more assistance and training, they would be able to cover up the deficiency which the new State suffers from not being an industrially developed State.

28. The Governor of Kerala, **Shri B. Ramakrishna Rao** observed that apart from international developments and inflationary tendencies, there were also internal changes like the reorganisation of States which would necessitate a reassessment of priorities under the Second Plan. He agreed

that the emphasis should be laid on increase in agricultural production. Increased agricultural production was particularly necessary in a State like Kerala which produced only 40 per cent of its requirements.

29. Shri Ramakrishna Rao referred to the correspondence and negotiations regarding the adjustments of the Plan due to Malabar being added to the old Travancore-Cochin State and, expressed the hope that the problem would be solved satisfactorily.

30. Shri Ramakrishna Rao said that in the Kerala State the provision made for the first year of the Second Plan had not been utilised fully. The shortfall was due primarily to the State Government's preoccupation with problems like the reorganisation of States.

31. Shri Ramakrishna Rao said that the food situation in Kerala was not altogether satisfactory. During the next 3 or 4 months the State required about 50,000 tons of rice every month.

32. Shri Ramakrishna Rao suggested that the Kerala State might be allowed to take the first and second years of the Second Plan period together so that the total provided for two years might be allowed to be spent in two years. In other words the unspent balance of the first year might be allowed to be spent in the second year. This would enable the State Government to put in greater effort in the second year.

33. The Prime Minister, Jammu & Kashmir, **Bakshi Ghulam Mohammad** observed that he agreed generally with the views expressed by the Members of the Council. As a result of the developments in the international field, it appeared that the uncovered gap in the Plan of Rs. 4800 crores might be increased. Bakshi Ghulam Mohammad observed that they had to be prepared to face a situation where as a result of the increase of prices of machinery etc., the deficit in the Plan might increase. It was in view of such eventualities that it was decided to treat the Plan as flexible and to revise it from year to year. They had to consider the problem seriously and decide which of the continuing projects should be given greater emphasis and what were the measures to be taken for increasing production. Bakshi Ghulam Mohammad expressed satisfaction on the improvement of the food situation and suggested that while fixing targets for increasing food production, they should not ignore the fact that population was also increasing. Bakshi Ghulam Mohammad observed that cultivators were more prosperous and had started taking more and better food than before and it was not possible to estimate accurately how much more foodgrains would have to be produced.

34. Bakshi Ghulam Mohammad drew attention to the procedural problem arising from the delay in the issue of sanctions regarding the assistance for schemes in the Second Plan. The provisions for various sectors were discussed with Working Groups and were approved by the Planning Commission. On the strength of this approval, schemes had also been prepared and work had been started but even after 8 or 9 months, no definite idea was forthcoming about the assistance which would be available for such schemes. He said that out of a provision of Rs. 35 lakhs approved for education by the Planning Commission, the amount sanctioned so far was only Rs. 10 lakhs.

35. The Chairman observed that the recommendations made by the Working Groups had to be scaled down while preparing the final Plan. He added that Central assistance was given from year to year and not in a lumpsum for 5 years.

36. Bakshi Ghulam Mohammad also drew attention to the provision for rural development and water supply scheme. He said that once the scheme had been started, the State should be enabled to complete it and should not be forced to leave it half done.

37. Bakshi Ghulam Mohammad observed that if the procedural difficulties were not overcome the Plan implementation would be poor and only Rs. 3,000 crores out of Rs. 4,800 crores would actually be spent. He therefore suggested that the Planning Commission and the Advisers of the Planning Commission should consider these difficulties and find solutions for them.

38. The Chairman observed that the Planning Commission only approved the schemes; it was for the Central Ministries concerned to sanction them. Particular attention has been drawn to the schemes of two Central Ministries namely the Ministry of Health and the Ministry of Education.

39. The Chief Minister, Madhya Pradesh, observed that the Health Ministry had circulated a list of schemes which they would sponsor and for which they would give Central assistance. It was stated by the Ministry of Health that money would not be given to schemes other than those mentioned in the list unless they were continuing schemes meaning thereby, schemes which would become infructuous if they were not continued. Similarly a large number of schemes were sponsored by other Ministries also e.g. training schemes of the Ministry of Health and certain schemes for industry of the Home Ministry. The State did not have money outside the Plan which could be provided to match the funds made available as Central assistance. It would have been better if the schemes which were now suggested had been sponsored when the Plans were prepared. It would not be correct to abandon the Plans which were already approved and sanctioned and adopt fresh schemes.

40. The Minister for Health, **Rajkumari Amrit Kaur** pointed out that the Health Ministries of the States were consulted before drawing up of schemes which would be sponsored by the Central Government. She noticed however, that many of the States did not reply to the letters which were written to them about this matter. Thereafter the Health Ministers of the States came to New Delhi and discussed the Plans with the Director-General of Health Services and reached certain agreed conclusions. These were the schemes which the States had been asked to take up. If the States would let the Health Ministry know how much of the new Plans they could finance then the Central Government would consider how far they could help.

41. The Chief Minister, Assam, **Shri Bishnuram Medhi** observed that they appreciated fully the need for stepping up agricultural production in the country. There was a certain area in Assam where they had 40 million c.ft. of natural gas, with the help of which a fertiliser factory and electricity generation could be developed.

42. Shri Medhi said that very little had been done to remove the transport difficulties of Assam. Lack of adequate transport facilities stood in the way of industrial development of the State. They had to pay very high prices for consumer goods; even for petrol and diesel oil which were produced in the State, high prices had to be paid. He suggested that the location of the oil refinery in Assam would solve many of the difficult problems of the State.

43. Transport difficulties were also standing in the way of agricultural production. The production of milk in the State was very inadequate. He suggested that suitable adjustment should be made by the Planning Commission to take into account these difficulties.

44. The Chief Minister, Assam also referred to the difficulty experienced by the State Government in making any contribution towards the expenditure on training and other schemes sponsored by Central Ministries and for which the State Governments had to make matching provision and he suggested that the money required for this purpose should be given to the State in the shape of loans so that all States may be in a position to take advantage of the Central assistance offered.

45. The Chief Minister, Mysore, **Shri S. Nijalingappa** observed that his State had to face a number of complex problems arising out of the integration of the five units. Firstly, there was the problem of the coordination of various scales of pay. Then, there was a problem of the rising prices of food. Crops had failed in 4 districts in the northern part of the State and special attention had to be given to the speeding up of food supplies to those areas.

46. Shri Nijalingappa said that the areas other than former Mysore State had not been able to bring together the various aspects of the Plan and evolve a coordinated picture. The Malnad area of the State was a very dry area and lacked proper irrigation facilities. The remaining part of the State even though it had natural wealth, was also neglected. The biggest bottleneck there was deficiency of transport both road and railways. It was possible to develop fisheries and there was scope for a major port.

47. The Chief Minister, Mysore observed that even though Mysore was a fairly well developed State regarding power, it was found that they had practically exhausted the resources and for meeting the requirements of the Plan they had to develop immediately other sources of power. For this purpose, funds should be made available.

48. A coordinated picture of the development needs of the new Mysore State was not yet available. It might possibly be necessary to evolve a new set of schemes and a new Plan for the whole area. This would mean that the Centre should give a greater measure of help to Mysore in carrying out the various schemes.

49. The Chief Minister, Rajasthan, **Shri Mohan Lal Sukhadia** said that the first year of the Second Five Year Plan period was almost coming to a close but it appeared that no action was being taken for the development of industries and transport in the Central Sector in Rajasthan. The State had large deposits of gypsum and there was a proposal to set up a fertiliser plant in the State but later it was decided to set up the plant at Nangal. Shri Sukhadia pointed out that considerable quantities of zinc lead found in Rajasthan were at present being taken to Bihar for smelting. He added that no decision had so far been taken on the proposal that smelting should be done in Rajasthan itself. The Russian experts who looked into the question had also recommended that a plant for smelting zinc should be installed in Rajasthan. No provision has also so far been made for exploiting the copper deposits found in large quantities in the Rajasthan State.

50. Before integration, there used to be extensions of railway lines in most of the old Rajasthan States but in the second Plan, there was no provision for railway extension in Rajasthan. The result was that but for the expenditure of about Rs. 97 crores in the State sector, the Rajasthan people did not see any sign of the expenditure in the Central sector. This had created disappointment among the people.

51. Shri Sukhadia said that considerable development had taken place in the Rajasthan State under the First Plan. The food production targets had been exceeded in the State even in 1954-55 when food production stood at 3.3 million tons. It was hoped that there would be further increase in production during the Second Plan, About Rs. 45 crores had been spent on the first Plan in Rajasthan and progress had been achieved in administrative integration and in other spheres as well but there had been disappointment due to the lack of development of industries and transport in the State.

52. Shri Sukhadia said that of the target of Rs. 6.7 crores of revenue resources contemplated for the second plan, the Rajasthan Government had already taken steps through taxation and other measures to raise a sum of Rs. 4 crores.



53. So far as the programme for the next year was concerned Shri Sukhadia said that he would like to draw attention to the request that he had made recently to the Planning Commission that the work on the Pratapsagar Dam should be taken up along with the work on the Chambal Dam. One factor which stood in the way of the industrial development of the State was the high cost of coal and the consequent increase in the cost of electricity generated through coal.

54. The Food Minister, West Bengal, **Shri Profulla, Chandra Sen** said that in West Bengal there had been increase in the production of agricultural commodities during the First Plan and it was proposed to increase the production further during the Second Plan period. The revised target aimed at an increase of 9 lakh tons. In spite of increased production however the *per capita* consumption was increasing and prices were rising. Shri Sen, therefore, suggested a system of purchase of food grains especially cereals by Government. It was not necessary to introduce rationing or procurement as such but after the harvest when the prices of food grains went down, a machinery should be set up to purchase the food grains.

55. In answer to a query by the Chairman regarding the actual machinery contemplated, Shri Sen said that it could be cooperative machinery but at the present moment it must be governmental machinery. The middle cultivators who had irrigational facilities and used fertilisers and manure could hold on to their stocks of food grains but the small cultivators had to sell just after the harvest at a very low price. He therefore suggested that the Government should enter the market and purchase food grains. In West Bengal, there were storage facilities for about 2 lakh tons. The Deputy Chairman observed that in order to serve any useful purpose about 4 to 6 lakh tons of food grains should be procured.

56. The Chief Minister, Orissa recalled the discussions during 1948 about decontrol and said that at a conference held at that time he had suggested that there should be some kind of control at least in States like Orissa. The position in Orissa was that on every side there was a big industrial city, on one side Calcutta and on the other Jamshedpur and Madhya Pradesh cities. As there was no other money crop in Orissa, the cultivators had to sell a portion of the crop in order to have other necessities of life. Unless therefore the export of food grains was controlled the food situation could never be stabilised. During the control period, there was no trouble in Orissa in spite of the fact that about one lakh forty thousand tons of foodgrains used to be exported to the rest of India. At present the State had to import foodgrains and at the same time export them. He was of the view that the Central Government rice stock should be dispersed and not concentrated in a few places. The Orissa Government could undertake to purchase the rice on, behalf of the Govt. of India and stock it there. The purchase of rice could preferably be made through gram panchayats or through cooperative organisations. Each panchayat had to be given a grant by the Government to build a godown of its own to cater to the needs of the village. Whenever, there was acute shortage in any quarter, the stocks of the panchayats could be drawn upon. This would save difficulties in distribution and transport.

57. Dr. Mahatab added that if necessary the godowns belonging to the money lenders and the mill owners could be utilised for storing foodgrains in the rural areas. The purchase price should be a reasonable one which would encourage the agriculturists and at the same time ensure that there was no profiteering. At present certain difficulties arose because the merchants from Bombay and other area were in a position to pay more for the rice than the people in Orissa. This position would not alter substantially even if there was a good harvest. Dr. Mahatab suggested that as the Government had gone in for State trading in minerals etc., there was no reason why State trading should not be adopted for foodgrains also. The State Government was prepared to make a success



of it and to ensure that rice was supplied to other areas on a “no profit no loss” basis. Such a procedure would enable the State to stabilise its own food position. It might now however be possible to equalise prices everywhere because of differences in cost of transport etc. Dr. Mehatab said that his own estimate was that there would be a surplus of about 2 lakh tons of foodgrains in Orissa.

58. The Chief Minister, Andhra Pradesh, **Shri Sanjeeva Reddy** said that some method must be evolved to bring down the price level. If the State purchased rice at the time of the harvest and sold it later there would be some control on prices. Shri Reddy said that there was a surplus of about 5 lakh tons of foodgrains in Andhra. He suggested that the movement of foodgrains from one State to another should be prohibited and the State itself should purchase the stock and then export it to other areas. If the merchants were allowed to export the prices would rise.

59. The Minister for Home Affairs suggested that the regulation would be by the Centre and that the States might agree to regional areas or zones to be formed within which there would be free movement of foodgrains.

60. The Finance Minister, Madras, **Shri C. Subramaniam** said that such regional arrangements would be preferable but there was difficulty about Kerala which was a highly deficit area and some special methods had to be thought about for that State. Regarding price control, Shri Subramaniam said that his impression was that the prices would go down in two or three months and that it might be necessary then to resort to price support in Madras and Andhra. Shri Subramaniam suggested that in case the prices came down below a particular level, the Government should step into the market and make purchases. He suggested that preparations for making the purchases should be made now itself. Warehouses in adequate numbers were not available and had to be constructed.

61. The Minister for Home Affairs remarked that there was provision in the Plan for building warehouses and legislation about warehouses has been enacted recently.

62. The Chief Minister, Madhya Pradesh, **Shri Ravishankar Shukla** said that he was against any control over the price and movement of foodgrains. He suggested that prices should not be allowed to go down below a certain level. When the prices went down to that level, purchases should be made on behalf of the government so that when the prices started to rise, fair price shops could be opened. He said that control in any shape or form should not be introduced.

63. The Minister for Home Affairs suggested that there might not be rigid control but they had to think of an agency through which to maintain an even price level all over the country. The problem was how to utilise the surplus in one State for the benefit of the deficit States.

64. The Chief Minister, Madhya Pradesh, **Shri Ravishankar Shukla** suggested that the prices should be brought down by increased production and there was no use bringing them down by artificial means.

65. The Chairman observed that the subject of control over foodgrains was an important one and deserved rather intensive consideration. He suggested that some of the Chief Ministers might discuss the matter in a smaller group with the Minister of Food & Agriculture and the Deputy Chairman of the Planning Commission. Such discussion would be useful for clearing their minds as to the possible course of action.

66. The Lt. Governor of Himachal Pradesh, **Raja Bajrang Bahadur Singh** said that out of the first Plan of Himachal Pradesh about Rs. 87 lakhs remained unspent. In the first Plan the State had difficulty in obtaining technical personnel; even for subordinate personnel, they had to depend on

neighbouring States. The problem of trained personnel would become acute with the increased provision made for the Second Plan. With the assistance of the Centre, it was hoped to have a vigorous training programme so that there was no handicap on that account.

67. The Lt. Governor said that the economy of the Himachal Pradesh depended largely on the development of the roads and they were making as best a headway as possible with them. Raja Bajrang Bahadur Singh said that in the first Plan the State had a target of 5 per cent increase of food production and for the second Plan, it was proposed to aim at 40 per cent increase. In actual quantity however the increased production would not be substantial as the yield of cereals in the State was very low. Irrigation would have assisted in the increase of food production but sufficient scope did not exist in the State for irrigation.

68. There was considerable scope in the Himachal Pradesh for growing fruits and vegetables. It was proposed to induce the cultivators to switch over to fruit and vegetable production in certain areas on guaranteed arrangements for the supply of grains.

69. Raja Bajrang Bahadur Singh said that adequate quantities of raw materials required for developing cottage industries were not available in the State. They had to concentrate mainly on wool production but at present the average production of wool was 2½ lbs. per sheep. It was hoped to increase it to about 4 times this figure within two years or so.

70. The Lt. Governor said that two matters relating to Himachal Pradesh required serious consideration; one related to the establishment of a cement factory on the border of Himachal Pradesh and Uttar Pradesh and the second the expansion of the salt mines in Mandi. Plans for development of these two industries had to be evolved, as, in due course, about 50,000 people who were at present engaged in road construction would have to be given alternative employment.

**DECEMBER 9, 1956**

In the afternoon of the 8th December, 1956 and the forenoon of the 9th December, 1956, the National Development Council considered, in a restricted session, the question of (a) reappraisal of resources for the Plan and measures needed for raising them (b) development plans for 1956-57 and 1957-58 (c) food position and (d) revised targets of agricultural production. The important points mentioned during the discussion are incorporated in the statement of suggestions and conclusions (Annexure).

**REVIEW OF THE WORKING OF THE COMMITTEE ON PLAN PROJECTS**

2. When the Council re-assembled in the afternoon on December 9, 1956, the Minister for Home Affairs, **Shri Govind Ballabh Pant** referred to the paper giving a review of the working of the Committee on Plan Projects. The Committee was appointed by the Planning Commission to organise investigations on Plan projects with a view to eliminating waste and to ensure efficiency and economy. In course of time, it was intended to develop and build an automatic system of efficiency audit so that all Plans were carried out in a methodical and scientific way. The Committee would function through teams consisting of eminent non-officials and officials possessing expert knowledge of the subjects to be reviewed. The teams were to examine each problem in an objective and scientific manner. It was not intended that the Committee or the teams should have any power of supervision either financial, administrative or technical over the project authorities. They would work in a spirit of fellowship with the persons engaged in the various projects and would carry their confidence from the beginning.

3. The Minister for Home Affairs said that the Committee on Plan Projects met on 7th December, 1956, and discussed certain matters of detail. It was intended at present to set up four teams to study the following subjects:—

- (1) Community Projects and National Extension Service.
- (2) Building activity.
- (3) Irrigation and Power Projects.
- (4) Social Welfare Projects.

4. The Community Projects and National Extension Service deserved close attention because in the next four years, the entire country was proposed to be covered with Community Projects and National Extension Blocks. These projects and blocks needed co-ordination between the Centre and the States and in each State there had to be co-ordination between the various departments as every block was expected to look not only after agriculture and animal husbandry, cottage industries, village industries and the like, but also after education, health and other social services.

5. Buildings formed an important part of every project. It was necessary that all building schemes should be in a way related to the environment in which buildings were to be erected. The utilisation of the local materials, design, structure etc. had to be examined. In Delhi, there was considerable building activity but it could not be said that there was no room for improvement even though the best of engineers were in charge. It was hoped that the team would investigate all aspects of the problem and make recommendations for bringing down the costs and evolving special designs

which would suit the conditions in India without imposing any great strain either on engineering skill or on financial resources.

6. The team on irrigation and power would have a consultative committee consisting of engineers who would give advice to the Committee on technical matters.

7. The team for the investigation of social welfare projects would attempt to study the various projects undertaken under various bodies and ensure that further progress in the expansion of these projects would be carried out in a rational and co-ordinated way.

8. The teams would not need more than six months to complete its work but there might be difficulty in the beginning because of the pre-occupation of the non-officials with the elections. It was thought that it would be better to set up these teams immediately so that they could make a start and authorise the officials to carry on the work on the lines laid down by the team. It should be possible for the team to have periodical meetings to review the position.

9. There was a brief discussion regarding the co-ordination between the State Governments and the States' Social Welfare Boards. The Chairman suggested that as the State Social Welfare Boards were nominated by the State Governments, they could keep a close touch with them. Some Chief Ministers suggested that there should be coordination between the National Extension Service and the Community Projects and the work of the States' Social Welfare Boards.

10. The Minister for Community Development, **Shri S.K. Dey** observed that in recent times, with a few exceptions, there were better contacts between the Social Welfare Boards and the Community Development officials in the States. Shri Dey said that the Community Projects Administration was interested in taking care of the problems of women but the experience during the last 4 years showed that the administration had not succeeded in enlisting the cooperation of a sufficient number of women workers. On the other hand, the Central Social Welfare Board had succeeded in enlisting quite a large number of women workers in almost all the States. With a view to bringing about coordination of the work of the two organisations, he had had discussions with the Chairman of the Central Social Welfare Board and certain tentative proposals emerging out of these discussions were placed before the States' Social Welfare Boards who met recently in Delhi. It was understood that these boards had generally approved the line of approach. Shri Dey was proposing to discuss the question with the States Development Commissioners. The general proposal was that the social welfare board organisation in the States should take up the programme for women and children and handicapped in the community development areas. In other words, as soon as the national extension service block was due for conversion into community development block, it would also be due for operation under the social welfare board programme. The Social Welfare Board would work this programme predominantly through non-official organisations.

11. The Chairman observed that if necessary he would write to the Social Welfare Board pointing out the necessity for close coordination between the Social Welfare Boards and the Community Development programmes.

## MANPOWER PROBLEMS

12. The Minister Home Affairs, **Shri Govind Ballabh Pant** said that for successful implementation of the Plan, it was necessary to tackle efficiently the manpower problems. The problem of manpower had to be considered not only in the context of the present Plan but also keeping in view the perspective Plans that would follow hereafter. The Second Plan was more than

double the dimension of the first Plan. If the targets in the Second Plan were achieved, the next Plan would be several times bigger than the present Plan. He thought that the growth would not be in an arithmetical but in a geometrical proportion. The question had to be looked at from a long range point of view and not merely with reference to the immediate demands. In India there was the peculiar position of considerable unemployment and of shortage of the sort of men that were needed. Adjustments had to be made between the demand and the supply of men who were needed in different spheres from the village level workers to those who managed large industrial undertakings or projects such as Bhakra Nangal, Hirakud, Chittaranjan etc. In the first place, there should be a complete estimate of the immediate requirements and the likely requirements when the third Plan started. A close study had to be conducted in all fields. It had also to be seen if the existing institutions would serve the immediate requirements adequately. The success of all these studies would depend largely on the cooperation of the States.

13. The Minister for Home Affairs said that the manpower problem had to be considered in an integrated way. A Committee has been set up in the Centre for this purpose and he suggested that each of the States should set up committees for the study of the problem. Apart from the Ministry in the Centre keeping in constant touch with the Committee, it would be useful to associate one or two Chief Ministers with the Committee at the Centre.

14. The technical personnel needed would certainly be much more than what could be provided at present. Thousands of trained men were required for mines, oil projects etc. The Minister for Home Affairs suggested that new institutions should be established and the existing institutions expanded urgently, if possible, before the academic session started. Wherever necessary buildings might be hired or resort might be had to the shift system.

15. The Minister for Home Affairs said that the problem of manpower was an extremely difficult one and there should be regular contact between the Centre and the States and the States among themselves. He suggested that the matter might be discussed in the Zonal Councils.

16. The Chairman observed that the question of men was most important. A competent observer who visited India sometime ago said that the problems in India might be put under four heads : man, land, water and cows.

17. The Chairman observed that there should be an undertaking by people who were sent for training and were given scholarships that they would devote 3 or 4 years to the job for which they had been trained so that there was no wastage. The Chairman also referred to the importance of providing training facilities through the existing factories, plants etc.

18. The Chairman observed that it was strange that while there was lack of technical personnel, quite competent and healthy people were pushed out because they attained the age of 55. Nowhere else in the world was a scientific or medical man or a trained person pushed out simply because, he was 55. He suggested that the age limit should be completely removed subject, of course to the competence and good health of the persons concerned. If necessary at the age of 55 the officer could be examined to find out whether he was fit and proper. It was a very difficult process to produce highly trained officers and it would be ridiculous not to utilise them for national good simply because there was some service rules which required that they should go and somebody else should be promoted. In any case the question did not arise when the need was for more and more people.

19. The Minister for Commerce and Industries, **Shri Morarji Desai** said that the question has been discussed recently. It was considered that age limit should not be applied to technical and

scientific services and that if a person was fit and qualified he should be given extension. The extension granted should be for a period of two or three years or more and not merely for a year or two.

20. The Minister for Works, Housing and Supply, **Sardar Swaran Singh** observed that in considering the question of retirement of technically qualified people, distinction should be drawn between technical men doing technical work and those employed on administrative jobs. There was a considerable amount of heartburning and dislocation if extensions were given continuously to a particular type of personnel. Some method should be devised by which technical personnel after a specified age limit were employed on technical jobs. Sardar Swaran Singh suggested that the system of granting extension more or less on the option of the person concerned was not desirable. The better procedure would be to have a general agreement that a particular person should continue upto the age of 60 or 65 instead of giving him a sort of provisional extension.

21. Member (Education), **Dr. J.C. Ghosh** said that ordinarily, the retiring age limit was 55 but in the case of competent technical personnel it might be put at 60 or 65.

22. The Finance Minister, Madras, **Shri C. Subramaniam** referred to the dearth of teaching staff with the requisite technical qualifications for teaching in post-graduate institutions.

23. Member (Education), **Dr. J.C. Ghosh** said that by next year at least 1,800 graduate engineers and about 4,000 diploma holders would be needed. Each year, about 2,000 junior teachers and a large number of senior teachers would be required to train about 32,000 people. A suggestion had been made that there should be a supernumerary cadre for engineers so that more of them could be transferred for training young people.

24. Sardar Swaran Singh said that the question of getting adequate number of highly qualified teachers should be given priority. He said that people should be sent abroad for advanced training and when they come back they should be actually used for training younger people in technical institutions.

25. The Finance Minister, Madras said that whenever it was necessary, a number of engineers should be transferred to the colleges.

26. The Chairman said that technical people should not stick to administrative jobs. They should go backwards and forwards.

27. The Minister for Planning, **Shri Gulzarilal Nanda** said that people who went for educational research, after return, found their careers entirely blocked. People who went in for administrative jobs could rise to higher position. The proper type of coordination and integration of services was, therefore, necessary.

28. The Chairman observed that the following might be recorded as the view of the National Development Council on the question of age limit:

In the course of its review of manpower problems, the National Development Council was of opinion that in view of the growing demand for trained personnel, especially scientific and technical personnel, it is desirable to continue the service of trained scientific and technical personnel after the specified age limit, subject to efficiency, fitness and satisfactory health. This question should be examined more fully.



29. **Bakshi Ghulam Mohammad** observed that the Jammu and Kashmir State had to face many difficulties as, in the absence of technical and medical colleges, the State Government had to send their students to other States where naturally, every State tried to show preference to its own personnel. He suggested that the deficiency in technical personnel should be covered in the same way as the deficiency in resources.

30. The Chairman suggested that the Planning Commission might consider the case of students belonging to States which did not have training facilities of their own. Dr. J. C. Ghosh observed that seats were reserved in various institutions for Kashmiri students. The CHAIRMAN suggested that the matter might be considered afresh. He referred also to the large number of students from Africa, Fiji, Mauritius and other areas who preferred to come to India rather than go to European countries or to America. The Chairman observed that there was a very great demand and it would not happen that too many people were trained.

31. **Sardar Swaran Singh**, Minister for Works, Housing and Supply, observed that the matters relating to training were handled by various bodies and departments at the Centre and the States. There should be concentrated attention on the training and the utilisation or replacement of the trained personnel their ages of retirement etc. There should be an organisation to deal with all such problems and the decision taken by such an organisation should be accepted by the States.

32. The Chairman mentioned that at present there were three committees working in coordination, namely the Committee appointed by the Council of Scientific and Industrial Research, the Cabinet Committee appointed by the Cabinet and a Division of the Planning Commission.

33. **Dr. J. C. Ghosh** observed that in considering the facilities in various institutions, the State Governments might also consider the fact that there was a large number of students of Indian origin in the United States and other places who would prefer to have their medical education in India.

### NCC and ACC

34. The Chairman then referred to the National Cadet Corps and the Auxiliary Cadet Corps and observed that these corps had produced good results. Some States had made ample provision for the development of the corps but in others, the provision was inadequate. He suggested that the Chief Ministers should encourage the development of these corps which were important from the point of view of discipline.

35. The Chairman referred also to the National Discipline Scheme which was started by the Ministry of Rehabilitation for children in schools of refugees from the Punjab. The scheme was started in Delhi but it is now spread to Bengal and elsewhere. The Deputy Minister of Rehabilitation (Shri Bhonsle) was in charge of it. The Chairman said that extraordinary results have been achieved and it was most impressive to watch 3,000 children, boys and girls display such fine discipline. The display given by them recently impressed Mr. Chou-En-Lai, Prime Minister of China very much. The Chairman observed that Shri Bhonsle had done remarkably well and every encouragement should be given to the scheme in the schools of the various industries.

36. The Minister for Defence, **Dr. Kailash Nath Katju**, observed that under the five year plan, there was a scheme for expansion of the National Cadet Corps by 30,000 every year and of the Auxiliary Cadet Corps by about 2 lakhs. There was a great demand for these facilities among the

students and the expansion of the corps ought to be encouraged in so far as they developed discipline among the students. The total provision required was about Rs. 31.71 crores, out of which a little over Rs. 19 crores was to be met by the Centre and Rs. 12.5 crores by the States. It was, however, found that in many States, the provision made was inadequate. Dr. Katju said that this programme should be carried out according to the schedule and the States should not have much difficulty especially when the Centre was finding 60% of the cost.

37. The Chairman then made a few observations on the importance of sports. Every country attached importance to sports; the importance was due not merely to the aspect of physical fitness but to the mental outlook which sports developed. The material available in India was good and would prove successful if suitable opportunity was given. In the Olympic games, even in the Asian Olympic games, India was far behind other countries except in respect of Hockey. One reason for the deficiency was that the top people never got the chance to practice or to function together as was done in other Commonwealth countries. The aim should be to achieve higher standards and better coaching. It might be necessary even to obtain coaches from abroad.

### DISTRICT DEVELOPMENT MACHINERY

38. The Minister of Planning, **Shri Gulzarilal Nanda** referred to the paper circulated regarding the action taken on the recommendation in the Report on the Second Five Year Plan regarding District Development Machinery. The National Development Council had approved the proposal in the Second Five Year Plan that the entire problem of re-organisation of district administration should be specially investigated and that detailed proposals should be worked out by the State Governments after the general elections. In the meantime, it was proposed that the subject should be studied at the official level both at the Centre and in the States.

### CRAFTSMEN TRAINING

39. The Minister for Labour, **Shri Khandubhai Desai** referred to the scheme for craftsmen, training and said that a provision of Rs. 16 crores has been made in the second plan. In the first year, 4,000 crafts centres were to be provided at schools but only two States had come forward with their proposals with the result that no progress *would* be made in the first year in training craftsmen for different trades. Only 40 per cent of the expenditure had to be provided by the States; 60 per cent would be given by the Centre. The training centres were now transferred to the States and he requested that the Chief Ministers should pay special attention to this. Shri Khandubhai Desai referred also to the difficulty about proper coordination. In some States, these subjects were looked after by the Industry Ministry while in other States it was looked after by the Labour Department. He suggested that in all the States, the subject should be looked after by one department so as to ensure proper coordination. At the Centre all technical education has been brought under the Directorate of Technical Education. The demand for technical personnel was increasing every day and it was necessary for the Chief Ministers to pay attention to it.

### CONCLUDING REMARKS OF THE CHAIRMAN

40. In his concluding remarks, the Chairman observed that he attached great importance to the National Development Council not only because of the work that was done but because of the fact

that it enabled all of them to develop an integrated outlook in considering the problems facing them. In the Central Government, they were thinking of India in a rarified atmosphere and it was necessary that they should be brought to ground by the more practical knowledge and experience of the Chief Ministers. On the other hand the Chief Ministers might tend to think of their States rather than the whole of India. The Chairman said that the National Development Council might gradually begin to deal with a growing number of subjects. The Chairman also referred to the world situation and in particular to the happenings in Egypt and Middle East in general and to the situation in Hungary. He concluded by saying that in these difficult times they had to take difficult decisions and adhere to what was considered to be the right course.

## ANNEXURE

### SUMMARY OF CONCLUSIONS AND SUGGESTIONS ARISING OUT OF THE EIGHTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

#### I. Reappraisal of resources for the Plan and measures needed for raising them.

(a) The National Development Council considered the suggestions made by the Finance Minister in the course of his appreciation of the current economic situation and the position regarding the raising of resources for the Second Five Year Plan. It was recognised that in view of the higher costs of projects and the additional items for which provision was necessary and the great importance of ensuring that the Plan as a whole was fulfilled, it would be necessary to raise the target for additional taxation for the Plan period. At the same time, the amount of deficit financing which would be undertaken would have to be lower than the level contemplated in the Plan. The importance of measures for increasing exports, cutting down non-essential imports and devising ways both for saving and for earning foreign exchange was emphasised. The greatest stress was laid on achieving early and substantial increase in agricultural production and in particular, the production of foodgrains. The Council also agreed that the Central and State Governments would undertake measures of additional taxation so as to make possible a total outlay on the Plan during 1957-58 of the order of Rs. 900 crores.

(b) The National Development Council agreed unanimously that Sales Taxes levied in States on mill-made textiles, tobacco including manufactured tobacco, and sugar should be replaced by a surcharge on the Central excise duties on these articles the income derived therefrom being distributed among States on the basis of consumption, subject to the present income derived by States being assured. The method of sharing and distribution should be referred to the Finance Commission.

It was further agreed that a tax at a uniform rate should be levied on commodities such as automobiles and radio sets. With this end in view, the Finance Ministry will work out a suitable method.

(c) The National Development Council considered various aspects of the proposal to include foodgrains, fertilisers, edible oils, etc. in the list of goods which will be declared under the Central Sales Tax Bill, 1956 as goods of special importance in inter-State trade and therefore within the legislative competence of Parliament for laying down restrictions and conditions on taxes on sale or purchase which can be levied in the States. Further consideration of this subject was postponed to the next meeting of the National Development Council. Meanwhile, in view of the fact that sales taxes on foodgrains may affect all-India prices and have other repercussions, if a State wishes to make any alteration in the rates of sales tax on foodgrains, it was agreed that it should consult the Central Government as well as its zonal council.

(d) The Council considered the suggestions made by the Finance Ministry for improving the emoluments of the low-paid Government servants in State cadres and in the employment of local bodies. Apart from increases in emoluments, attention was also drawn to the need for providing amenities for low-paid Government servants such as facilities for education and health. It was recognised that the possible effects of increase in non-development expenditure on the Plan and

the fact that after reorganisation, in some cases, even within the same State, there were different levels of pay scales, were aspects which needed careful study. The subject would be considered further in consultation with the States.

(e) The Council considered briefly the Finance Ministry's suggestions for providing insurance cover to Class III and Class IV employees of the Central and State Governments and agreed that the proposals should be studied further.

## **II. Development Plans for 1956-57 and 1957-58**

The National Development Council reviewed the progress of the development plan for 1956-57. It was observed that mainly on account of reorganisation and a measure of delay in financial sanctions, the actual outlay was likely to fall short of the outlay of about Rs. 400 crores in the States envisaged by the Planning Commission. Attention was drawn to the difficulty experienced in a number of States on account of the matching contributions required for certain schemes sponsored or assisted by the Central Ministries. As a new procedure had been set in motion for preparing the development plan for 1957-58 prior to the budgets, it was expected that these difficulties would now be greatly reduced. The Council agreed that the Planning Commission should undertake a review of the present position regarding Central grants requiring matching contributions with a view to facilitating any adjustments that may be needed in the plans. The Council also approved the proposal that in cooperation with the Central Ministries and State Governments, the Planning Commission should make available quarterly reviews of the working of the Plan and monthly reviews of progress in major projects specially in the fields of irrigation and power, industry and mineral development and transport and communications.

## **III. Food position**

The Union Minister for Food and Agriculture gave a brief appreciation of the food situation. He explained the steps taken to arrest the upward trend in the prices of foodgrains, including the opening of 18,000 fair price shops, and to arrange for adequate imports. Reviewing the crop position, the Food Minister said that although the food supply position was well under control, it needed close watching and the fullest cooperation between the Central and State Governments in the internal distribution arrangements for issue of foodgrains from Government stocks and maintaining a watch on price trends. It was proposed that fuller inspection and control over the system of distribution through fair price shops should be organised.

## **IV. Revised targets of agricultural production**

Several Chief Ministers referred to the targets of agricultural production which have been recently revised and measures which were being taken to ensure their fulfilment. The Chief Minister of Uttar Pradesh suggested that with a view to making organic manures available in sufficient quantity the question of providing inferior coal as fuel for rural areas should be considered.

## **V. Committee on Plan Projects**

The Union Minister for Home Affairs reviewed the work done by the Committee on Plan

Projects which was set up by the National Development Council at its last session in connection with steps to achieve economy and efficiency in the implementation of the Second Plan. The Committee has decided to organise investigating teams for national extension and community projects, building and construction, irrigation and power and social welfare projects. It was agreed that early steps to achieve close coordination at the district and block level between the national extension and community projects and social welfare extension projects sponsored by the Central and State Social Welfare Boards should be taken.

## **VI. Manpower Policy**

The Union Minister for Home Affairs gave an account of the action taken and proposed by the Central Government to assess manpower requirements and remove shortages of personnel. The problem required continuing study both at the Centre and in the States. Corresponding to the Cabinet Committee on Manpower recently set up at the Centre, the Home Minister suggested that similar committees might be constituted in the States and some Chief Ministers might also be associated with the Committee of the Central Cabinet. There was need for regular contact on manpower problems between the Centre and the States and between the States themselves in the Zonal Councils. It was necessary that there should be constant exchange of information regarding problems and programmes and of the experience gained. This would enable the Central Government to be of some assistance to the States and to benefit from their advice. The Prime Minister also dwelt at some length on the need for making the fullest possible use of trained manpower available within the country and of Indians with requisite training or experience who were at present working in foreign countries. Training facilities should be organised in every large factory or plant.

In the course of its review of manpower problems, the National Development Council was of the opinion that in view of the growing demand for trained personnel, especially scientific and technical personnel, it is desirable to continue the service of trained scientific and technical personnel after the specified age limit, subject to efficiency, fitness and satisfactory health. This question should be examined more fully.

## **VII. District Development Machinery**

The National Development Council considered the proposal in the Second Five Year Plan for a special investigation under its auspices into the reorganisation of district administration. The Plan had recommended that village panchayats should be organically linked with popular organisations at a higher level and that, by stages determined in advance, democratic bodies should take over the entire general administration and development of district or sub-division, other perhaps than such functions as law and order, administration of justice and certain functions pertaining to revenue administration. It was agreed that the proposed investigation should be carried out under the auspices of the Committee on Plan Projects and the team constituted for the field study of National Extension and Community Projects should also study problems connected with the organisation of district administration on the basis of the general conclusions outlined in the Plan. The Plan also envisaged that pending the implementation of proposals which are finally approved by the National Development Council, the existing machinery for associating the people with development work should be reorganised and there should be district development councils and development committees for extension blocks or talukas in which there will be the largest



measure of participation, possibly from village panchayats, local bodies, cooperative organisations and voluntary agencies.

### **VIII. National Cadet Corps**

The National Development Council agreed that the States should give the fullest support for the development of the National Cadet Corps and the Auxiliary Cadet Corps.

The National Discipline Scheme sponsored by the Ministry of Rehabilitation was commended and it was agreed that steps to extend it to areas where it had not yet been introduced should be considered by the States concerned.

Reference was also made to the need for promoting steps to achieve higher standards in sports and games, provide facilities for practice and arrange for high class coaching.

### **IX. Craftsmen Training**

The Union Minister of Labour referred to programmes for training 20,000 craftsmen during the second Plan period and requested Chief Ministers to ensure that the financial contributions of the States were made available so that the programmes could be speedily fulfilled.

### **X. Concluding Remarks**

Concluding the proceedings, the Prime Minister said that he attached the greatest importance to the National Development Council not only because of the work that was done here but more so because it enabled them to develop the integrated outlook in considering problems which were so essential for all of them. The practical knowledge and experience of Chief Ministers was of the greatest value to those who worked in the Central Government.

## PARTICIPANTS

### PLANNING COMMISSION

- |    |                           |    |    |    |                           |
|----|---------------------------|----|----|----|---------------------------|
| 1. | Shri Jawaharlal Nehru     | .. | .. | .. | Chairman.                 |
| 2. | Shri V. T. Kishnamachari  | .. | .. | .. | Deputy Chairman.          |
| 3. | Shri Gulzarilal Nanda     | .. | .. | .. | Minister of Planning.     |
| 4. | Shri T. T. Krishnamachari | .. | .. | .. | Member (Finance).         |
| 5. | Shri K. C. Neogy          | .. | .. | .. | Member (Industry).        |
| 6. | Dr. J. C. Ghosh           | .. | .. | .. | Member (Education).       |
| 7. | Shri S. N. Mishra         | .. | .. | .. | Dy. Minister of Planning. |
| 8. | Shri Y. N. Sukthankar     | .. | .. | .. | Secretary.                |

### UNION MINISTERS

- |     |                           |    |    |    |   |
|-----|---------------------------|----|----|----|---|
| 1.  | Maulana Abul Kalam Azad   | .. | .. | .. | Minister for Education and NR & SR.     |
| 2.  | Shri Govind Ballabh Pant  | .. | .. | .. | Minister for Home Affairs.              |
| 3.  | Shri Morarji R. Desai     | .. | .. | .. | Minister for Commerce & Industries.     |
| 4.  | Shri Jagjivan Ram         | .. | .. | .. | Minister for Railways and Transport.    |
| 5.  | Rajkumari Amrit Kaur      | .. | .. | .. | Minister for Health.                    |
| 6.  | Dr. Kailas Nath Katju     | .. | .. | .. | Minister for Defence.                   |
| 7.  | Shri C. C. Biswas         | .. | .. | .. | Minister for Law & Minority Affairs.    |
| 8.  | Sardar Swaran Singh       | .. | .. | .. | Minister for Works, Housing and Supply. |
| 9.  | Shri K. C. Reddy .        | .. | .. | .. | Minister for Production.                |
| 10. | Shri Ajit Prasad Jain     | .. | .. | .. | Minister for Food & Agriculture         |
| 11. | Shri Khandubhai Desai     | .. | .. | .. | Minister for Labour.                    |
| 12. | Shri D. P. Karmarkar      | .. | .. | .. | Minister for Trade.                     |
| 13. | Dr. Panjabrao S. Deshmukh | .. | .. | .. | Minister for Agriculture.               |
| 14. | Shri K. D. Malaviya       | .. | .. | .. | Minister for Natural Resources.         |
| 15. | Shri Raj Bahadur          | .. | .. | .. | Minister for Communications.            |
| 16. | Shri Surendra Kumar Dey   | .. | .. | .. | Minister for Community Development.     |

**STATES**

1. Andhra Pradesh	..	..	..	Shri N. Sanjeeva Reddy, Chief Minister.
2. Assam	..	..	..	Shri Bishnuram Medhi, Chief Minister. Shri Baidyanath Mookerji, Planning Minister.
3. Bihar	..	..	..	Dr. Srikrishna Sinha, Chief Minister.
4. Bombay	..	..	..	Shri Y. B. Chavan, Chief Minister. Shri B. J. Patel, Planning Minister.
5. Jammu & Kashmir	..	..	..	Bakshi Ghulam Mohammad, Prime Minister.
6. Kerala	..	..	..	Shri B. Ramakrishna Rao, Governor.
7. Madhya Pradesh	..	..	..	Shri Ravishankar Shukla, Chief Minister. Rani Padmavati Devi, Health Minister.
8. Madras	..	..	..	Shri K. Kamaraj Nadar, Chief Minister. Shri C. Subramaniam, Finance Minister.
9. Mysore	..	..	..	Shri S. Nijalingappa, Chief Minister.
10. Orissa	..	..	..	Dr. Harekrushna Mahatab, Chief Minister.
11. Punjab	..	..	..	Sardar Partap Singh Kairon, Chief Minister Shri Brish Bhan, Planning Minister.
12. Rajashan	..	..	..	Shri Mohan Lal Sukhadia, Chief Minister. Shri Ram Kishore Vyas, Home Minister.
13. Uttar Pradesh .	..	..	..	Dr. Sampurnanand. Chief Minister. Shri C. B. Gupta, Planning Minister.
14. West Bengal .	..	..	..	Shri P. C. Sen, Food Minister. Shri Sankar Prosad Mitra, Revenue Minister.

**UNION TERRITORIES**

- |                     |    |    |    |   |
|---------------------|----|----|----|---|
| 1. Himachal Pradesh | .. | .. | .. | Raja Bajrang Bahadur Singh Badri,<br>Lt. Governor.  |
| 2. Delhi            | .. | .. | .. | Shri A. D. Pandit, I.C.S., Chief<br>Commissioner.   |
| 3. Tripura          | .. | .. | .. | Shri K. P. Bhargava, I.C.S.,<br>Chief Commissioner. |
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**NINTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : JUNE, 1957**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

# PROCEEDINGS OF THE NINTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON JUNE 3 AND 4, 1957

JUNE 3, 1957

## MORNING SESSION

In his opening remarks, the **Chairman** welcomed the Members of the National Development Council and said that this was the first meeting of the National Development Council after the elections. He pointed out that planning for a big country like India functioning under a federal system of Government, with a large measure of autonomy for the States, was a difficult task. It was not possible to plan really unless there was broad agreement and cooperation among the States and between the Centre and the States. The whole purpose of the National Development Council was to achieve a measure of unity and uniformity so that delays which might prevent proper functioning were avoided. The first and the second five year plans were considered by the National Development Council and approved by it. The Council was not a debating body but a working council. While it was inevitable that each State's Chief Minister was concerned with the affairs of his State, the main object of the Council was to develop an all-India outlook. Normally particular schemes of the States were not discussed in the Council but in the Planning Commission. The Chairman added that the proper subjects for discussion in the Council were issues affecting all the States and sometimes specific issues which were of an important character.

### Rehabilitation of displaced persons from Pakistan

2. The Chairman mentioned that the problem of displaced persons from East Bengal could not be treated as a problem of West Bengal, Assam or Tripura. It should be treated on a national basis and everybody should help in the solution of the problem. Many States had been helpful in the past in this matter.

3. The Chairman mentioned that in regard to rehabilitation, a remarkable piece of work had been done. Taking the West and the East together, the work done in the field of rehabilitation could stand comparison with any rehabilitation work of refugees anywhere else in the world. India had rehabilitated about 9 million displaced persons with her own resources. The whole burden was cast on the country and she had borne it because it has her duty to do it. The problem was a serious one in the Western region but it was faced and a great deal of it controlled and largely solved. The real problem now was in relation to people coming from East Pakistan. There seemed to be no end to the influx even though, during the recent months, the rate of exodus had somewhat declined from the level of 30,000 persons a month and a considerable number of people from East Pakistan had been rehabilitated, though perhaps on a somewhat low level. There were a large number awaiting rehabilitation apart from those who would continue to cross over to India. The intention now was to view this problem on the basis of settling these people on a permanent basis rather than making temporary arrangements. It was clear that more of them could not be settled in West Bengal. Help had been offered by many other States but there were difficulties as the people did not like to settle in areas where there were difficulties in understanding the language and habits of the people or the climate was unsuitable or there were other factors. The displaced persons



should be settled in fairly large communities so that they might form social units.

4. The Minister for Rehabilitation and Minority Affairs, **Shri Mehr Chand Khanna** remarked that except for the payment of compensation, which might take a little longer, the problem relating to the 50 lakhs displaced persons from West Pakistan had been more or less solved. The number of displaced persons from East Pakistan was about 40 lakhs and the problem of settling them was a difficult one. In the West, there was more or less an exchange of population whereas in the Eastern region, the exodus was only from Pakistan to India. The people came out in shattered condition both physically and economically and they were mentally perturbed and psychologically frustrated. In the West there was evacuee property consisting of about 60 lakh acres of land and about 4.5 lakh rural houses and about 2.75 lakh urban houses. Nothing of that sort was available in the Eastern region with the result that the problem was really far more acute and complex. Unlike the Western region, in the Eastern region there could be no planned dispersal as the people were reluctant to go to any place which was far away from West Bengal with the result that the Eastern States of Assam, Tripura and Bengal had already been saturated. The Minister of Rehabilitation referred to the opinion of the Chief Minister of West Bengal that no more persons could be absorbed in West Bengal and that all displaced persons who came after June, 1954 numbering over 2 lakhs should be removed from the State and taken to other States. He added that the economy of the State of West Bengal had been shattered and the unemployment position was acute. The number of displaced persons involved was about 3½ lakhs in camps out of which 50,000 were a permanent liability, living in infirmaries. A few thousands were in Bihar, Orissa, Assam and Tripura but the bulk of the population was in West Bengal. About 75 per cent. of the persons were agriculturists.

5. Shri Mehr Chand Khanna said that in spite of the best efforts by the State Governments during the last two years and inspection of various sites outside the eastern region, only about one lakh acres of land has been considered to be reclaimable and suitable for settlement of displaced persons. One such worthwhile scheme is the Dandkaranya forest scheme covering a large area of land in Andhra, Madhya Pradesh and Orissa.

6. The Minister for Rehabilitation suggested that in order to facilitate the settlement of displaced persons in the States outside the Eastern Region a Committee should be set up under the Chairmanship of the Home Minister and consisting of the Chief Minister of the States primarily concerned and of the States which had agreed to provide land for the settlement of displaced persons. Such a Committee could allot quotas of displaced persons and thereafter it should be the responsibility of the State Government concerned to formulate and implement schemes for the rehabilitation of the displaced persons in consultation with the Committee and the Planning Commission. The responsibility for financing the scheme would be that of the Government of India subject of course to the approval of the schemes. Such a procedure would avoid prolonged consultations and visits by the Officers of the Rehabilitation Ministry to the States concerned. The responsibility of the State Governments would include setting up of camps, formulation of rehabilitation schemes for the urban population, setting up of training centres and of production centres for cottage and small-scale industries, etc.

7. Shri Mehr Chand Khanna suggested that for the Dandkaranya scheme for the examination of which, a Committee has already been set up, a Central authority consisting of the officers of the State Governments concerned, the Ministries concerned and the Planning Commission should be set up. This authority should be an autonomous body and should be in a position to go ahead with the scheme.

8. The Chairman observed that the two suggestions made by the Minister of Rehabilitation

were: (1) setting up of a Committee under the Chairmanship of the Home Minister for allotting quotas of displaced persons for settlement by the States which would be responsible for formulating the schemes of settlement and (2) development under a Central Authority of the area called Dandkaranya.

9. The Chief Minister, West Bengal, **Dr. B. C. Roy** said that there were certain differences between the migrants who came from East Pakistan and those who came from West Pakistan. In the East the people came in driblets whereas in the West the migrants came in large mass. Moreover a large number of people had left India from the Western area leaving considerable property behind. From West Bengal about 5 lakhs of people left for East Pakistan during 1950, but most of them had come back. In any case they did not leave anything behind and there was nothing much to acquire in the form of evacuee property. The second difference was that out of 47 lakhs of people who migrated from West Punjab to East Punjab about 20 lakhs left Punjab and went to other parts of India. In the East on the other hand for some reason or the other the Bengalis liked to cling together. Dr. B. C. Roy mentioned that the influx of refugees from East Bengal had assisted in the development of the economy in West Bengal; for example it was possible to increase the production of jute in Bengal from 6.5 lakh bales in 1949-50 to 23 lakh bales.

10. Dealing with the question of exodus from the camps Dr. B. C. Roy said that even from West Bengal camps there had been desertions. The migrants went over to Calcutta or to some other big town. It must, however, be said that a number of refugees who settled down in places like U.P. and Andamans were quite happy. Dr. B. C. Roy said that it was important to find out the reasons why the people deserted the camps. His own assessment was that there were three or four reasons for their leaving. Firstly, the rehabilitation benefit given to them was not sufficient. Secondly, sometimes the people who were given trade loans and implements did not have adequate facilities for plying their trade or to sell their products. Often proper arrangements were not made to take the finished goods from the displaced persons. Thirdly, sometimes the payment of claims were delayed. For house building half the loan was given in advance and the rest after completing half the building. Often it happened that the mud-huts were washed away by the rains and it was no use getting the remaining portion of the loan. Fourthly, a large number of people were given loans for activities to which they were not accustomed. Agricultural land was given to people who are merely share-croppers and did not cultivate land themselves. Dr. B. C. Roy said that desertion whether it was from Bihar or Orissa or West Bengal was due to certain factors which could be remedied. In order to ensure full cooperation from the people it was useful to associate the State of West Bengal with the running of camps. Dr. Roy suggested that before it was proposed to settle a number of refugees in a particular area in a State, the representatives of West Bengal Government and two or three representatives of the refugee camps as well as representatives of the State Governments in which they were going to be settled with one or two social workers should go and examine the area with reference to climate and other conditions.

11. Dr. B. C. Roy said that the Committee which was proposed to be appointed for the purpose of allotting quotas of displaced persons for various States should have authority to implement a certain programme. He said that in rehabilitating the refugees on agricultural land too much emphasis should not be laid on cultivation of food. In West Bengal there were some lands which were not suitable for food crops. They could be utilised for jute and the displaced persons could be trained to make ropes.

12. Dr. B. C. Roy said that in West Bengal rehabilitation benefits have been given to 19 lakhs of people or 3.95 lakhs of families. The State Government had opened 1,280 primary schools which

1,90,000 students attended. Six sponsored colleges have been started in and around Calcutta with about 1,000 to 1,500 students each. There were also production camps employing 1,500 persons. Allotment of land and houses has been given to a large number of people. Five spinning mills for the refugees have been sanctioned. About Rs. 15 lakhs were spent last year and Rs. 30 lakhs this year to increase transport services for the benefit of refugees. About 4,000 refugees were employed in the transport services. Contracts were being given in a large measure to refugees themselves.

13. Dr. B. C. Roy said that he would not have liked to burden the other States with displaced persons from East Pakistan but the fact was that it was not possible to ascertain in advance what the total number of displaced persons was going to be.

14. The Chairman asked the Principal Finance Secretary, **Shri H. M. Patel** who was the Chairman of the Committee which examined the scheme for the development of Dandkaranya area to explain briefly the details of the scheme. Shri Patel said that the Dandkaranya area covered about 80,000 square miles but a good deal of it has not been surveyed. The area was sparsely populated. The suggestion of the Committee was that in the first instance, a portion of the area could be taken up for development and other suitable areas might be taken up at a later stage after proper survey. The area consisted largely of forests which had not been properly managed. Owing to shifting population, a great deal of erosion had taken place. Part of the area should be developed as forests so as to prevent further erosion. Shri Patel suggested that the Authority in charge of the development of the area should make use of the displaced persons in the process of developing the land and making it suitable for settlement. Then only there could be a good chance of making a success of the settlement. The rainfall in the area varied from 40 to 80 inches. Besides, there were a number of rivulets which offered facilities for minor irrigation projects. There were some possibilities in course of time of developing major irrigation. The area has to be developed in a planned way so as to ensure the well being of the aboriginals who were living in the area. Besides giving agricultural land the small scale, medium and cottage as well as large scale industries would have to be developed in order to provide reasonable standard of livelihood for the displaced persons. Transport and communications had also to be developed. Shri Patel added that the development process could be initiated forthwith. If a decision was taken immediately, the authorities could start working on the ground from September. Some areas could be settled after the end of a full year's work. Generally speaking, however, it would not be wise to settle the people on the land on their own in the beginning. For an initial period of two or three years, cultivation should be undertaken on a virtually cooperative basis under the auspices of the authority and only afterwards, if the people so decide, the land should be parcelled out among the settlers.

15. The Minister of Industries, Orissa, **Shri Dinabandhu Sahu** said that the Orissa State would have no objection to being represented on the Committee proposed and to the development of the Dandkaranya area under a Central Authority.

16. The Chief Minister, Madhya Pradesh, **Shri Kailas Nath Katju** said that he was pessimistic about the readiness of the displaced persons to go outside West Bengal. His feeling was that the people who came from East Bengal looked at Calcutta as the centre of attraction and did not want to live anywhere else. Besides a Bengali was passionately fond of his own language and did not want to go to any place where his language was not spoken. That was the reason why many people who were settled on a proper basis in certain areas of Bihar and Orissa decided to leave that place. Shri Katju therefore, suggested that the possibility of settling these displaced persons in the first place in West Bengal itself should be thoroughly examined. The possibility of settling them in some of the Eastern districts of Orissa where there was plenty of jungle and which

was not very far from West Bengal might also be examined. Shri Katju said that his main point was that before deciding to spend crores of rupees on this scheme, the psychological aspect of the question, namely, whether the people would be prepared to go there and settle down should be examined. The Madhya Pradesh Government was prepared to do the portion of the work allotted to it. Shri Katju thought that it might not be necessary to place the entire administration under the Centre. He also referred to the question of regional languages and medium of instruction which would also arise in course of time and suggested that the people should be consulted about all these problems, if necessary, through Committees. Such precautions were necessary to ensure that the money was utilised properly. There was plenty of land in Madhya Pradesh and the State would be happy if displaced persons could develop it, increase agricultural and industrial production and become loyal citizens of the State.

17. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** suggested that it would be better if before deciding about the settling of the displaced persons in a particular area, about 100 or 200 of them could be asked to go and see the place and find out if they would like the place.

18. The Minister of Rehabilitation and Minority Affairs said that the procedure followed in the formulation of any scheme for the rehabilitation of displaced persons from East Pakistan was that each area was inspected by a team of officers from the Planning Commission, the Ministry of Rehabilitation, West Bengal Government and an Economist and an Agricultural Officer. The scheme was formulated only after the scheme has been approved by this team and concurred in by the Government of West Bengal.

19. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** said that the State would be happy if the scheme was taken up and the area in Andhra Pradesh developed so that the people might be tempted to go there. The State would be happy to give all the necessary co-operation in the development of the area.

20. The Chairman observed that there were undoubtedly difficulties in the matter of rehabilitation of displaced persons. It should however, be remembered that these people came away under great pressure, they were uprooted from their homes and should be treated with consideration and understanding. They should not be pushed about and an endeavour should be made to get their cooperation. The Chairman observed that given proper facilities and a friendly and cooperative approach, a great deal could be done.

## Review of the Food and Agriculture Situation

21. The Minister for Food and Agriculture, **Shri Ajit Prasad Jain** said that he would not go over all the ground which had been covered in the paper circulated on the subject. The immediate problems were rising prices and scarcity in certain areas. Scarcity conditions existed in Bihar, the adjoining parts of U.P., Eastern U.P. and parts of West Bengal. Some shortage had also occurred in Bombay and the adjoining parts of Mysore. The question of supplies had been discussed with the Chief Ministers and Food Ministers of the States concerned, and his feeling was that there would be no difficulty in the matter of supplies. Regarding wheat the position was satisfactory but rice supplies were rather limited. It should be possible for the Central Government to meet the needs of all the States provided some of them cooperated by changing the pattern of consumption. Some of the State Governments had agreed that part of the foodgrains in the predominantly rice-eating areas might be issued in the form of wheat and this would be helpful in meeting the rice scarcity.

22. Shri A. P. Jain observed that the prices of foodgrains were at present about 20 per cent higher than in the corresponding period last year. There was only one redeeming feature, namely, that the rise in prices between November and May this year had been of a smaller magnitude than last year between November, 1955 and May, 1956. Nevertheless the prevailing prices were at a level which caused some concern particularly if they rose still higher.

Shri Jain mentioned that under the Essential Commodities Act, Government was empowered to take over stocks at the prices that prevailed on the date of taking over of the stocks with the result that the persons who were interested in raising the prices got the benefit. The act has now been amended to enable the Government to issue a notification that the prices payable would be on the basis of the average prevailing during the previous three months. This would also have the effect of freezing the prices for a period of three months after the issue of the notification. It was hoped that this amendment would have the effect of lowering the prices.

23. Shri Jain said that he was discussing with the Chief Ministers of rice producing areas the possibilities of purchasing large quantities either by agreement or in pursuance of the new amendment mentioned above. It might be necessary to subsidise the price of rice, and the Finance Minister had agreed to place Rs. 25 crores at the disposal of the Ministry of Food and Agriculture for maintaining a lower price line. The prices would, however, depend on the conditions prevailing in particular areas. There were considerable stocks of rice and paddy available and the Government could take them over but he would be averse to taking this step if the prices were at a reasonable level. If, however, the necessity arose, the stocks would be taken over and placed at the disposal of the State Governments so that they might provide relief and also maintain the price level. Shri Jain invited the Chief Ministers to give their opinion on the scheme. They should also attempt to find out the causes for a situation under which prices were rising even when there were stocks of foodgrains in the market.

24. Shri Jain said that the main problem was that of stepping up food production. Unfortunately there had been shortfalls in food production. According to the targets laid down in the First Five Year Plan 8.5 million acres of land were to come under irrigation but the area irrigated was only 6.2 million acres and the area actually cultivated only 4 million acres. There were also large areas which could immediately receive benefits of irrigation but were not receiving them. Several tubewells which had been constructed were lying idle or were not utilised to their full capacity. He would, therefore, request the Chief Ministers to give their attention to utilising the resources which had already been developed. He would also like to emphasise that the need to increase the production was immediate. There were areas of assured rainfall and others which had the benefit of irrigation. In these areas, introduction of improved seeds and utilization of local manurial resources would yield immediate results. Shri Jain requested the Chief Ministers to give special attention to all these measure directed towards producing more food. He thought that it should be possible to achieve higher production within the present five year plan allocations and with the administrative and personnel resources which were available.

25. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** referred to the paper on agricultural targets circulated by the Planning Commission and drew attention to two important points. The first point related to the utilisation of the irrigation resources which already existed and the second concerned the provision of good seeds and local manurial resources as well as fertilisers. Regarding the first, letters had been sent to the State Governments and he suggested that the issues raised in the letters should be properly examined by the State Governments. It was clear that if the areas already brought under irrigation and those which were to



be brought under irrigation in the Second Five Year Plan were utilised fully, there would be a large addition to food production. This applied also to the programmes of having good seed farms. The Deputy Chairman said that in the first year of the Second Plan, the programme for the distribution of good seeds did not reach the target which was laid down for the States. On this point, letters were being sent to Chief Ministers.

26. The Deputy Chairman said that every year about 5 million people were added to the population. Secondly, every year owing to increase in standards among the agricultural population, there was more consumption by producers. Thirdly, additional production was required on account of industrial development in the urban areas. A rough calculation has been made that these three factors taken together would every year account for a minimum of 3 million tons of additional foodgrains. For the second plan period, the additional requirements would be about 16 million tons. To this has to be added the existing shortfall which might be of the order of 2 million tons a year.

27. Dr. V. K. R. V. Rao, who was invited by the Chairman to give his views, observed that the position which obtained now was more or less the same as obtaining about 10 years ago. The arguments being used, the explanations given and the suggestions made were more or less determined by what took place 10 years ago. Dr. Rao said that he had no doubt that there has been some increase in production potential on account of the first five year plan. There has been some increase in area under irrigation and some improvement in utilisation of fertilisers. It was also true that the big increase in production that took place during the first plan period was not entirely or even largely due to the increase in production potential. In the paper circulated by the Planning Commission it has been estimated that the increase as a result of production potential would be of the order of 6 million tons during the first plan period, but the actual increase in production was of the order of 14 to 15 million tons, taking the figures from 1951-52. Undoubtedly, therefore, seasonal fluctuations played an important part. For a long time to come, therefore, the problem of uncertainty and fluctuation in supplies thrown up by seasonal variations would have to be taken into account. In other words, they had to think in terms of large reserve stocks, till such time as the production potential increased and the population growth was controlled to such an extent that there was no need for this kind of reserves.

28. Dr. Rao said that it was difficult to give a satisfactory or complete answer to the question that has been raised as to why there was a rise in prices. The Deputy Chairman of the Planning Commission had indicated some of the reasons for this rise in prices. Partly production has not been very good. During 1956-57 the production was about 2 million less than what it was three years ago. In the meanwhile there has been an increase in population and more important than that there has been an increase in money incomes. Urbanisation has also been going on as a result of industrial development schemes and this meant more and more demand for foodgrains. On the other hand, the food production has not increased because the season was not good. At the same time a large amount of money was being spent in rural areas. Deficit financing has been going on during the last two or three years. The situation was rather difficult as it would not be possible to use the sterling balances as in previous years. Dr. Rao thought that the impact of prices will be serious during this year unless active steps were taken to deal with the problem.

29. Dr. Rao made two suggestions to deal with the problem. In the first place production should be increased and there should be some kind of regulated growth of population but these were long term solutions. Utilisation of fertilisers for increase in production was limited by the availability of foreign exchange but it was possible to concentrate on the national extension programme and especially on the use of improved seeds. Use of compost manure and green manure did not



require the products of industry and did not require large supplies of engineering and technical skills. Dr. Rao thought that even if all these steps were taken, the increase in production would not solve the problem within the next year or two.

30. The second suggestion made by Dr. Rao was that even now they might begin to think in terms of food control. He thought that fair price shops were an uneconomical and wasteful way of dealing with food shortages. It would have been an effective measure provided there were large quantities of hoarded foodgrains which could be brought into the open market. In the present circumstances the proper method of distributing Government foodgrains would be through the institution of some kind of food control once again. Dr. Rao said that the situation regarding food control was very much more favourable today than what it was six or seven years ago as it was possible to start with 2½ million tons of imported foodgrains. The States were also much more organised and fewer in number. The Governments at the Centre and the States also had a lot of experience with the system of warehousing which was being introduced all over the country and with the much greater knowledge that both the Ministry of Finance and the Ministry of Food as also the Reserve Bank had acquired regarding the domestic economic situation he thought that it was easier to administer food controls now than it was about 8 or 9 years ago. Dr. Rao said that it would be better in spite of the political repercussions to think in terms of food control rather than approach it step by step and in the process lose a great deal of the reserve which had been acquired.

31. The Chairman then invited Prof. Mahalanobis to give his general views regarding the food situation and also inform the Council how he proposed to get better and more correct statistics about each crop. The Chairman observed that one of the difficulties in dealing with the situation was the absence of correct statistics.

32. **Prof. P. C. Mahalanobis** observed that the agricultural statistics in India could not be considered to be reliable. Some progress has been made in estimating the yield per acre but no progress has been made in estimating the acreage under the foodgrains. Prof. Mahalanobis thought that the present discrepancy in the food statistics might be of the order of even 15 or 20 per cent. He suggested that early action should be taken to improve the food statistics in a more unified manner. Prof. Mahalanobis said that the method followed in West Bengal of physical observation of crops could be relied upon to obtain accurate estimates. He suggested that an extension of this method would be essential for improving the food statistics of India.

33. Prof. Mahalanobis said that taking India as a whole and on a rough basis the margin of seasonal fluctuation might come to perhaps 5 percent in certain years which would mean an uncertain margin of 3 to 4 million tons. To guard against seasonal fluctuation a reserve stock of 3 to 4 millions would therefore be absolutely essential.

34. Prof. Mahalanobis said that he agreed with Dr. Rao that they should keep in mind the need to introduce some kind of food control. In 1952 he thought decontrol with certain precautionary measures would be possible and desirable but after the expiry of 5 years he thought it would be wise to keep in mind and, if necessary, introduce food control to the extent demanded by circumstances.

35. Dealing with the question of hoarding Prof. Mahalanobis suggested that there were two aspects of the question. In the case of dealers some system of licensed warehousing or declaration of stock was desirable. The more difficult problem, however, was hoarding in small pockets in villages as a result of some kind of scare about rising prices. Possibly 20 or 30 million cultivators might be able to hoard back a little grain. Even if the figure was taken at 15 million they might be in

a position to withhold about one million tons of foodgrains.

36. Prof. Mahalanobis summarised his points as follows: From the statistical point of view urgent action was necessary to improve food statistics as well as population statistics. A little difference this way or that way in regard to rate of population growth made a large difference. Secondly, early action should be taken to build up a reserve stock and to exercise control over big dealers. Thirdly, they should keep in mind from now onwards that the need may arise for imposing food control.

37. Clarifying his suggestion regarding licensing Prof. Mahalanobis said that something like the jute licence system of 1943-44 might be adopted. In answer to a query regarding population statistics Prof. Mahalanobis said that apart from the inaccuracies of the census figures, there was the fact that the census was held after a period of 10 years. Even in the most advanced countries it was impossible to estimate the rate of increase of population on the basis of decennial census. Prof. Mahalanobis added that it was possible now to use methods of sampling for both foodgrains production and population. He added that each year it was feasible to obtain from physical observation of crops some estimate of the production. It was also possible to obtain fairly reliable estimates adequate for policy purposes of the growth of population every three years. He would suggest three estimates between the decennial census. Some work on these lines is being done in the National Sample Survey and it could be developed.

38. The Chairman observed that every effort should be made to improve the statistical methods in regard to these three points, namely, acreage, yield per acre and population. Consultation should take place between representatives of the States and the Central Statistical Office and the Ministry of Food and Agriculture. The information collected by the Patwari and Kanungo could not be very accurate and there should be checks to remove any discrepancies that might be found in such information.

**JUNE 3, 1957**

### **AFTERNOON SESSION**

39. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that the quality of statistics was not what it should be. There was every reason to believe that production potential as well as actual production had gone up. At the same time strangely enough, the prices had also gone up. He thought that the measures which the Minister for Food and Agriculture had already taken would go a considerable way towards bringing down prices. The Food Minister had proposed the introduction of a system of identity cards; this procedure would certainly prevent the same persons from coming several times to the cheap grain shops and hoarding a large quantity of grains for blackmarketing and other purposes. Dr. Sampurnanand said they should not completely leave out of consideration the suggestion made by Dr. Rao that food control should be re-introduced. He hoped however that the measures that the Minister of Food had in mind would make it unnecessary to introduce food control. Apart from the reasons suggested by Dr. Rao, he thought that scare created in the minds of the people either deliberately by political parties or by wrong information would also result in preventing the foodgrains from flowing into the market. With proper measures it should be possible to prevent the scare also.

40. The Food Minister, West Bengal, **Shri P. C. Sen** said that the increase of food production for the last 5 years in West Bengal had been at an average of 5 lakh tons but the population had

increased by about 15 lakhs because of the influx of displaced persons. As regards prices, as compared to 1955, there has been a rise by about 50 per cent in the price of rice. There were many reasons for this increase such as increased consumption of rice by a large section of the population, especially the agriculturists and those whose incomes had increased due to industrial development regarding the question of imposing food controls, Shri Sen thought there should be some sort of controls. At present in West Bengal wheat and rice were being issued in equal quantities against what might be called family ration cards. There were about 5,000 fair price shops and one seer of wheat and one seer of rice per adult were issued per week. It did not appear that these foodgrains went into the blackmarket. It was proposed to increase the number of fair price shops. Shri Sen said that producers and dealers possessing more than 50 or 100 maunds of food-grains should be licensed and movement should be allowed against permits. If these steps were taken it might not be necessary to introduce statutory rationing. It would, of course be necessary to increase production. In West Bengal they had diverted a large portion of land to jute cultivation. The area under jute has increased from 3 lakh acres to 12 lakh acres. In answer to a query from the Deputy Chairman, Shri Sen said that in the fair price shops rice was being sold at Rs. 17/8/- per maund and wheat at Rs. 15/- per maund. Rice was selling at Rs. 23 per maund in the free market.

41. The Chief Minister, Madhya Pradesh, **Shri Kailash Nath Katju** said that Madhya Pradesh was a surplus State but prices had gone up as a result of export of large quantities of both wheat and rice. The upward trend in prices was visible particularly in cities with big industrial population. Fair price grain shops have been opened in some of the cities. Shri Katju thought that in the present circumstances fair price grain shops were important not only for allaying discontent but also for keeping down prices. In Madhya Pradesh they had done their best to increase agricultural production. The target in the first five year plan had been exceeded and Shri Katju was hopeful that the State would reach the target during 1957-58 also. But there could be no doubt that the demand far exceeded the supply. There was plenty of land in the State which was unirrigated and certain projects both minor and major were being undertaken. Shri Katju said that every effort should be made to increase agricultural production even beyond the figure which had been indicated. Apart from the increase in population he had noticed that the people in village who used to eat coarse grains were now eating wheat. Further the price of coarse grains was also rising. Shri Katju added that in the present conditions, the fair price shops were essential and they should be increased as much as possible. He emphasised that the cooperative method in agricultural production was not in evidence in Madhya Pradesh. There was distribution of fertilisers and seeds through cooperative societies but he was anxious that the cooperative movement should be on a broad basis and should include as many cultivators as was practicable. He would even go to the extent of saying that Government should declare that after a period of 12 or 18 months, it would not deal with any cultivator on individual basis in the grant of taccavi or subsidy but only deal with cooperative societies. There must be a cooperative society for each village and it should include practically the whole of the cultivating population of the village.

42. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** said that the food situation in Bihar State was serious. The food production potential has increased by several lakhs tons a year but unfortunately the State was subjected to repeated draughts and floods. In the current year the rice crop had suffered as result of irregular rains. There had also been some disease in the wheat crop. It could not be denied that inspite of the best efforts food production had lagged behind demand and they had to consider measures for keeping prices under control so that food might be available to the ordinary people at a reasonable price. The Ministry of Food and Agriculture had agreed to supply the quantity of wheat required to meet the situation and a large number of fair price shops

had been opened. Some sort of control was necessary to ensure proper use of the wheat that was being sold in the shops. He would however, caution against introduction of food control in the proper sense of the term. A great deal of energy would have to be spent in enforcing control effectively; it would be better to concentrate the efforts on increasing production. Every effort should be made to infuse into the minds of the people the spirit to increase production. If after sometime it was found that it was not possible to make up the lag between production and demand and prices could not be controlled, then it might be considered whether control should be introduced or not. At present he was not in favour of introducing control.

43. The Chairman enquired whether it was true that in some places in Bihar the available water supplies were not being fully utilised. The Chief Minister, Bihar, said that the tubewells became unpopular as a result of an upward revision of the water rates. The rates have now been reduced and the water from the tubewells was now being used on a large scale. In some places irrigation water could not be utilised because the channels were not constructed for bringing the water. The Chairman remarked that the building of major canals and not digging the channels brought to light a defect in planning. The whole thing ought to be considered together.

44. The Finance Minister, Madras, **Shri C. Subramaniam** said that the problem in his State was mainly that of rice. He thought that while considering the food situation, the problems of wheat and of rice should be separated. The south particularly Mysore, Andhra, Madras and Kerala was a rice-eating area and the availability of wheat did not effect the position.

45. Shri Subramaniam said that during 1956-57, unlike in other years, there was no fall in the price level as a result of arrival of foodgrains into the market after the harvest season. The reason for this was the decline in the quantity of rice imported into Madras from Andhra. As against 1 to 1½ lakhs tons imported into Madras previously, during the last year Madras got only 30,000 tons. At the same time merchants from Kerala, which was a highly deficit area, had freely purchased rice in the Madras market and there had been movement from Madras to Kerala to the extent of about 1.19 lakhs of tons. Uncontrolled movement of rice would convert surplus areas into deficit areas. He, therefore, requested the Minister for Food and Agriculture whether movement could not be localised. He suggested that the three States of Mysore, Andhra and Madras should be treated as one zone for purposes of unrestricted movement. During any season when there was surplus available, movement could be arranged to Kerala and if there was any shortage in any season the States would not ask for rice but manage with wheat. He thought such a measure would also be satisfactory from the point of view of the deficit areas.

46. Shri Subramaniam said that the main problem for the people in the South was that they did not know how to use wheat as food. If some process could be adopted for converting wheat into bread in a cheap way it would be possible to popularise consumption of wheat. There was no prejudice against bread as such which was considered to be a high class food. Even the poorer section of the population would take to it if bread was supplied at a reasonable price.

47. As regards food production Shri Subramaniam said that the problem was to reach every man in each village. Even in the national extension areas and in community development blocks the problem was a difficult one. Shri Subramaniam suggested that the State Government should be given a certain liberty to adjust the plan so as to increase the food production. Steps had been taken to ensure that local manures were utilised to the maximum extent possible and they were produced to the extent necessary.

The Chairman enquired whether people in Madras had any experience of utilising what

was called dalia. Shri Subramaniam said that he would try it. In answer to another query by the Chairman, he said that the artificial rice made from tapoica had not been tried.

48. The Chief Minister, Andhra, **Shri N. Sanjeeva Reddy** said that inspite of the fact that Andhra was surplus in rice, prices of rice were rising. Hundreds of tons of rice went by lorries to other States. If export outside the State was controlled prices were bound to fall and then purchases could be made in the free market and exports arranged. Shri Sanjeeva Reddy said that the production had increased this year and the second crop was particularly good. It would have been possible to do better if the financial help to the agriculturists in the form of loans and fertilisers had been arranged in time. With such assistance it would have been possible to take advantage of the Tungabhadra project.

49. The Chairman remarked that the utilisation of the water of Tungabhadra should have been planned in advance and that after having spent crores of rupees it should not have happened that people to wait for utilising the water.

50. The Chief Minister, Mysore, **Shri S. Nijalingappa** supported the proposal for zoning made by the Finance Minister, Madras and requested the Minister for Food and Agriculture to work out the details. Mysore had a deficit in rice because of the heavy rains in the Western part and the fact that more and more people had started to take rice as an item of food in place of coarse grains. Shri Nijalingappa said that for another four or five months, there would be shortage of rice in Mysore and the Minister for Food and Agriculture had promised help.

51. Regarding the utilisation of irrigational facilities from the Tungabhadra project, Shri Nijalingappa said that the process of conversion of dry land to wet land took nearly 3 to 4 years. Apart from large scheme of irrigation, there was in Mysore large areas which could be brought under cultivation with the help of small irrigation schemes.

52. Dealing with the production aspect, the Chief Minister, Mysore, said that nightsoil which was now largely wasted should also be utilised.

53. Shri Nijalingappa said that he was opposed to introduction of food control at present. He would only accept the establishment of fair price shops. He said that the increase in prices was due to hoarding on a considerable scale by the ryots who had now developed a certain capacity to hoard.

54. The Chief Minister, Kerala, **Shri E. M. S. Namboodiripad** referred to the suggestions made by the Finance Minister, Madras, that the scarcity conditions in Kerala State should be isolated. Shri Namboodiripad said that he had no objection to the proposal provided the National Development Council and the Planning Commission paid attention to the local problems of the Kerala State. The food supply for Kerala was composed of three items, namely, local production which was about 40 to 50 per cent of the total requirements; free flow of rice from Andhra and Tamilnad which was about 15 per cent of the deficit and the remainder supplied from the Centre. The total requirement was about 14 lakh tons out of which about 6 to 7 lakh tons were local production, 3 to 4 lakh tons came from the open market and about 13 lakh tons were required from the Centre. If, as proposed by Shri Subramaniam, the State was isolated from Andhra and Tamilnad, the Centre should shoulder the responsibility of supplying to the State about 6 to 7 lakh tons of rice. A suggestion had been made that the State should be satisfied, atleast partly, with wheat. He had told the Food Minister that if their entire demand could not be met in the form of rice, they would try wheat; but there could be no question of the State Government making it compulsory for the consumers to take wheat as part of their purchases. Compulsory purchase of wheat was tried during the days of monopoly



procurement but it was noticed that the people did not make use of the wheat. The State Government was also prepared to try out the macaroni but it could not be forced on the people.

55. As regards control, the Chief Minister, Kerala said if the Central Government made it clear that the situation was grave and that some sort of control was inevitable, the people might perhaps accept it; but it would not be wise to allow the free market to operate and at the same time impose certain aspects of control like forcing on consumer wheat and other grains which they did not like.

56. The Chief Minister, Kerala said that the Centre should pay greater attention to the problem of agricultural production. Kerala State was one of the States in which the investment for increasing food production was the lowest. No serious effort had been made in the State in the matter of food production. The possibilities for irrigation projects were great. For example, if the Baripola project was executed it would be possible to irrigate about 30,000 acres. In the Travancore-Cochin areas by the execution of some big schemes, it would be possible to irrigate large areas and prevent salt water from entering the fields. There were a number of other schemes as well. The State Government was anxious to ensure that within the shortest period of time possible, the dependence on the Centre with regard to food supplies was at least minimised, if not totally eliminated. But within the frame work of the State's Second Five Year Plan not much could be done. He was taking up the question of the size of the State Plan separately with the Planning Commission.

57. The Chairman referred to the question of substitution of wheat for rice and observed that it was thought by eminent doctors that from the health and nutritive point of view, it was desirable to encourage people gradually to take to mixed diet. As regards control there were two alternatives, either there was full control, rationing and all that or there was control on movements without however, extending the control to the individual person. One was control from the stage of procurement to the consumers and the other was regulation of movement of supplies to the deficit areas.

58. The Chief Minister, Bombay, **Shri Y. B. Chavan** said that Bombay was a traditionally deficit State and the position had not materially altered by the exclusion of Karnataka and the inclusion of Vidarbha. The deficit worked out to something like 8 to 10 lakhs of tons. By bringing more acreage under irrigation and using better facilities for agriculture, every effort was being made to increase the production potential. Concentrated efforts were being made to adopt the Japanese method of cultivation.

59. The question of rising prices was given some attention particularly in the chronic scarcity areas where crops failed either due to lack of rains or due to excessive rains. With the help of the Minister for Food and Agriculture, sufficient stocks of wheat and rice had been rushed to the Western areas particularly to the urban areas. In Bombay city, fair price shops were working satisfactorily and it was hoped to meet the situation adequately with the promised stocks if supplied in time.

Shri Chavan said that on the question of control, Bombay did not take any doctrinaire view. Control had, however to be accepted in all its implications. Bombay would not agree to any proposal for zonal arrangements because it aggravated the difficulties of Bombay and perhaps that of the other States. He suggested that conditions at present were not such that they should think in terms of control.

60. Shri Chavan said that apart from taking the steps for raising production potential such as bringing more land under cultivation, using better implements and fertilisers, it was important that there should be a guarantee about the minimum price. It was also necessary to have an arrangement for a central reserve for the country as a whole. Briefly, therefore, the present difficulties could be



got over by these two measures namely, guarantee of minimum price for foodgrains and building up a large central reserve for the deficit areas.

61. The Chairman mentioned that it was obvious that the basic factors were more food production and building up of reserve stocks. The question was how to tackle the problem until there was adequate production and sufficient reserves were built up. Import of foodgrains, especially rice, would throw a heavy burden and a time might come when in spite of the desire to import, the foodgrains were not obtainable. There would then be no alternative but to devise better distribution of the available supplies. If the common trade channels were allowed to operate in distribution, the result would normally be that only people in Calcutta and Bombay could buy food. Some steps had, therefore, to be taken to ensure that other areas did not starve. Therefore, quite apart from any controls by way of procurement and distribution, some steps had to be taken to regulate the flow of foodgrains from place to place.

62. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that Punjab would be producing about 2.8 lakh tons of rice. About one fourth of this might be needed in the State and the rest was available for export to other States. There was a 30 per cent increase in the production of foodgrains during the first plan period. But for certain natural calamities which had occurred it would have been possible to improve on this. With some help from the Central Government in tackling the drainage problem it should be possible to reclaim a large area for cultivation and produce more food. The canals were there but there also, sometimes, there were failures and shortcomings. In some areas, it had not been possible to energise some of the tube-wells either because of the high rates charged for electricity or because the people did not have the initiative to utilise the water and make their lives better. It was proposed to reduce the electricity rates.

63. **Sardar Partap Singh Kairon** said that he was in favour of cheap grain shops and fair price shops in so far as they discouraged the trends towards rise in prices. He requested that the rice produced in the State might be exported outside the State. The Minister of Food and Agriculture said that there was no ban on the movement of rice from one part to any other part of India and said he would arrange to buy the rice from the Punjab.

64. **Sardar Partap Singh Kairon** said that outside the community project and national extension areas, the peasants had not learnt how to increase production. With the proper approach and with the increase in the number of community projects and national extension blocks, the position should improve. **Sardar Partap Singh Kairon** said that if an assurance could be given of a reasonable price, people would sow more rice in large areas.

The Minister for Food and Agriculture said that he was prepared to clear all rice from the Punjab whether it was 2 or 3 lakh of tons. After harvest season, it was proposed to announce minimum prices at which the Government would be prepared to buy. If the prices went down, the announcement about the minimum price would be made before the sowing season and he would discuss details of the scheme with the Chief Ministers so that larger quantities could be brought when the next crop come in. The Chief Minister, Punjab, said that he would help in the matter.

65. The Chief Minister, Assam, **Shri Bishnuram Medhi** said that because of smuggling to Pakistan it was necessary to control the export from Assam of foodgrains. About two thirds of the area of Assam was covered by hills where there was not sufficient cultivation of food. There was also the problem of floods in Brahmaputra and the other rivers. If the flood waters were completely cut off, the fertility of the soil would go down. Ways and means would, therefore, have to be devised for having sluice gates on both sides of the rivers, so as to control the flow of the water. Unless big

measures were taken as a long-term arrangement to control the rivers it would not be possible to combat the natural calamities and regulate the water. The supply of foodgrains was also affected by the uncertainty regarding the availability of railway wagons. As much food as possible had been given by the Union Food Ministry to combat the situation but in the rural areas prices had gone up to a great extent. In some places the price was Rs. 27 per maund of rice. As regards production the Chief Minister, Assam said that compared to 1956-57 the food production had increased though it was not sufficient to meet the increased demand. The population had also increased as a result of migration from East Bengal. The State Government was considering the opening of a large number of sluice gates so as facilitate extension cultivation. Intensive agricultural campaign was also proposed in national extension blocks and community projects. It might be necessary to ask for more money for constructing sluice gates for irrigation purposes and for chemical fertilisers. Green fertilisers were being encouraged in the hills and attempts were being made to improve the quality of the seeds.

### Minimum Prices for Agricultural Commodities

66. The Chairman explained that there was the suggestion to an offer assurance to the effect that Government would be prepared to buy certain agricultural commodities at a stated minimum price so that the cultivators might be assured of getting atleast that price. He assumed there was agreement on the part of all concerned so far as the general principle was concerned. The question then was the fixation of the actual price. The price was being offered as a kind of incentive but it could not be fixed at too high a level. The Chairman mentioned that it would be useful in the operation of the minimum price scheme if there were marketing cooperatives.

67. The Chairman mentioned that it would be desirable to announce the price fixed fairly early before the next season. He suggested that the officers who had come with the Chief Ministers might discuss in the next day with the Cabinet Secretary and the Principal Finance Secretary along with the officers of the Planning Commission, Ministry of Food, Ministry of Finance etc.

### Papers on Specified items forwarded by Dr. B. C. Roy

68. The Chief Minister, West Bengal, **Dr. B. C. Roy** observed that he had suggested four items for discussion in the Council in the hope that other Chief Ministers would also consider them. In the first place, the procedure adopted for the annual plan was defective because allocation came too late. For the year 1956-57, the State Government was told by the Planning Commission that the State Plan of West Bengal should not exceed Rs. 35 crores, but there was no indication regarding the resources. The State budget provided for the expenditure. Indications regarding the extent of Central assistance was given long after the presentation of the budget. For 1957-58, the Adviser, Planning Commission came to Calcutta and made recommendations regarding the Plan provision to be made. He had suggested that the gap between the State's own resources and the Plan provision would be available as Central assistance though he could not make any commitment about it. On the day the budget was being presented to the Assembly, the State Government received a telegram from the Ministry of Finance stating that the figure of Central assistance given by the Planning Commission representative was only tentative and should not be included in the budget. It was too late to withdraw the budget which was already before the State Assembly. In these circumstances, he would request the Planning Commission and the Ministry of Finance to see that the scope of annual plan should cover not only expenditure but also resources.

69. The Chief Minister, West Bengal pointed out that during the first five year plan, after discussion between the State Government and the Planning Commission and the Ministry of Finance, the extent of Central assistance under different heads, for each year, was determined in advance and the Finance Ministry made available to the State certain sums for each year. This method had now been changed.

70. Dr. B. C. Roy further observed that there was too much interference by the Centre in the execution of the State Plans. He referred in particular to the provision for medical and public health, and enquired why it was necessary to provide as much as Rs. 90 crores for the Central Health Ministry. The entire Plan for Health was finalised after prolonged discussions in 1955 and finally the provision of Rs. 19 crores was fixed for West Bengal for the five years. This meant really that the State would be given Central assistance in a certain proportion. The Central Health Ministry now stated that they would give more grants provided the State Government agreed to follow their pattern. The All-India pattern which was proposed by the Central Health Ministry might not suit the State Government as each State had its own peculiar local problems.

71. Dealing with resources for the Plan, Dr. B. C. Roy said that the State Government had agreed to borrow Rs. 5 crores as loan from the market. The Planning Commission had at one stage suggested that the market loan should be Rs. 7 crores but the Reserve Bank had advised that the State Government should not borrow more than Rs. 5 crores. Moreover, the two main sources for borrowing by the State Government namely, insurance companies and provident funds were not available now. During 1954-55, the Government of India had borrowed money on behalf of the State Government but this time it appeared that the Central Finance Ministry did not want to take the responsibility to borrow money on behalf of the States. Dr. B. C. Roy said that the latest advice of the Reserve Bank was that the State Government should not go to the market for loans. It would not, therefore, be possible for the State to fulfil the undertaking regarding resources to the extent of Rs. 5 crores. He was not sure how much they could secure under the small-savings scheme.

72. Dr. Roy said that the communication which the State Governments had received from the Planning Commission on the subject of Central assistance was not quite clear. It was clear that the shortfall in the State over the five year period would have to be filled by Central assistance. Each year, they had to make the annual plans and find the resources. Definite and clear decision on this point was necessary. He suggested that the procedure regarding annual plan should be such as would give the individual State sufficient time to consider the matter. Dr. Roy referred also to certain difficulties arising from the definition of relief expenditure.

73. The Union Finance Minister said that the Planning Commission had already given the States an indication regarding the expenditure they should provide for the Plan for 1957-58. He read the following portion from the letter dated the 10th May, 1957 from the Planning Commission to the State Governments:

“As proposed earlier by the Planning Commission, State Governments are requested to take steps to carry out the development plan for 1957-58 on the lines accepted by the Commission. The Planning Commission and the Finance Ministry will follow carefully the progress of expenditure under each head and where, in the interest of the implementation of the programme, additional resources by way of Central assistance are found to be necessary, every effort will be made to find them upto the limits indicated earlier by the Planning Commission.”

The Finance Minister said that the original amount indicated by the Planning Commission

would be the ceiling. If there has been a commitment about higher expenditure, the Central Finance Ministry would support the State. In other words, the State was at liberty to go ahead on the basis of the ceilings indicated by the Planning Commission.

74. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that so far as the Central assistance was concerned, the position indicated by the Planning Commission held good. As regards market loans, the Planning Commission had not accepted any responsibility in regard to the amount. This was a matter for the State Government to consider in consultation with the Reserve Bank of India and the Ministry of Finance.

75. The Chairman suggested that the question of loan might be discussed separately with the Finance Minister so that the position might be explained. The position would depend on so many factors which could not be decided straightaway.

76. The Deputy Chairman, Planning Commission, said that the Planning Commission was not satisfied with the procedure adopted last year for the annual plan and the officers of the Planning Commission and the Ministry of Finance were examining it in detail with a view to improving the procedure. The matter was proposed to be discussed with the officers of the State Government on 5th June 1957.

77. The Chairman observed that having framed the Second Five Year Plan, it could be really said that the budgets of the Central and State Governments were fixed for the next five years. Actually, however many things had happened since then and they had to face a more difficult situation. While they were determined to carry through what was called the industrial core of the Plan, adjustments would be needed elsewhere. The Chairman suggested that a better method than what was adopted last year might be followed this year for the scrutiny of State Governments' scheme and that an attempt should be made to avoid frequent references backward and forward.

**JUNE 4, 1957**

### **MORNING SESSION**

The Chairman referred to the discussion on the previous afternoon during which Dr. B. C. Roy raised the question of procedures for considering Plan projects. He emphasized the need of evolving procedures which would avoid delay in taking decisions between the Planning Commission and the State Governments and the Government of India. The Chairman suggested that this matter might be looked into by the Finance Ministry and the Planning Commission as well as by the State Governments. The aim should be to avoid delays and facilitate quick decisions. The Chairman suggested that the Council might take up for consideration item No. 3 of the agenda which was intimately connected with items 4, 5 and 6.

### **Review of Economic Situation**

2. The Union Finance Minister, **Shri T. T. Krishnamachari** said that the note which had been circulated by the Planning Commission gave an idea of the present economic situation. The situation was indeed difficult for the Central Government. It was essentially a twofold problem, namely, inflation and determination of priorities. The Finance Minister said that foodgrain prices really dominated the situation. The other aspect was lack of resources. The difficulty was being felt not

only by the Central Government and the States but also by the industries. Industrial development which gathered momentum during the last year of the first Plan and the first year of the second plan had caused some shortages, particularly in foreign exchange. In the private sector, there had been practically no investment from savings and industry was depending on what was available on hand. So far as the Government was concerned, there were two other matters: one was the question of loans which were the result of genuine savings and the other of equity investment. It was not possible to undertake deficit financing of any magnitude. This year, unlike last year, the cushioning effect of sterling balances would not be there. The credit from abroad might not be of the same magnitude as last year. Further, there was the need to check the inflationary tendencies. The Finance Minister said that he would not therefore, like to indulge in deficit financing to any considerable extent. The budgetary position in the States was somewhat precarious in so far as the State Governments left large deficits which meant ultimately that some money had to be obtained from the Centre or raised as loan. He had tried to meet the situation and help the States by taxing the railway fares. The point that he wished to emphasise was that he had forgotten the distinction between the State Finance and the Central Finance. It was not necessary, as some States had done, to increase their demands and decrease the size of the State's resources, though they should certainly ask the Central Government to look into their difficulties. It was a common effort and the State Governments must take some measure of responsibility on themselves.

3. The Finance Minister said that the position was so difficult that he had to cut down foreign exchange commitments to the bone. No investment which involved foreign exchange even of a marginal character could be permitted in the private sector. The Finance Minister mentioned in particular, the sugar industry where a number of cooperative factories were coming into existence. Even if deferred payments terms were obtainable, he could not find the foreign exchange for the initial payment. For another 6 months, he would call a halt to any investment involving foreign exchange including deputation of people abroad.

4. The Finance Minister said that even though the question of foreign exchange was very difficult, he had no intention of devaluing the rupee. It should be possible to manage quite a number of things without foreign exchange except, perhaps, food. In advanced countries the balance of payments was integral part of the economy. The position was difficult in India as it was possible to cut down imports. The difficulties on account of foreign exchange would not however, necessitate a devaluation of the rupee. The Finance Minister thought that the Indian rupee was stronger than the currencies of most of the important developed countries. But for about 6 months, as he had already mentioned, they had to call a halt in regard to any expenditure involving foreign exchange.

5. The Finance Minister made a reference to the need for intensified efforts to economise and increase the savings. So far as the Plan was concerned it was not possible to whittle down anything that had been undertaken. Even if something would be cut down, it would be only of a small magnitude.

6. The Finance Minister said that it might be necessary to slow down on the bigger industries needing a large component of foreign exchange and to devote more attention to small scale and medium industries. The problem of middle class employment could be solved only by developing small-scale industries through the generation of power. The Finance Minister suggested that the Chief Ministers should take special interest in the development of small-scale industries. Greater attention than in the past might also be given to this matter by the Centre. Another important factor was the provision of facilities for technical education. Referring to the question of rehabilitation of displaced persons he said that the financial problem involved in the rehabilitation of the displaced persons from East Pakistan was something staggering. The Council had discussed the problem



earlier and was impressed by the fact that the problem of West Bengal was the problem of India as a whole. The Finance Minister also drew attention to another complementary problem, namely, the question of people living in slums in the cities and under slum conditions in rural areas. It might not be possible to find money for all these on a large scale but a beginning had to be made, these were matters largely dependent on internal resources. The problem of slums was, however, one of the major problems facing the country and the Planning Commission should take a hand in this matter.

7. The Finance Minister referred to the claims of different sections of people for wage increase. Having regard to the increased cost of living these claims were justified. But, at the same time, if money was set apart for increasing wages without any increase in production or in the resources, the Plan would have to be abandoned. The Finance Minister said that this again was a question of priorities. There were certain sectors in the States where wages were very low and even though in some cases, the private sector paid more, by and large it was Government's salary that really determined the wages in the private sector. The Central Government had taken some initiative regarding improvement in the emoluments of the low salaried employees and some State Governments had accepted their proposals. There were also schemes for payment of insurance and subsidy for the education of children of non-gazetted officers. All these underlined the fact that the need for resources of the States was greater.

8. Dealing with the question of loan and savings, the Finance Minister said that the Reserve Bank, and the Finance Ministry had made a very careful analysis of what happened in the matter of loans last year. Generally speaking, the State Governments' securities were now at a low ebb. Even the Central Government might not be in a position to go in for a big loan. This was the reason why he had suggested some variation in the sharing of the small savings collections. The Finance Minister said if they had put in the same effort for small savings as in securing subscriptions for State loans, there would be a large scope for national savings. This year the collections under small savings were a little smaller than last year. The Finance Minister said that if they really applied themselves to the task and all of them worked together on the basis of the new schemes, namely, the 10-year bonds and the 12-year bonds, which were tax free, there was a possibility of making up the deficit which had occurred. The Finance Minister said that the problem of the States was the problem of the Centre. They were not problems which could be divided but he would like the States to realise that the Centre itself was not well placed.

9. The Finance Minister, Madras, **Shri C. Subramaniam** re-emphasised the two propositions put forward by the Union Finance Minister, namely, that there was no difference between the Central Finance and the State Finance and that they all stood committed to the Plan. They all would agree with these propositions but the implications should also be clearly understood. For the sake of convenience, they spoke of two sectors, namely, the State sector and the Central sector. The Plan in the State sector was however, as important as the Plan in the Central Sector. Shri Subramaniam said that he would go a little further and say that any failure in the implementation of the Plan in the State sector would have greater effect on the people because the programmes in the States immediately touched the people.

10. Shri Subramaniam said that it should be the responsibility of the States to see that the revenue budget was balanced. Even though it might not be immediately possible for a State to balance it in one year, at least in the whole period of the Second Plan, it should be possible to balance the revenue budget. Shri Subramaniam thought that in the effort to balance the revenue budgets, it was useful that the Union Finance Minister remembered article 269 of the Constitution which gave specific powers to the Central Government to levy certain duties and taxes for the



benefit of the States. Shri Subramaniam said that he had no doubt that tapping at the source was the best method of collecting taxes. The difference in the level of taxation in the States were leading to evasions which could be avoided by resorting to centralised taxation and sharing by the States. At the same time, it would be noticed that Central assistance had been cut down to the extent of the share of the States share in the Central taxation so that the overall budgetary position of the States remained as before. Shri Subramaniam said that the recommendations of the Finance Commission regarding the allocation of further resources from the Centre to the States should not affect the budgetary position with regard to the Plan; in other words the Central assistance portion of the Plan allocation should not be cut. The important point was that the States should get the resources for the fulfilment of the Plan; internal adjustments were not of any use. There should be a clear indication of the resources available and the manner in which it was proposed to utilise them.

11. Shri Subramaniam referred to the fact that additional taxation in the Central budget had been imposed not only for the purpose of meeting the revenue expenditure but also for the purpose of meeting the ways and means position of the Government. To that extent it was a deflationary measure. After the money was mopped up by taxation, the position became difficult, especially for the State Government, for there were no unlimited resources with the people.

12. Shri Subramaniam agreed that it would be advisable in the interests of the country as a whole for the State Governments to desist from going to the market for the purpose of loans. He suggested that the entire loan requirements of the States should be centralised and enquired whether the Union Finance Minister would be agreeable to a higher floatation. Shri Subramaniam agreed that there was great scope in the States for improving the collections under the small savings scheme and he gave an assurance that the Madras Government would do their best.

13. Shri Subramaniam referred to the paper regarding the financing of the Plan for 1957-58 in paragraph 10 of which it was stated that the Central portion of the Plan would be Rs. 531 crores and the States sector, Rs. 435 crores. There were already revenue deficits adding to about Rs. 70 crores in the interim budgets presented by the State Governments. If a likely shortfall of about Rs. 30 crores in realisations on account of market loans by States was added to this figure, the total deficit would amount to Rs. 100 crores. If the Plans of the States were cut down to this extent, the reduction would be about 25 percent. Shri Subramaniam said that if pruning had to be done, it should be based on an assessment of priorities and should not be confined to the States' Plans. It would be difficult for the State Governments to face the people and to justify the high taxes if the cut was entirely on the State Plans. Any shortfall in the States sector would also increase the disparities which existed in the matter of location of Central industrial undertakings. Shri Subramaniam referred to the effects of any cuts in State plans on employment and enquired if any attempt had been made to study this aspect. Concluding he said that the Madras Government would be prepared to play their full part in raising the necessary resources but there should be some assurance regarding equitable distribution of the Plan outlay.

14. The Union Finance Minister, said that his initial commitment was only 417 crores out of Rs. 435 crores but the calculations had gone up. The States had agreed to provide for the additional resources but they took credit for only Rs. 20 crores.

15. The Union Finance Minister said that all moneys whether spent by the Centre, by the States or private enterprise, went down to the area which was within the orbit of the States. The Centre had no means of getting money out of the small people to whom additional income might be provided. The Finance Minister suggested that they should consult together and make an effort to raise an additional amount of Rs. 35 crores by means of small savings to cover the likely shortfall under

market loans to be raised by the States. The Union Finance Minister added that he did not know where exactly the employment potential was cut for how this cut was going to operate in the rephrasing of the budget or of the additional resources. This was a matter which had to be thought of carefully.

16. The Minister for Planning, **Shri Gulzarilal Nanda** said that employment potential in terms of the budget provision had been worked out for a number of States, but as the Finance Minister had pointed out it was not clear how the changes would affect the employment potential. It would be possible to work out the modifications in the picture of employment when information was available regarding the change which were going to be made.

17. The Chairman observed that the calculations made for the Second Five Year Plan could not be considered to be accurate or precise. From time to time attempt should be made to find out what was happening to the paper calculations and check them with the actual results, probably through Sample Surveys. The information collected should also be checked through accurate surveys. This applied not only to employment but also to the results of development works.

18. The Union Minister for Planning, **Shri Gulzarilal Nanda** said that the employment figures obtained through the Employment Exchanges showed a disturbing trend, with a rise in registrations and shortfalls in placements. The position was not bad with regard to skilled personnel but on the whole, the employment situation had been worsening.

19. The Union Minister for Finance said that so far as semi-skilled people were concerned, except perhaps in some areas, there was a terrible shortage. He mentioned that in the steel plants, they were not able to get semi-skilled or skilled workmen.

20. The Chairman referred to the remarks made by the Union Ministers for Planning and Finance regarding the employment situation generally and the shortage of skilled and semi-skilled workmen and said that an attempt should be made to obtain more accurate figures to facilitate judgement regarding the trends in employment. He suggested that in the Sample Surveys, these matters should be especially borne in mind.

21. The Finance Minister, Bombay, **Dr. Jivraj Mehta** said that he greatly appreciated the efforts made by the Centre in raising additional funds. He also welcomed the arrangements under which it would be possible for a State to get 2/3rds of its collections in small-savings. He hoped that in course of time, the share of the State Governments might be raised from 2/3rds to a higher quantum.

22. Dr. Jivraj Mehta said that the Bombay Government would try to raise loans locally and to increase taxation as they were anxious that the Plan arrangement in the second year of the Second Five Year Plan should not be disturbed. The State Government had to face many difficulties. The State had as a result of reorganisation absorbed certain backward territories for which the Plan provision was small and where it would be extremely difficult to restrict the expenditure. Any attempt to cut down expenditure under the Plan would lead to further difficulties from the administrative point of view.

23. Dr. Jivraj Mehta said that the additional Rs. 15 crores which had been raised by the Central Government under the current year's budget proposals should be reckoned as State's share even though the Centre had enabled the State to provide this additional source of revenue.

24. Dr. Jivraj Mehta referred to the paragraph in the note dealing with over-drafts from the Reserve Bank. It might appear that these over-drafts were for development purposes. The actual position, however, was that State budgets had become unbalanced on account of Central loans estimated

at Rs. 900 crores given to the States during the First Five Year Plan. Dr. Jivraj Mehta said that resources such as deficit finance and foreign aid should be utilised for the Centre and for the States in an equitable proportion. He mentioned that interest was charged from the very first year on loans for irrigation works and tube-wells. He suggested that the interest should be reckoned from the date on which construction work was completed and that the principal as well as the interest should be repaid in instalments.

25. Dr. Jivraj Mehta mentioned that the assistance to be given to the States for raising the emoluments of low-paid staff might be extended to aided schools, colleges, university teachers and hospitals to which grants were given.

26. Dr. Jivraj Mehta referred to the difficulty regarding deferred payment of cost of imported machinery for sugar factories. He said that in Bombay they had started work on six or seven co-operative sugar factories which would begin to function by next October. There were plans for 8 more factories and agreements had already been entered into. Payment was to be made in four years and none during the current year. He expressed the hope that there would be no difficulty about these arrangements as otherwise there should be great dissatisfaction because shares had been taken by thousands of farmers.

27. The Union Finance Minister clarified the position regarding the floating of loans by the States. The Reserve Bank had made it clear that it would not encourage banks to finance the State loans because of the bad experience last year. Last year the loan collections had been nominal and they were not broadbased. Some of the State loans were selling somewhere about Rs. 96.50 and quite a number of banks who got the securities had suffered losses. Even if the banks were not told to support these loans they were not likely to do so because of this experience. It was a matter which should be discussed. If any particular State was in a position to raise loans without help from banks or Reserve Bank or any institutions connected with the Central Government, it might be permitted to go ahead. There was also the question of terms of loans. The Union Finance Minister suggested that some time before the end of June or early in July the State Finance Ministers or Chief Ministers who were interested in this matter might meet him and the Governor of the Reserve Bank at Bombay to discuss this matter.

28. The Chief Minister, Madhya Pradesh, **Shri Kailas Nath Katju** said that he generally agreed with what Shri Subramaniam had said. The note circulated by the Finance Ministry made it clear that the State Plans should be cut down unless the State Governments were able to raise their resources. Shri Katju said that they had done their best to make a survey of all the State's resources. The State's list for taxation was very limited and they had reached almost the end of the list. Madhya Pradesh was raising some money by State loans but he was told that the State loans were not likely to succeed. As already mentioned the possibilities for taxation were limited. Shri Katju welcomed the offer made about the small savings. In Madhya Pradesh particularly in Madhya Bharat they had succeeded in the past. He would suggest that the Finance Minister might consider raising the share of the States from  $66\frac{2}{3}$  per cent to 75 or 80 per cent. Shri Katju said that on the basis of his experience regarding the Chambal Dam project he felt that if a particular loan was connected with any project which had captured public imagination the loan might succeed without any help from any Bank, or from the Reserve Bank. He suggested that a committee of Chief Ministers might consider this matter and permission might be given to the States to raise these loans. Shri Katju said that the Advisers of the Planning Commission might indicate the directions in which the State Government should proceed further in the field of taxation. Slowing down of the Plan would mean great frustration because there was a rising demand for communications, irrigation facilities and a

number of other amenities. He, therefore, strongly appealed to the Finance Minister that as the Central resources were large and as the whole field of taxation was open to him, he should come to the aid of the States.

29. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that during the discussions they had with the States at the time of the Second Five Year Plan, the Madhya Pradesh State had indicated additional taxation resources yielding Rs. 23 crores for the Second Five Year Plan. In the budget for 1956-57 credit had been taken for a sum of Rs. 1.2 crores for additional sources of taxation. The Deputy Chairman said that he would, if desired, write to the Chief Minister, Madhya Pradesh, indicating the various sources on which agreement was reached during the discussions. The State Government might in the coming years take these sources into account.

30. The Chief Minister, Madhya Pradesh said that during the discussions with the Finance Ministry, Madhya Pradesh was told that Central assistance to the extent of Rs. 28 crores would be given but only Rs. 19.5 crores had been given. The planning Commission had said that the State might go ahead with the Plan. He, therefore, assumed that the Central aid would be available to the tune of Rs. 28 crores.

31. The Chief Minister, Assam, **Shri Bishnuram Medhi** said that they all agreed that the implementation of the Plan could not be slowed down. He was glad that the Union Finance Minister had taxed some of the items which came within the jurisdiction of the States and agreed to distribute the collection to the States. He agreed with Dr. Mehta that this should be considered as part of the State resources.

Shri Medhi said that the Assam Government might be able to raise a little more revenue than what was promised but in view of the unforeseen circumstances prevailing in the hill areas there would be larger expenditure. He expected that the extraordinary expenditure incurred in the hill areas would be borne by the Centre so that the resources for the State Plan were not reduced.

32. Shri Medhi said that in the First Five Year Plan, Assam could not develop any of the industries because of the fact that industries were left to be developed by private enterprise. Because of the transport difficulties and inadequacy of power, the private industrialists did not favour Assam. There were enough raw material resources, such as limestone and coal in Assam and he requested that the Centre should help the State by constructing a railway line to the hills where a cement company was ready to start work. The State was short of cement and it was not possible to get proper allotments. Certain industries were to be developed in Assam in the private sector. These were a paper mill, a jute mill and a textile mill and a sugar factory. Arrangements had been made with a concern for the supply of machinery but some assistance would be needed even though payment has been deferred. He requested the Union Finance Minister to give special consideration to the State in regard to these arrangements and in respect of the import of machinery for production of electricity.

33. Shri Medhi said that for the first time Assam started a labour provident fund scheme which would bring an amount of Rs. 2½ crores annually. A portion of this money should be allowed to be used for the development of industries.

34. Shri Medhi said that the State would make its best effort in regard to small savings. In view of the fact that the Central Government as well as Reserve Bank would not like the States to go individually to the market for raising loans, it was desirable to increase their resources by small savings. He, therefore, suggested that the entire amount raised in the State through small savings

should be allotted to it.

35. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that they all realised the importance of what the Finance Minister said about the availability of foreign exchange. They would also accept the position that what was called the industrial core of the Plan should have top priority in the allocation of the available foreign exchange. He would, however, request that one or two factors might be taken notice of. Steps for starting sugar factories had been taken and if they were not started, the cultivators would be adversely affected, the unemployment situation could not be relieved and the idea of cooperation would also suffer to some extent. Dr. Sampurnanand referred to the reported decision that no foreign exchange would be available for the Rihand scheme. This would have the effect of stopping the establishment of certain big factories and a net-work of small scale and cottage industries planned for the eastern parts of U. P. Unless top priority was given to this scheme for the purpose of allocation of foreign exchange the prosperity of several lakhs of people would be affected.

36. Dr. Sampurnanand referred to certain examples of the defective procedure regarding the grant of Central assistance. He suggested that the practice which used to prevail during the first plan period, regarding the allotment of Central assistance should prevail now. He had found that there was no difficulty in getting the money through the Finance Ministry. Dr. Sampurnanand said that certain matters had been settled with the Planning Commission who had discussed them with representatives of the States and Central Ministries. The conclusions reached in these discussions should be accepted by the Central Ministries and there was no need of a second scrutiny by the Central Ministries. It often happened that the State officials had to run between the State Capital and Delhi and often had to supply fresh data in respect of approved schemes. Dr. Sampurnanand referred to an order issued on the 21st March sanctioning a scheme worth Rs. 30 lakhs. It was obvious that the work could not be started so quickly; besides, there was another order that no money should be paid to the State Governments after the 15th March.

37. The Union Finance Minister said that he had found this sort of thing happening and had given instructions that the amount of payments to be made after the 15th of March might be carried over to the next year. Dr. Sampurnanand said that if the decisions made by the Planning Commission after full consultation with the Central Ministries were accepted and money provided automatically all these difficulties would disappear.

38. Dr. Sampurnanand said that the formula which had now been evolved regarding the small savings was certainly better than the formula which obtained formerly, but this was not likely to solve all their difficulties. He said that the maximum small savings raised by the State was Rs. 13 crores. Due to the election etc. the collections were less this year. It was in any case not possible to raise additional small savings to cover provision made for market loans.

39. The Chief Minister, Madhya Pradesh said that so far as Madhya Pradesh was concerned he would like the Council to bear in mind that over two crores of the population of the State were Adivasies who were mostly poor. He did not therefore expect that large sums could be raised in the State through small savings.

40. The Planning Minister, Andhra Pradesh said that they realised the great difficulty in finding foreign exchange resources but he requested the Central Government to keep the requirements of the private sector also in view. In this connection he mentioned that there was an industrial unit for the manufacture of manganese in the private sector and the Andhra Government were committed to supply power to this unit. The State Government would come in for severe criticism if it failed to



help project which he said could earn foreign exchange. He, therefore, suggested that in the matter of fixing priorities for allocation of foreign exchange the requirements of the State Government might be kept in view. He requested that particular consideration should be given to States which were industrially under developed.

41. The Planning Minister, Andhra Pradesh welcomed the Union Finance Minister's assurance that the Planning Commission's commitments regarding the implementation of the Plan during 1957-58 would be respected. For 1957-58 it was agreed that a provision of Rs. 34 crores for Andhra State would be made but when the Centre reduced its assistance the size of the Plan had also to be reduced. He hoped that in view of the statement made by the Finance Minister it would be possible to retain the plan at Rs. 34 crores. The Planning Minister, Andhra Pradesh said that as a result of increased wages and high prices it was not possible to state exactly the cost of the works which were being undertaken. He requested that States which were predominantly agricultural must be given special consideration. The Planning Minister, Andhra Pradesh referred to the difficulty about raising market loans and the advice given by the Reserve Bank. He said that every effort was being made to develop resources through taxation. In the past two years they had increased taxation revenue by Rs. 4 crores and it was proposed to raise further taxes during 1957-58. He said that budgetary deficits were mainly due to increase in payments towards interest. The State Government had represented to the Union Finance Ministry that the interest on loans which were given for those irrigation projects which would not yield immediate benefits should be lower than interest on loans advanced for industrial projects.

42. The Planning Minister, Andhra Pradesh said that in the implementation of the Plan in the Central Sector the States were not being treated equitably, particularly so in the matter of railway lines. He requested that this point might be examined.

43. From the point of view of improving foreign exchange position he requested that the State Trading Corporation at the Centre might assist the Trading Corporation in the State in the scientific exploitation of the iron ore and in exporting the ore to foreign countries.

44. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** thanked the Union Finance Minister for the sympathetic manner in which he referred to States and for his determination to carry through the Plan. For implementing the Plan obviously something had to be done to mobilise internal resources and find out ways and means of increasing the foreign exchange resources.

45. Dr. Srikrishna Sinha emphasised that the financial resources which the State could tap were limited but the functions they had to perform were vital. He said that the foreign exchange difficulty was partially due to the fact that agricultural production had not been able to increase in the same proportion as industrial production. He suggested that it was essential that the States should get sufficient resource for carrying out those projects which would affect the production of consumption goods. Dr. Srikrishna Sinha said that Bihar had the lowest *per capita* income but the State had done its best to increase its resources. The provisions made by the State for additional taxation was Rs. 4 crores. The Chief Minister, Bihar said that out of Rs. 11 crores which the State had to contribute from its own resources towards execution of this year's Plan, Rs. 2 crores were to be raised from market loans. It appeared that it might not be possible to raise this loan. The question was how to fill this gap because any cut in the Plan would be bad. He agreed that the States should do their best to tap the small savings. After having done that it might be possible for the States to come to the Union Finance Minister and request him to do something more for the State.



46. Dr. Srikrishna Sinha said that the original proposal for the Bihar Plan for 1957-58 was Rs. 45 crores. It was cut down to Rs. 37 crores and later it was reduced to Rs. 35 crores. The State was promised an assistance of Rs. 23 crores but by the time the State had presented the budget they had received sanction for Rs. 16 crores only. There was therefore, a deficit of Rs. 7 crores in the State budget. A reference was made recently to the large deficit in the Bihar budget and he would like to point out that at least to the extent of Rs. 7 crores the deficit was due to the faulty procedure at the Centre.

47. The Chief Minister, Bihar said that he agreed that the industrial development of the country should have the highest priority in the matter of allocation of foreign exchange but there were a few items in the States which required more favourable consideration in the interest of industrial development and in the interest of better food production. In spite of the fact that Bihar had mineral deposits and the Tata Works were located there the State was not industrially developed. The percentage of people engaged in industries in the State was the lowest in the whole of India. In order to remedy this situation the State was proposing to open a sugar factory on a co-operative basis. In an industrially backward State like Bihar, the opening of Sugar factories on a co-operative basis had an importance of its own and should receive favourable consideration in the matter of allocation of foreign exchange.

48. The Chief Minister, Bihar said that foreign exchange might be required for the Kosi Project as well. By raising the embankments it was possible to save a large number of people from the floods. Several lakhs of acres of land could be cultivated if canals were taken from the river into the remote parts of the State. In spite of the best efforts it was not possible to get the whole job done by manual labour. Some machinery was, therefore, required and the demand of foreign exchange for this purpose should have priority. Dr. Sinha said that if more food had to be grown in order to save foreign exchange and ultimately earn exchange, the Government of India should not grudge the expenditure of some foreign exchange for purchasing the machinery required for the construction of the barrage under the KOSI scheme.

49. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** said that his State was trying to do its best to raise resources. The State was required to raise resources to the extent of Rs. 11.2 crores during the second plan period. Fresh taxes, which would yield Rs. 8.5 crores during the Plan period, had already been imposed during this year. In the coming years also it would be possible to raise more resources.

50. Shri Sukhadia said that during the First Five Year Plan, Rajasthan which was heavily deficit in foodgrains had become more or less normal and sometimes produced a surplus. Shri Sukhadia said that none of the industrial, transport and other projects in the Central sector had been located in Rajasthan. It was stated that Rajasthan did not have enough raw material. The fact, however, was that gypsum was being sent to Sindri for manufacture of fertilisers. The Government of India had not agreed to the demand that a fertiliser factory should be located in Rajasthan. Adequate steps had not also been taken to exploit the lead, zinc and copper deposits in Rajasthan. During the formulation of the Second Five Year Plan the State Government had pressed that Partap Sagar dam should be taken up simultaneously with the Gandhi Sagar dam so as to produce enough power for the development of the industries, but the question was still pending in the Planning Commission. The State was now trying to encourage the establishment of some industries in the State in the private sector. Shri Sukhadia said that it should not happen that only States which had all the facilities got allocations of foreign exchange.

51. The Chairman pointed out that foreign exchange was not available for allocation to anybody

and obviously it was not possible to make any fresh commitments.

52. Shri Sukhadia requested that whatever foreign exchange was promised to the Rajasthan State for the development of power should be given in good time.

53. Prof. Mahalanobis pointed out that it would not be correct to conclude that Bihar had the lowest *per capita* income, as there were no calculations of *per capita* income separately for Bihar. The scale of expenditure was a concept which could be used for purposes of comparison but there the Southern region, in terms of the average expenditure per household, was placed somewhat lower.

54. The Chief Minister, Mysore, **Shri S. Nijalingappa** said that part of the composite State of Mysore was fairly well-advanced but the rest of it was backward. Certain parts did not have any irrigation schemes, roads, hospitals or bridges. Some of the areas which had come from Hyderabad were particularly bad.

55. The Chief Minister, Mysore, said that the biggest hurdle was lack of power. There was great demand among the people for power and agriculture pumps. Two generating sets were being set up in the Tungabhadra area; he urged that more schemes might be taken up for the early production of electricity. The Verapuzha scheme which would yield power within the next 2½ years and did not cost much might be taken up. With the power generated under the Verapuzha scheme it would be possible to irrigate about 20 to 30 thousands acres in Kerala. Shri Nijalingappa pleaded that power being the biggest need of the State, the necessary foreign exchange might be allotted.

56. Shri Nijalingappa also pressed the claim of sugar factories for the allocation of foreign exchange. The State had held out promise for six sugar factories, four in the rural areas and two in the backward areas transferred from Hyderabad. Shri Nijalingappa said that it would be possible also to start three or four cement factories through private industrialists.

57. Shri Nijalingappa said that speedy arrangements had to be made for checking the spread of filaria in the State. Some of the areas of the State had no protected water. Financially the State was badly placed. All possible economies were being effected and every attempt was being made to raise resources.

58. As regards loans, Shri Nijalingappa appreciated the fact that it would be undesirable for both the Centre and the States to go into the market for loans. At the same time he suggested to the Union Finance Minister, that without restricting himself to the limit of Rs. 100 crores to be raised as public loans he might raise it by about Rs. 20 to 30 crores, so as to be in a position to render more help to the States.

59. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that from the point of view of taxation, the Punjab was second only to Bombay. He believed that with further progress it would be possible to raise more resources. In the Punjab it was possible to establish small scale industries but it was necessary for the Centre to help the State in the matter of starting some of the large scale or medium sized industries. The men who could adapt themselves to machines of all types were available and it was necessary to set up some industries in the State to enable them to be employed. Sardar Partap Singh Kairon said that he was hoping to do better in the matter of small savings.

60. Sardar Partap Singh Kairon said that some arrangements should be made so that all hilly areas were treated in a more or less uniform manner. The Punjab Government were trying to do

their best to satisfy the hilly areas in the State but the State Government could not do even one-tenth of what the Central Government was doing for the adjoining hilly areas. Unless some uniformity was introduced public opinion against the State Government would be created among the people in the hills.

61. The Chief Minister, Kerala, **Shri E. M. S. Namboodiripad** referring to the note which was circulated regarding the food situation said that it had been made out in the note that the rise in prices was mainly due to the fact that the standard of living of the people had advanced. It had also been stated that the increase in production had not kept pace with the increase in standard of living. Whatever be the position in other States, Shri Namboodiripad said, that the statement was certainly not true of the Kerala State. The standard of living of the mass of people in Kerala State had not advanced during the last two or three years. He found that the level of employment had not risen nor had the income. At the same time, the State, which was deficit in food supplies to the extent of 50 per cent had to suffer on account of the increase in food prices resulting from the so-called increase in the standard of living in the other parts of the country.

62. Shri Namboodiripad said that the rise in prices was actually far more than what had been stated in the note. The retail prices of the rice available in the open market had arisen during the last two months to the extent of 30 to 35 percent. Shri Namboodiripad said that pepper prices had fallen heavily and the yield had also fallen during the last season. The yield of coconuts has also gone down. Shri Namboodiripad asserted that as far as he could see, the condition of the people in his State had not improved during the last 2 or 3 years.

63. The Chief Minister, Kerala, said that the big schemes which had been undertaken during first plan period and in the Second Five Year Plan had been concentrated in certain States and in certain areas. The major part of the Second Five Year Plan was in the Central sector railways, heavy industries etc. Out of this, only a microscopic part was in Kerala; the people of the State had not therefore obtained any advantage from the big schemes undertaken in the Second Five Year Plan. The position had now deteriorated because of the non availability of foreign exchange for the establishment of even small industries.

64. Shri Namboodiripad said that it had been said that there had been no big industry in the State because of the lack of raw materials and of certain other facilities but no effective steps had been taken even to establish in the State Industries like the tyre industry which utilised the raw materials produced in the State. The State had a fine harbour suitable for the location of shipbuilding yard. Shri Namboodiripad said that for a State like Kerala where the density of the population was the highest, it was the responsibility of the Centre to see that industrial progress took place to the maximum extent possible. He was proposing to discuss details with the Planning Commission.

65. The Chief Minister, Kerala, said that from the remarks made by the Finance Minister it appeared that even the small allocation which had been made to the State under the Second Plan would be drastically cut down because of the difficulty in raising public loans. As a matter of fact the State had come forward with a demand for greater allocation to the extent of Rs. 170 to Rs. 200 crores but they were now faced with a situation in which the Rs. 87 crores allotted to it would be cut to Rs. 65 crores.

66. Shri Namboodiripad said that apart from the position in the Kerala State he wished to make a few observations from the all India point of view. Everybody would agree that the difficulties in the matter of resources should be overcome so that the Plan was not whittled down but it appeared to him that the Union Finance Minister was not himself doing his part. The Central Government was

not doing all that it could do in the matter of taxation of certain classes of people *e.g.* foreign as well as Indian upper classes. It was good that tax on wealth and expenditure was being levied but he thought far more could be done. He did not want to go into the details because these things had already been explained elsewhere by his (communist) Party. Shri Namboodiripad suggested that all the proposals which had been made should be thoroughly examined by a committee of economic experts. Nobody should start examining these proposals with a prejudice that the Communists were making these proposals for nationalisation etc. He requested that National Development Council, the Planning Commission and others to look at these problems from the purely practical point of view. Shri Namboodiripad assured that his Government would not take a doctrinaire view in regard to these proposals if they were told that there were economic or any other difficulties in the matter of implementing a scheme of nationalisation or in levying the taxes proposed by them. Their request was only that these proposals should be considered in a dispassionate and objective way.

67. Shri Namboodiripad said that he was strongly of the opinion that unnecessary extravagance and expenditure in the field of administration as well as economic planning should be avoided. He referred to the reduced salary drawn by the Kerala Ministers and the allegation that all this was propaganda. While the necessities required by the common people were being taxed, it was necessary to convince the common people that expenditure on the Government was also cut down. For a successful campaign for mobilising all the resources in the country, it was necessary for all concerned to bring about the utmost economy irrespective of whether the actual financial gain was substantial or not.

68. The Minister of Industry, Orissa, **Shri Dinabandhu Sahu** said that it was not necessary to labour hard to prove that Orissa was backward. He would suggest a few devices by which they could possibly get over to some extent the financial difficulties and the trouble about foreign exchange. He would not have any objection to the proposal made in the note that no difference should be made between agricultural income and the other income. The suggestions probably was that agricultural income should be taxed at the Centre and allocated to the States in a certain proportion. Shri Sahu suggested that it would be an acceptable proposal if a loan could be floated at the Centre to meet the requirements of the States also. Shri Sahu supported the suggestions made by Shri Namboodiripad regarding economy. The salary of Ministers was too meagre to be cut but there were certain other things which could be cut. For example he could manage with a much smaller room and with a more modestly furnished room than the one which he was occupying. He felt that there was some scope for observing economy in public expenditure so far as the Ministers and other high officials are concerned. This was important not so much from the point of view of the actual saving but from the point of view of the psychological effect on the minds of the people.

69. Shri Sahu suggested that for improving the financial position including foreign exchange some attention should be paid to the development of minerals. Minerals were in great demand in a number of foreign countries. It was for the Centre to decide as to which party or which foreign country should be encouraged to exploit the minerals. It had not been possible to devote sufficient attention to the exploitation of the minerals resources in Orissa. The main handicap was transport and lack of power. Shri Sahu said that even though a number of railway lines happened to pass through Orissa no railway line had been built specifically for the economic development of Orissa. Shri Sahu said that there were some foreign parties who were prepared to take up the work of constructing some important railway links provided they were given some concessions for taking out the minerals. There was no foreign exchange commitment as the parties wanted payment only in the form of ores. These were matters which were inter-connected—a port, a railway line and the development of minerals—and they should be considered, together in order to remove the imbalance

in development of the States.

70. Shri Sahu referred also to the supply of power in two stages to an aluminium factory. One stage had been agreed upon but for the second stage of development it had not been possible to reach an agreement because of the difficulty in arranging foreign exchange. He suggested that the generation of power should be given the first priority. Some device had to be found to make power cheap in the areas where mineral sources had to be developed.

71. Shri Sahu referred also to the possibility of transferring to the State certain industries which were not running economically in other States and which had either to be closed down or transferred to some other area. Shri Sahu suggested that some means should be found to shift such units to new areas. Such a step would not create any further demand for new machinery and consequent drawals of foreign exchange.

72. Shri Sahu said that the State Governments should be given some freedom to transfer licences for heavy industries issued in favour of one party to other parties wherever circumstances necessitated such a step.

73. In conclusion Shri Sahu suggested that the Planning Commission should consider how far the Plans had succeeded in removing the imbalance in industrial development between the various parts of the country.

74. The Chairman said that Orissa deserved the sympathy of the rest of India. The condition of the people in the State was very pitiable. Certain Major schemes like Hirakud dam would not yield results immediately. Obviously however, some big steps had been taken for the development of the State and though they might not yield immediate results, in the long run they would prove to be very useful.

**JUNE 4, 1957**

### **AFTERNOON SESSION**

#### **Constitution of a Standing Committee of the National Development Council**

75. The Chairman said that it would be useful to set up a Standing Committee of the Council. When the Chief Ministers came for meetings of the Standing Committee, it was not necessary to bring officials and others. It would then be possible to discuss major policies without the fuss of having a big meeting.

After further discussion, it was decided that a Committee of the National Development Council, consisting of the Chief Ministers, plus the Planning Commission, should be constituted and meet from time to time between meetings of the Council.

#### ***Certain points arising out of the consideration of the economic situation and the financing of the Plan for 1957-58.***

76. The Deputy Chairman, **Shri V. T. Krishnamachari** said that the Finance Minister had explained the main points in the papers circulated. The Chief Ministers were naturally anxious that



the State plan for 1957-58 as accepted by the Planning Commission should go forward. On that basis, during 1956-57 and 1957-58, a little over 1/3rd of the expenditure in the public sector of the Plan would have been incurred. During this period, the deficit financing would be about 50 per cent of what was envisaged when the Second Five Year Plan was prepared. In a speech in Parliament, the Finance Minister said he could not contemplate deficit financing of more than about Rs. 800 crores and even this would be excessive unless agricultural production increased and the price level went down. The Deputy Chairman said that the Second point which he wanted to emphasise was about small-savings. During 1956-57 and 1957-58, the expenditure in the public sector would be of the order of about Rs. 1,700 crores. During the first two years of the Second Plan, the order of expenditure in the private sector might be about Rs. 1,000 crores. With all this expenditure mounting up, they ought to be able to do much better in small saving than during the first plan period. If the effort was made, it should be possible to increase the receipts from the national savings movement, particularly in the rural areas. The Deputy Chairman suggested that it should be possible in these few years to cover the entire area of the States with cooperative societies and to bring in a little more than half the population into the savings movement. Another point which he emphasised was the utilisation of the irrigation resources both of the minor schemes and of the large irrigational works for the purpose of increasing agricultural production.

77. The Minister of Planning, **Shri Gulzarilal Nanda** said that from the statistics maintained by the Employment Exchanges it appeared that from 1952 onwards, so far as the unskilled labour was concerned, the numbers on the live register had been rising year after year. The rise in respect of skilled and semi-skilled labour was, however, small. In respect of clerical job seekers, the rise was from 96,000 to about 1,50,000. The obvious remedy was to convert the unskilled into skilled. It was, therefore, decided in connection with the Second Five Year Plan, that 10,000 persons should be trained as craftsmen in addition to 7,000 seats for apprentices and another 4,500 for evening classes. It has now been decided to add 20,000 to this figure. Shri Nanda found, however, that in the course of the last year progress in craftsmen training had been slow. The shortage of the last year should be made up this year. He emphasised the importance of craftsmen training in the Second Five Year Plan and expressed the hope that it would be possible in all States to make the necessary arrangements. Wherever possible existing buildings could be hired.

### Relief for low-paid employees

78. The Finance Minister, Madras, **Shri C. Subramaniam** said that relief had been given to a certain extent but there should be a long range plan. He suggested that at least by the third five year plan, it should be possible to achieve some sort of parity between the emoluments of the employees of the Central and State Governments. Shri Subramaniam referred to the agitation among the railway employees and Post and Telegraph employees and said that if there was any increase of pay at the Centre it would affect the State Government employees also. He suggested that there should be a national policy for all Government employees and requested the Planning Commission to look into the matter.

79. The Finance Minister, Bombay, **Dr. Jivraj Mehta** said that in Bombay State they had given some relief to medical and educational staff.

80. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** said that with the limited resources available some small assistance could be given to low-paid employees but it was found that it did not satisfy anybody. He suggested, therefore, that a long range policy should be evolved



for giving relief to those people. It would not be possible for the States to meet this deficit without assistance from the Centre.

81. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** said that the financial implications of the proposals were such that the State Government had to be cautious in taking a decision. The State Government would have to find about Rs. 2.81 crores in the next year to meet its own part of the obligation if the salary was increased by Rs. 5. He would, therefore, like to have further time to consider this matter.

### **Certain matters relating to the levy of sales tax**

82. The Union Minister for Finance, **Shri T. T. Krishnamachari** said that there was not much progress since the last meeting of the Council regarding the levy of sales tax. The question was referred to all the Chief Ministers and the reactions which were obtained made him somewhat nervous about proceeding further. Except for Bengal and Assam, all the other States had more or less accepted the scheme but the conditions imposed were somewhat onerous. The claims which the States made in regard to their own income from sales tax on the three commodities would amount to roughly half the total sales tax collected in India. His intention was to levy a small surcharge on excise duty on cotton textiles, sugar and tobacco so that the total amount collected would be of the order of Rs. 62 crores which he thought would be equal to, if not a little higher than, what the States were making on account of the Sales Tax on these commodities. But the States' claims were 50 per cent more than his expectations. In these circumstances, the Finance Minister said, he was inclined to withdraw the proposal altogether.

83. The Chairman observed that when the matter was discussed on the last occasion, it appeared that there was general agreement about the principle because, it obviously brought a measure of uniformity and also relief to the person who paid. The only question that arose then was how the money was to be distributed. The first point was that every State would get at least what it was getting or possibly more. Secondly, this matter might be referred to the Finance Commission. At one time, it appeared that the Finance Commission were not anxious to deal with this matter but the matter had now been referred to them. It appeared that Madras and Punjab had fully agreed with the scheme while Andhra, Bombay, Mysore, Orissa and Uttar Pradesh generally agreed with it. The States which had disagreed were Assam and West Bengal.

84. The Union Minister for Home Affairs, **Shri Govind Ballabh Pant** said that the proposal to replace sales tax by a common surcharge on excise duty by the Centre was hailed with satisfaction by the consumers and traders alike. Under the existing arrangements, the trader whose turnover was below a specific figure did not have to pay sales tax and any attempt to lower the limit would be resented. If the duty was levied by the Centre, there would be uniformity and larger coverage. Apart from this, undoubtedly there was considerable leakage and this would cease when the tax became part of the excise duty. There would also be a saving resulting from one agency instead of two agencies collecting the tax. He did not see why there should be any objection from any quarter to this arrangement which would be beneficial to the traders, consumers and all concerned. He, therefore, expressed the hope that the Finance Minister would not be compelled to withdraw the proposal. But it could be implemented only with the willing cooperation of the States. The Union Minister for Home Affairs appealed to the States to accept the scheme as they would profit by it, the people would welcome it and the scheme would avoid many of the complexities and difficulties which were arising under the present system.

85. The Finance Minister, Bombay, **Dr. Jivraj Mehta** said that the Bombay Government had agreed to the scheme on the condition that the distribution would be on the basis of consumption. They, had some preliminary discussion with the Finance Commission on the subject. The Chairman of the Commission had expressed the view that it was not practicable to apply the basis of consumption because of the difficulties in getting necessary data for it.
86. The Chairman said that it would be necessary to agree to accept the advice of an independent authority. Otherwise after going through all the processes the whole thing would have to be dropped.
87. The Finance Minister, Bombay said that with the imposition of the inter-state sales tax, the chances of evasion, were relatively less. If the proposal was dropped, it would not, therefore make much difference to most of the States.
88. The Union Minister for Home Affairs said that the Finance Commission might be requested to take the proposal regarding distribution on the basis of consumption also into consideration in making its recommendations. It would really be unfortunate if the proposal was dropped as it was in the interest of the traders and consumers. Sales tax had provoked wide-spread discontent and even resentment. He suggested that even if a particular State did not like the scheme, it should come in if the large majority of the States wanted it.
89. The Chairman said that the average taxpayer was more worried about the manner of paying the tax and the harassment involved than the actual sum he paid. The proposal to replace the sales tax by a surcharge on excise duty was a simple way of avoiding this. There were often major agitations on sales tax in various States. He thought that it would be worth introducing the scheme even if they lost money but actually they would get more.
90. Prof. Mahalanobis suggested that the principle of distribution on the basis of consumption was quite equitable. Special methods would have to be developed to find the consumption. Such methods might not be absolutely accurate but the problem was not incapable of being solved. If it was accepted in principle that the distribution would be on the basis of consumption then some kind of estimates of consumption would have to be made.
91. The Union Minister for Home Affairs, said that a reference could be made to the Commission that they should take consumption into account while determining the share of each State. Any inaccuracies in the estimates of consumption could be corrected on the basis of the figures obtained after a year's operation of the scheme.
92. The Chief Minister, Assam, said that on reconsideration the Assam Government would not have any objection to the proposal.
93. The Finance Minister, Bombay, said that the principle was acceptable to the State but they did not agree to the method of implementation.
94. The Union Finance Minister, said that he had suggested to the Finance Commission that distribution should be on the basis of consumption. The Commission could not commit themselves but they did not say that consumption would not be taken into account.
95. The Chairman said that the Finance Minister might go ahead with the reference to the Finance Commission. The allocation might be based on a certain figure representing the total collections, the figure being revised, it necessary, at a later stage depending on the rate of surcharge.
96. The Chief Minister, Bihar, referring to the question of inclusion of foodgrains, fertilisers and

edible oils in the list of 'declared goods' said that it was difficult for the State to give up a revenue of Rs. 50 lakhs which they collected as sales tax on foodgrains. He requested that the matter be considered at a later date or in a meeting of the Finance Ministers.

97. The Union Minister for Food and Agriculture said that it was anomalous that while Government of India were making every effort to bring down the prices of foodgrains and other commodities and were subsidising the sale of foodgrains in certain regions, the State Governments should do something which would raise the prices of foodgrains. The incidence in certain States worked out to about 10 per cent which was very high. The Union Food & Agriculture Minister requested the States to agree to forego this sales tax until the prices of foodgrains came down to a reasonable level. So far as fertilisers were concerned, the Union Minister for Food & Agriculture said that they were in the nature of raw material for the production of foodgrains and for that reason it should be included in the list of declared goods. All oilseeds were included in the list of 'declared goods' and it was anomalous that edible oils were not included.

98. The Chairman said that it was very odd that on the one hand the sale of foodgrains were subsidised and on the other hand a tax was levied. There was no logic in it.

99. The Finance Minister, Madras said that they would consider this matter.

100. The Chairman referring to the proposal to exempt all books from sale-tax suggested that books should be exempted from sales tax. Books were much too expensive in the country and the reading public for books in the country was small.

101. The Chief Minister, Andhra Pradesh, said that those who read books could afford to pay the tax. In Andhra Pradesh text books were exempted.

#### **Fourth Report of the Programme Evaluation Organisation on Community Projects and National Extension Service**

102. **Dr. V. K. R. V. Rao** referred to a number of suggestions which he had put forward in the note circulated to the Members of the Council. The first suggestion was regarding the desirability of reviewing the contents of the community projects and national extension service programme. There were many categories of activities under the programme and a large number of items under each category. When the resources in terms of funds, personnel or technical skill were exceedingly limited, energies would be dissipated if they were spread over a large number of items. A suggestion had been made, therefore, that instead of concentrating on so many items, only a few important items need be taken up during the second plan period and the rest might be taken up in the Third Plan. So far as the Second Plan was concerned, it was obvious that priority should be accorded to production, both agricultural and industrial. It was clear that for the next two or three years, an all out effort had to be made in the country to increase production of food and the output of cottage and small scale industries. Dr. Rao added that agriculture was the main field where popular participation, non-official leadership, administrative efficiency and enthusiasm could be effectively utilised. A good deal of emphasis should be laid on manurial items, agricultural techniques and improved seeds. Dr. Rao referred to the note by an Adviser, Programme Administration of the Planning Commission making certain suggestions regarding the spreading of green manuring. The farmers could grow green manure on the borders of the fields so that there was no waste of land. The scheme did not cost a great deal of money, but involved a little organisation, enthusiasm and energy. As regards improved seeds, Dr. Rao referred to the suggestions contained in the Planning

Commission's supplementary paper on targets of agricultural production.

103. Dr. Rao said that the whole object of the national extension service and community project programme was to bring about a revolution in the country, a change in the attitude of the people which would initiate a process which would be self-accelerating. It was, therefore, important that action should be co-operative rather than individual. The Programme Evaluation Organisation felt that enough attention was not being paid to the use of either the panchayat or the co-operatives for the purpose of the village programme. It would be somewhat troublesome to make use of the co-operatives and the panchayats and to activate and enthuse them, but it was only by such a process that economic development of the type expected could be brought about in the rural areas.

104. Dr. Rao said that another point made in the Report was that the national extension service did not have sufficient material resources to bring about a fundamental change in the countryside. A.N.E.S. block had only Rs. 4 lakhs for 3 years. The National Extension Service was only an agency for ascertaining local requirements, eliciting local co-operation, communicating Government's ideas to the villagers and the ideas of the villagers to the Government and thereby bring about co-operation between the administration and the people. He suggested that all the development budget for each year for education, health, drinking water and irrigation should be treated as the budget for the National Extension Service and the budgets should be broken up under these heads. Such administrative use of the National Extension Service would bring about a fundamental change in concept.

105. Dr. Rao said that if the panchayats were to be utilised, it was obvious that their financial resources should be improved. It was also important that there should be more education amongst the people in the principles of co-operation. Dr. Rao also suggested that the village workers and block officers should not be merely agency for rural development but missionaries for the concept of planning. In order to achieve economic success it was necessary for the people of the countryside to know that planning meant priority; and that it meant postponing the less desirable things against the more desirable. He suggested that the National Extension Service should be used for the purpose of creating in the country side a proper understanding of planning.

106. The Minister for Community Development, **Shri S. K. Dey** said that some of the shortcomings of the programme which had been pointed out were unavoidable. The programme had been under the charge of the Chief Ministers of the States and they had supported the programme in an abundant measure. The programme was suffering from various disabilities and unless certain vital decisions regarding the attitude on certain strategic problems were taken, the next Evaluation Report might be more frightening. When the programme was begun, funds were provided and the departments were required to work together so as to build a community of the people. It was the making of the community which was more important than the community centre.

107. Shri Dey said that the burden of the programme was borne by the Development Commissioners in the past five years. It was possible for them to run this programme single-handed while it was limited to a few blocks in the State. The programme had now taken over virtually two-fifths of the population and by the end of the year would cover half the population. It was not possible for any Development Commissioner or any organisation to be a substitute for whole Government. In spite of the decisions taken at the various meetings of the Development Commissioners and in spite of the various circulars, the Departments in the States did not treat the programme as their own and participate in it in that spirit. Shri Dey pointed out that the block should be treated as a unit of development and the block agency should be treated as a funnel through which all the resources of the Government for Government work should flow to the people.

108. It had been pointed out that it was possible to cover all the villages with the same intensity. Shri Dey said that even by multiplying the strength of gram sevaks five times, it would not be possible to cover all the villages with the same intensity for the simple reason that all the villages were not equally developed. Moreover, the Government agencies with the best of intentions could not be a substitute for organised social and political consciousness in the people. It was, therefore necessary to build institutions of people and also to bring the people's representatives in the Parliament, in the State Legislatures and in the district boards down to the people and see that they participated in creating political and social consciousness in the people. The Members of the Informal Consultative Committee in the Parliament for the Ministry of Community Development had agreed to go into the projects, spend a number of days in acquainting themselves with the work and advising the Ministry and the workers on the ground. The State Governments had also been requested to create consultative committees of Members of the State Legislatures. It was necessary to give these Members the fullest opportunity to study things at the ground level and participate in the programme with the people. It was also necessary to make the project and block Advisory Committees as effective as possible for the planning and implementation of the programme.

109. Shri Dey said that last year it was decided that regardless of the risk involved, an attempt should be made to incur expenditure not through the Government agencies but to the maximum extent through the panchayats, perhaps the Government apparatus might do the work more thoroughly than the people's organisations. But in order to achieve the objective of building up a self-reliant community, a certain amount of loss involved in entrusting the works to the people would ultimately be a good investment.

110. Shri Dey said that the conclusions and recommendations of the Development Commissioners Conference had been discussed with Central Ministries and steps had been taken to bring about the necessary coordination of policy. The Central Ministries concerned would issue suitable instructions to their counterparts in the States on the lines agreed at the Mussourie Conference. Similar action should be taken at the State level and also at the district and village level.

111. Shri Dey emphasised that it was too much to expect the Development Commissioners through one or two deputies to go around the countryside and supervise the programme in all its aspects. It was necessary for the Heads of Departments in the States to go down to the districts and see how the programme was moving and how the District officers were working. It was not possible for the technical officers of the district at lower levels to concentrate on their work in the field unless they received guidance from the heads of Departments at the State headquarters. Shri Dey said that the Development Commissioners had an opportunity of discussing all these subjects with their associates in the technical departments. The Ministry of Community Development had also emphasised the importance of the production programme agriculture, animal husbandry, irrigation and village industries and along with it co-operation and panchayats. These productive programmes could not be implemented unless there was proper pooling up of the technical departments. In the field of agriculture, there was some technical knowledge amongst the agriculturists and even in the departments, but such knowledge was lacking in the field of village industries. The Ministries dealing with industries and with co-operation were attempting to establish effective agencies in the States. Concluding his observations Shri Dey requested the State Governments to lay special emphasis on the two principles, *viz.*, the block being the administrative unit and the extension agency being the only vehicle through which all assistance should flow to the people.



112. The Chief Minister, Bombay, **Shri Y. B. Chavan** observed that the Report of the Programme Evaluation Organisation was a very important document. The two ideas which were put forward in the Report were important from the point of view of the future of the national extension service and the community development programme. The suggestion that the programme should concentrate on a few items was a practical one and it would be possible to bring in results in a shorter time. Shri Chavan said that with the small amount of Rs. 30,000 provided for the post intensive phase it was difficult to carry on the programme particularly when the intention was to make the people self-reliant and work through their own institutions like panchayats and cooperatives. It would be better to expand the period of the programme from 3 to 5 years even in the intensive stage and if necessary in the post-intensive stage also. In order to maintain the progress achieved in the intensive phase, it was necessary to have a bigger programme, in terms, of money for the post-intensive period.

113. The Chief Minister, Madhya Pradesh, **Shri Kailas Nath Katju** said that he had read the report with great care and found it very interesting. It had been rightly pointed out that in the community projects centres, greater stress had been laid upon providing amenities rather than on increasing agricultural production. Shri Katju said that he had found that wherever the work had been completed and the Development Officer had moved away to some other village, the People thought that they had nothing more to do. It was, therefore, important to make the people interested in the work and to encourage panchayats and co-operatives to do the work themselves. People should not be made to think that the Community Projects and National Extension Service were the means for getting Government money.

114. The Chairman said that they must all agree with most of what Dr. Rao had said. It was obvious that they should concentrate on certain aspects of the work, production of food grains, small scale industries, cottage industries etc. The second aspect was also important, namely, the development of local initiative through panchayats, co-operatives etc. In the early stage of the Community Projects movement, it was necessary to do something which would interest the people and which would draw them out and arouse their interest.

115. The Chairman emphasised the point made by Shri Dey that it was unreal to expect the best of the officers to deal with the entire rural population. Therefore, the goodness of an officer should not lie in what he did but what he could make the people do. The Chairman said that he was glad that the Programme Evaluation Committee had gone into these matters and drawn attention to a number of failings. At the same time it should be remembered that the Community development schemes started only on the 2nd October, 1952. In this short period of less than five years the programme had spread and the results, in spite of the deficiencies pointed out, were just amazing. As the movement spread more problems and more difficulties might be coming but the people should be made to solve them. Otherwise there was the danger of *being* crushed by the weight of the hopes and enthusiasm raised in the people.

## Family Planning

116. The Members of the Council agreed to the recommendations made in the paper. The Chairman observed that all the problems discussed in the Council ultimately turned round to the number of people to be fed, clothed and found work. The greater the number, the greater the difficulties. The most effective work in the field of family planning done by women. It would be useful to have some kind of Advisory Board attached to the Planning Commission or the Ministry of Health consisting mostly of women workers. He suggested that the States which had not taken steps to



appoint family planning officers and set up advisory boards should do so without delay.

117. The Chairman expressed his thanks to the Chief Ministers and the other Ministers for coming to New Delhi to attend the meeting of the National Development Council. The discussion during the two days was extremely useful. Previously they had not met at a time when they had to face a very difficult economic and financial situation. He was glad they were facing difficulties because no people could really wake up to a big task unless they faced difficulties. They had got into the habit of thinking that things happened automatically and that they could live on without any special effort. In the next two years, they had to make a special effort at every step. After that, it was hoped, that there would be a turn in the tide which would bring in the more important results of the people's labour. There were many people in the wide world who were interested in what India was doing. It was important that the basic element of the Plan must get through and at the same time the economy should be built up and given the right direction. Obviously this could not be done by the Central Government alone. It could be done only with the closest co-operation between the State Governments and the Central Government and of the people. This meant that the people should understand the problems; every effort should be made to explain to them the plan and the difficulties which were being confronted. The Chairman expressed the hope that the Members would go away not only with realisation of the big job they had undertaken but also with a stout heart to face and overcome the difficulties.

## ANNEXURE

### **SUMMARY OF CONCLUSIONS AND SUGGESTIONS ARISING OUT OF THE NINTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON JUNE 3 AND 4, 1957.**

#### ***Rehabilitation of displaced persons from East Pakistan with special reference to resettlement on land.***

1. A committee of Chief Ministers of the States concerned should be set up under the Chairmanship of the Union Minister of Home Affairs to determine the number of displaced persons from East Pakistan to be settled in each State. It would be the responsibility of the State Government concerned to formulate and implement schemes for the settlement and rehabilitation of the displaced persons in consultation with the committee and the Planning Commission.
2. An autonomous central authority should be constituted to develop in a coordinated manner an area of about 20,000 square miles in Dandkaranya, stretching from the Malkangiri Taluk of Koraput District of Orissa to the Bastar District in Madhya Pradesh and including a portion of the Warangal District of Andhra Pradesh. In developing the land and making it suitable for settlement, the association of displaced persons may be secured as far as possible at an early stage.

#### ***Review of the Food and Agricultural situation—Minimum prices for agricultural commodities***

3. Efforts should be made to improve statistics relating to areas and yields of agricultural crops and to ensure uniformity in the methods of collecting them. With this object there should be early consultation between officials of State Governments, the Central Statistical Organisation and the Ministry of Food and Agriculture.
4. Every effort should be made to utilise the irrigation facilities available from the major and minor works including the tubewells with a view to increasing food production. Irrigation projects should be planned in such a way that the facilities would be utilised as soon as the projects were ready.
5. Every effort should be made to utilise the local manurial sources and to encourage the use of improved seeds so as to raise agricultural production.
6. In order to maintain the prices at a reasonable level it is necessary to maintain fair price grainshops and to increase their number to the extent necessary. To facilitate the efficient operation of the system of fair price shops it would be desirable to have family identity cards.
7. Appropriate action is required to deal with the rise in the prices of foodgrains which has occurred in recent months in several States, including those which normally have a surplus, due to the export of substantial quantities of foodgrains to the deficit areas. The question of introducing zonal arrangements for regulating movement of foodgrains may be discussed further between the Ministry of Food and Agriculture and the State Governments concerned.

8. It will be desirable to fix minimum prices for foodgrains. The level of prices to be announced for the kharif season may be decided after examining all the relevant considerations.
9. In working any system of minimum prices cooperatives, especially marketing cooperatives, would have an essential role to play.
10. The food problem should be so managed that if imports in sufficient quantity are not available at any time on account of international or other factors, the country will not be faced with an impossible problem.

### ***Review of the economic situation—Resources for the Plan—Financing of the Plan for 1957-58***

11. In view of the current upward pressure on prices and the increased emphasis on keeping deficit financing within limits, the Centre and the States should make a common effort to raise resources for the Plan.
12. The States will endeavour to balance their revenue budgets and keep non-plan expenditure under strict control.
13. Special effort should be made in the States to increase the resources from small savings on the basis of the new schemes announced by the Ministry of Finance and the decision to give the States a larger share out of the total amount raised under the small savings schemes.
14. The States may raise loans without going to the institutions connected with the Central Government. The terms for such loans should be discussed between the representatives of the States, Reserve Bank of India and the Ministry of Finance.
15. Procedures for drawing up annual plans and for the sanction of schemes will be reviewed so that delays in obtaining sanctions and implementing the programmes are avoided. Questions relating to procedures will be considered by the Planning Commission and the Ministry of Finance as well as by the State Governments.
16. Efforts at conserving and increasing foreign exchange resources will be continued and no fresh commitments of foreign exchange resources on projects which are outside the core of the Plan and against which no external assistance is forthcoming can be made until the situation shows marked improvement.

### ***Employment and Craftsmen's Training***

17. In the Sample Surveys an attempt should be made to obtain more accurate data to facilitate judgement regarding the trends in employment.
18. Greater attention should be given to the training programmes for unskilled workers in order to reduce unemployment among such workers and also to meet the shortages of skilled and semi-skilled workers. In the States more attention should be given to schemes of craftsmen's training.

### ***Levy of Sales-tax by States***

19. The basis of distribution among the States of the income from the surcharge on Central

excise duties proposed to be levied on mill-made textiles, tobacco and sugar to replace the sales-taxes on these articles may be considered after the recommendations of the Finance Commission on the subject are available.

20. Books should be exempted from the levy of sales-tax.

21. The question of including foodgrains among 'declared goods' under the Central Sales-tax Bill 1956 will have to be considered further.

### ***Constitution of a Standing Committee for the National Development Council***

22. A Standing Committee of the National Development Council consisting of the Chief Ministers of the 14 States and members of the Planning Commission should be set up. The Committee would meet from time to time in between the meetings of the Council.

### ***Fourth Report of the Programme Evaluation Organisation on Community Projects and National Extension Service***

23. The suggestions made in the Fourth report of the Programme Evaluation Organisation are generally acceptable. The content of the Community Development programme should be reviewed in order to evolve priorities and concentrate on certain essential items first. Increased emphasis should be given to the production aspect of the programme including agriculture, animal husbandry, cottage and small scale industries, etc. Local initiative should be developed more fully through the medium of panchayats and cooperatives. Development block should be treated as a unit for the purpose of planning and development and National Extension Service as the agency through which the resources of Government flow to the people.

### ***Family Planning***

24. Early steps will be taken by the State Governments to appoint Family Planning Officers with a view to ensuring that the family planning programme is carried out expeditiously. The expenditure on salaries and allowances of the officers for the first three years would be borne by the Central Government.

## PARTICIPANTS

### PLANNING COMMISSION

1.	Shri Jawaharlal Nehru	..	..	..	Chairman
2.	Shri V. T. Krishnamachari	..	..	..	Deputy Chairman
3.	Shri Gulzarilal Nanda	..	..	..	Minister of Planning
4.	Shri T.T. Krishnamachari	..	..	..	Member (Finance)
5.	Dr. J.C. Ghosh	..	..	..	Member (Education)
6.	Prof. P.C. Mahalanobis	..	..	..	
7.	Shri S.N. Mishra	..	..	..	Dy. Minister of Planning
8.	Shri L. N. Mishra	..	..	..	Parliamentary Secretary to the Minister of Planning.
9.	Shri Y. N. Sukthankar	..	..	..	Secretary

### UNION MINISTERS

1.	Maulana Abul Kalam Azad	..	..	..	Minister for Education and Scientific Research.
2.	Shri Govind Ballabh Pant	..	..	..	Minister for Home Affairs.
3.	Shri Jagjivan Ram	..	..	..	Minister for Railways
4.	Shri Lal Bahadur Shastri	..	..	..	Minister for Transport and Communications.
5.	Sardar Swaran Singh	..	..	..	Minister for Steel, Mines and Fuel.
6.	Shri Ajit Prasad Jain	..	..	..	Minister for Food and Agriculture.
7.	Shri S. K. Patil	..	..	..	Minister for Irrigation and Power.
8.	Shri D. P. Karmarkar	..	..	..	Minister for Health.
9.	Dr. Panjabrao S. Deshmukh	..	..	..	Minister for Cooperation.
10.	Shri Mehr Chand Khanna	..	..	..	Minister of Rehabilitation and Minority Affairs.
11.	Shri Raj Bahadur	..	..	..	Minister for Shipping
12.	Shri Manubhai Shah	..	..	..	Minister of Industry
13.	Shri Surendra Kumar Dey	..	..	..	Minister of Community Development.
14.	Shri J. L. Hathi	..	..	..	Deputy Minister of Irrigation and Power.
15.	Shri B. R. Bhagat	..	..	..	Deputy Minister of Finance.

**STATES**

1. Andhra Pradesh	Shri N. Sanjeeva Reddy	Chief Minister
	Shri B.V. Raju,	Planning Minister
2. Assam	Shri Bishnuram Medhi	Chief Minister.
	Shri K. P. Tripathi,	Planning Minister
3. Bihar	Dr. Srikrishna Sinha,	Chief Minister
	Dr. A.N. Sinha,	Finance Minister
4. Bombay	Shri Y. B. Chavan	Chief Minister
	Shri S.K. Wankhede	Planning Minister
	Dr. Jivraj Mehta	Finance Minister
5. Kerala	Shri E.M.S. Namboodiripad	Chief Minister
	Shri K. C. George	Food Minister
6. Madhya Pradesh	Shri Kailas Nath Katju	Chief Minister
7. Madras	Shri K. Kamaraj Nadar	Chief Minister
	Shri C. Subramaniam	Finance Minister.
8. Mysore	Shri S. Nijalingappa	Chief Minister
9. Orissa	Shri Dinabandhu Sahu	Industries Minister
10. Punjab	Sardar Partap Singh Kairon,	Chief Minister
11. Rajasthan	Shri Mohan Lal Sukhadia	Chief Minister
12. Uttar Pradesh	Dr. Sampurnanand	Chief Minister
13. West Bengal	Dr. B.C. Roy	Chief Minister
	Shri P. C. Sen	Food Minister

**UNION TERRITORIES**

1. Himachal Pradesh	Raja Bajrang Bahadur Singh Bhadri, Lt. Governor.
2. Delhi	Shri A.D Pandit, I.C.S., Chief Commissioner.





**TENTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : MAY, 1958**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

**SUMMARY RECORD OF THE TENTH MEETING OF THE  
NATIONAL DEVELOPMENT COUNCIL**

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**AGENDA**

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1. Appraisal and Prospects of the Second Five Year Plan.
2. The revision of the Programme of Community Development.
3. Arrangements for Deployment of Surplus Personnel in major projects in the public and private sectors.

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**SUMMARY RECORD**

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**MAY 3, 1958**

**MORNING SESSION**

In his opening remarks the Chairman, **Shri Jawaharlal Nehru**, observed that they had met to consider an appraisal and prospects of the Second Five Year Plan and whether there was any necessity for its revision. They had to remember that the First, Second and Third Five Year Plans were parts of a continuing process and therefore they had to bear in mind what was to be done for the Third Five Year Plan. Unless they began to think about the Third Plan immediately and prepared for it, they would be at a dead end and produce something very inadequate.

2. The Chairman said that the Planning Commission had had for a short time a Perspective Planning Division which had done useful and important work in regard to the collection of manpower statistics. It had made studies about scientific and engineering personnel of various types and it was extraordinarily interesting how modern techniques had been employed in these studies. The Planning Commission had also set up an Agricultural Personnel Committee. All this was interesting because Planning was based not only on certain objectives but on statistical data. Their food statistics should be uniform so that there was a common measuring rod for statistics in the different States. They had to go pretty far in applying the sample survey method which was a modern method of getting information. It was an expensive method but compared to vast amounts of money spent on food imports, every method that tried to solve that problem and reduce food imports was worth while and inexpensive.

3. Referring to the report of the Estimates Committee of Parliament on the Planning Commission, the Chairman said that government and the Planning Commission would consider the suggestions, proposals and criticism of the Committee. He himself did not agree with some of the proposals but naturally they had to consider them. They were gradually crossing the threshold of Planning. The First Plan was hardly a plan, as it only arranged things which had been done in proper order. However, it was a successful beginning and it created a certain amount of confidence. The Second Plan was a definite attempt at planning in spite of the lack of statistical data and other difficulties. The main lesson to learn was progressively how to plan and what to plan. They had to be clear about the Third Plan and had to develop, much more than they had done, perspective planning because what they did to-day could only be correctly judged by knowing where they were going to.

### **APPRAISAL AND PROSPECTS OF THE SECOND FIVE YEAR PLAN**

4. The Finance Minister, **Shri Morarji Desai** referred to the paper already circulated on item 1 of the Agenda and said that he would give a short summary of the paper so that the essential features might be understood quickly. They started with a plan of Rs. 4,800 crores, though all the resources they put together did not go beyond Rs. 4,400 crores and there was gap of Rs. 400 crores. After that the cost of some of the projects in the Plan went up and there was some extra expenditure on non-plan items also which raised the cost of the Plan beyond Rs. 4,800 crores. Yet a decision was taken to keep the plan at Rs. 4,800 crores. This meant some reduction all round in the Plan as it was. The position had now become more difficult because the Plan could not be maintained at Rs. 4,800 crores unless all the States and the Centre were prepared to raise their

resources considerably. In the first two years, the total outlay on the Plan was Rs. 1,496 crores and it involved deficit financing of Rs. 702 crores. In the current year, the budgeted plan outlay of the Centre and the States together was Rs. 1,000 crores and if a little short-fall was allowed for, the outlay for the first three years would amount to Rs. 2,456 crores. In the current year, deficit financing was proposed to be reduced to Rs. 250 crores as against Rs. 464 crores in the previous year. The limit of deficit financing in the Plan was taken at Rs. 1,200 crores but last year it was proposed to restrict it to Rs. 900 crores. The limit would be crossed during the current year and it would be something to be thankful for if it could be limited to Rs. 1,200 crores. If they went on at this rate in future there could be no assurance that they would not suffer and they had to be careful about it. Referring to the papers which had been circulated, the Finance Minister pointed out that there was shortage not only of external resources but also of internal resources. In the current year's budget, credit had been taken for external assistance of Rs. 325 crores. Assuming assistance of Rs. 300 crores in the remaining two years and postulating moderate increase in the yields from loans and small savings, the total resources for the five-year period worked out at Rs. 4,260 crores. External assistance authorised since the commencement of the Plan was about Rs. 680 crores and another Rs. 500 crores were still required. In September, 1957 the requirements for the remaining period of the Plan had been estimated at Rs. 700 crores. Since then some assistance had been received but there was still a gap of about Rs. 500 crores to be filled. After examining carefully all the resources, it appeared that they could not raise resources of more than Rs. 4,200-4,300 crores but if additional taxation of about Rs. 100 crores i.e. Rs. 40 crores by the Centre and Rs. 60 crores by the States was raised, big borrowings and small savings were increased to yield an extra Rs. 60 crores in the next two years and another Rs. 60 crores were raised through economy in expenditure and collection of arrears of taxation and loans they could go upto 4,500 crores.

5. The Finance Minister said that there was scope for saving in the expenditure on building activity, which totalled up to Rs. 900 crores. A saving of Rs. 200 to 300 crores could possibly be made. At present it would not be worthwhile to go beyond an outlay of Rs. 4,500 crores on the Plan and therefore whatever was assigned must be on the basis of Rs. 4,500 crores and not more.

6. The Chief Minister, West Bengal, **Dr. B.C. Roy** referred to two matters taken up by him with Deputy Chairman, Planning Commission one of which related to the method of the Central Government's contribution to Plan outlay in the States. About that he had received a satisfactory reply from the Deputy Chairman. The other matter related to consolidation of the loans about which a scheme recommended by the Finance Commission was first accepted by the Government and later on withdrawn. From a letter issued by the Government of India on 25th January, 1958 it appeared that there would be discussion with the State Governments. The Chief Minister said that if the matter was discussed with the State Governments and some method of consolidation of loans was adopted, an amount of Rs. 3½ crores would become available to the States. The question of repaying the loans could be postponed for four or five years until the States developed sufficiently their resources to be able to pay back the loans. Referring to the statement of resources in the paper on item I of the agenda, the Chief Minister observed that compared to the original estimates there had been an increase in almost all the items such as the balance from current revenues, railways and foreign assistance. The only item where the increase was not evident was small savings. As regards the figures given for additional taxation in States, so far as West Bengal was concerned these were wholly wrong. For instance it was mentioned that in 1958-59 there would be no realisation from additional taxation. Actually there had been additional taxation to the extent of Rs. 8.3 crores. This was because in September-October 1957 new taxes had been introduced and with reference to these he had stated in his budget speech in February 1958 that he did not

## Summary Record of Discussions of the NDC Meetings

propose to have any more taxation. He would not claim that the whole of the yield from new taxes was used for development purposes but the same was true regarding the resources raised by additional taxation by the Central Government. The estimates of resources might be examined by a small sub-committee set up by the Planning Commission. His estimate for West Bengal was that in the last three years they had raised Rs. 22 crores and over the five years they would raise Rs. 38 crores.

7. Dr. B.C. Roy said that there was a tendency for the Government of India to reduce the amount of Central assistance in the second and third years of the Plan. He pointed out that the tempo of development was bound to go on increasing and if Central assistance was reduced it would not be possible for them to satisfy either the Government or the people.

8. Referring to the proposal to limit the Plan outlay to Rs. 4500 crores, Dr. Roy observed that two decisions might be taken before this was done: firstly, whether the additional taxation that they had provided for was the same as was given in the annexure to the paper on agenda item 1 or more and secondly, whether some arrangement should not be made with regard to consolidation of loans which would postpone repayment for three or four years. Regarding the additional taxation of Rs. 60 crores proposed for the States, Dr. Roy suggested that the States which had not contributed towards realising the earlier target of Rs. 221 crores should put in additional taxation.

9. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** explained that postponement of the repayment of loans was really not going to add to the resources. As regards the additional taxation resources, the Centre expected to raise Rs. 725 crores of addition taxation in five years and the States about Rs. 173 crores. Excluding committed expenditure, non-plan expenditure, etc. the States were going to contribute just what they had promised from their own resources for the Plan, although they had received Rs. 160 crores from the Finance Commission.

10. The Minister For Home Affairs, **Shri Govind Ballabh Pant** referring to Dr. B. C. Roy's suggestion regarding consolidation of loans observed that they were taking all the resources into account whether of the Centre or of the States. If any sum was transferred from the Centre to the States or from the States to the Centre, some relief or some adjustment was there but so far as resources for the Plan were concerned they had to be taken in the aggregate. The main point was whether any State was in a position to say that it would be able to provide a larger amount for the Plan than had been provided in the estimates.

11. Dr. B. C. Roy enquired whether the figures under 'Unfunded Debt and Miscellaneous Capital Receipts' in table 5 in the paper on Agenda Item 1 took into account the money realised from the different States from the loans that had to be repaid. The Deputy Chairman, Planning Commission, explained that the repayments would be included in the capital receipts. The figure given was negative because the loans paid out are larger. Dr. B. C. Roy said that he would like to get this matter cleared up in a discussion.

12. The Chief Minister, Bombay, **Shri Y. B. Chavan** said that he generally, agreed with the provisions mentioned in the paper on item 1. If it was decided to reduce the allotments in the Plan it should not be done in a general way but only after consulting each State as to their priorities and emphasis. In the Bombay plan nearly 45 to 50 percent of the allocation was made for the schemes of irrigation and power and it would be harsh if a general decision was taken to make a cut in the provisions for irrigation and power as such.

13. Referring to the additional resources to be raised Shri Chavan said that the Bombay State



had not been able to do what they had promised by way of additional taxation. The State did not receive anything substantial as a result of the recommendations of the Finance Commission. In spite of that they had done their best in the field of additional taxation. The taxation proposals introduced during the current year would yield Rs. 9 crores over the remaining years of the plan period.

14. Shri Chavan said that if reductions were carried out in the provision for agricultural production and minor irrigation, it would affect the Bombay State adversely. They had an ambitious programme for soil conservation which was being taken up as a people's movement. Nearly 1½ lakh acres were being bunded and if money was not provided at this stage it would dampen the enthusiasm of the people. Shri Chavan concluded by saying that it would not be possible for them to go in for further taxation though something would be done in the field of small savings and loans.

15. The Deputy Chairman, **Shri V. T. Krishnamachari** pointed out that in the allocation of Rs. 4500 crores, Rs. 36 crores extra had been provided for field channels etc. to enable the States to utilise fully the storage waters. Another Rs. 10 crores had been provided for general agricultural improvement.

16. The Member for Irrigation & Power, Planning Commission, **Shri C. M. Trivedi** said that the revised allocation for irrigation and power in the outlay of Rs. 4,500 crores was Rs. 860 crores. Of this, provision for power in the plan was Rs. 427 crores and the anticipated outlay was roughly Rs. 418 crores. The cut in the provision for irrigation was more than under power but this would be balanced by the additional provision of Rs. 30 crores for completing the canals and distributaries to utilise the storage capacity. Shri V. T. Krishnamachari said that they wanted to get the full benefit from the irrigation works that were completed rather than allow new irrigation works to be started.

17. The Food and Agriculture Minister, **Shri A. P. Jain** remarked that Bombay had done well in soil conservation and there was ample scope for them to develop minor irrigation schemes and also to utilise the unused irrigation potential. They had already spent more than their allocation in the Plan. The Ministry of Food and Agriculture would take up this matter with the Planning Commission. Unless they came to some conclusion regarding soil conservation and minor irrigation works, fulfilment of agricultural targets would be rather difficult.

18. The Finance Minister, Bombay, **Dr. Jivraj Mehta** enquired under what head the resources arising from the Central Sales Tax had been taken into account. The Deputy Chairman, Planning Commission (Shri Krishnamachari) said that they were included under the 'Balance from Current Revenues'.

19. The Finance Minister, Madras, **Shri C. Subramaniam** said that if resources were not available the target for the Second Plan would have to be reduced to Rs. 4,500 crores. From the psychological point of view, however, it was to be considered whether it should be retained at Rs. 4,800 crores. Whatever be the target, there was bound to be some shortfall and after all the process of planning was not going to end with the Second Five Year Plan. It might, therefore, be psychologically advantageous to retain the plan target at Rs. 4,800 crores. Even if the target was retained they had to make certain reductions here and there so that resources might tally with the targets which were fixed. Certain projects might, therefore, have to be cut down. This should be done in such a way that regional disparity is reduced if not during the Second Plan period at least during the Third Plan period. The projects should not be cut down in a mechanical way as this would further intensify the regional disparities.

20. Shri Subramaniam suggested that additional resources to the extent of Rs. 240 crores as

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proposed in the paper on Agenda item 1 should be raised. There was no such thing as completely isolated taxation by the States and the Centre. Whatever taxes were levied by the Centre or the States had to be paid by the people. The most equitable method of raising resources by taxation had, therefore, to be considered and it could be decided whether the States should levy taxes or the Centre. If the people were already paying taxes to the Centre, that affected their capacity to pay and limited the scope for further taxation by the States. Six States had exceeded the targets for additional taxation and seven States had failed to reach them. Those States who had exceeded the targets had contributed an additional Rs. 21 crores. If the other States would fulfil the target, the total amount raised would be Rs. 242 crores i.e., about Rs. 20 crores extra. The States which had not realised the targets should be asked to achieve them.

21. Shri Subramaniam said that the next question was whether all the additional resources raised would be available for the development programme. Even the Central Government after raising all the additional resources, found themselves in difficulty. There were commitments in regard to the extra dearness allowance that had to be paid to the employees. In view of the policy adopted by the Centre for their own employees, the States would not resist the pressure from their employees for additional emoluments. They should come to some decision to have a national policy on wages, because what the Centre paid had its repercussions on the State employees and what was paid in the private sector had its repercussions on Government employees. The expenditure on law and order in the States had also increased in spite of their best efforts to cut down the expenditure. One of the biggest items of non-plan expenditure was police housing. The State Government tried to avoid any wasteful expenditure and even though they raised further resources, they got absorbed by unavoidable expenditure. The collection of arrears needed to be tightened up and there was scope for further effort in this direction. The attempts of Madras Government to bring about economy in expenditure had not yielded any material result.

22. Referring to the capital resources in the form of public loans and small savings, Shri Subramaniam said that he had always maintained that the raising of these resources should be the joint responsibility of the Centre and the States. Whatever task was assigned to the States, they would be prepared to do but ultimately the effort would have to be shared by the States and the Centre. The Madras Government had accepted the advice of the Central Government and the Reserve Bank of India not to go in for a public loan in the market. However, two other States were allowed to raise such loans. Shri Subramaniam suggested that there should be a uniform and Coordinated policy laid down by the Planning Commission and the Finance Ministry. When the Central Government floated the loan last year it was understood that the excess amount over and above Rs. 100 crores would be made available to the States. This would have eased their ways and means position.

23. The Finance Minister, **Shri Morarji Desai** said that last year the Centre did not raise Rs. 100 crores. The Deputy Chairman Planning Commission, mentioned that a letter was proposed to be issued to the States laying down the revised procedure for Central assistance which would remove the difficulty about ways and means position.

24. Referring to small savings, Shri Subramaniam said that these had to come from the common man and, therefore, the capacity to save as well as the psychology which would induce the common man to save had to be considered. The Madras Government had collected last year Rs. 8½ Crores from 8½ lakhs of people i.e., at an average of Rs. 100 per person There was no intimation or coercion in making the collections. They would not however be able to repeat this performance during the current year. There was no incentive for people in the rural areas to invest in small

savings bonds. Whatever extra money was available was serving the purpose of rural credit for which a high rate of interest could be earned and there was also quick return. As the extra income arising from increased production was being distributed among a larger number of people, the capital resources for the Plan could not be raised by ordinary inducements. That was the reason why the suggestion for some sort of compulsory saving was made. If this was considered undemocratic, they had now put forward another proposal for issuing Prize Bonds. One of the difficulties in increasing the small savings was that there was no local incentive for the person who saves. The local patriotism of the people was not touched because the agency for collection was a Central agency. Moreover, there were so many rules applying to the small savings schemes. Shri Subramaniam said that that was the reason why he had made a suggestion for the small savings movement being handled by the State Governments. This could be tried as an experiment in one State and then extended to the other States. There are many instances in which rules applying to the small savings schemes hampered smooth working.

25. The Finance Minister, **Shri Morarji Desai** intervening in the discussions agreed to go into any suggestion that Shri Subramaniam might make about giving more scope to the State Governments in handling the Small Savings Scheme.

26. Continuing Shri Subramaniam said that the Finance Minister should examine this matter and evolve some scheme like the issue of Prize Bonds. Each State had a different environment and the schemes evolved should be flexible. He was confident that if the rural people were approached with certain amount of local incentive, with a little bit of persuasion, Government should be able to collect more from them.

27. Referring to agriculture and industry, the Finance Minister, Madras, observed that the entire Plan depended on agricultural production and for the purpose of increasing agricultural production they had mainly depended on the community development and national extension service. If before the end of the present Plan, the entire area was not covered with community development and national extension scheme, programme for agriculture would to that extent be affected. If improvement of agricultural sector was to be secured, greater emphasis would have to be laid on the irrigation projects. Once these irrigation potentials are created they should be utilised to the best advantage and before taking up any further Programmes, it should be seen that the existing resources were being put to the maximum use. As regards industries, if certain integrated projects included in the 'core' were now left out, the 'core' would have no meaning. The main portion of the Neiveli lignite Project alone was now in the 'core' and it would get completed during the second plan period. It was absolutely no use having the Lignite project apart from the fertiliser plant. To ensure that the entire capital is utilised, the other portions of the integrated scheme should also go through. Without that the 'core' had no meaning.

28. Continuing the Finance Minister, Madras, said that there had been a certain amount of distorted planning in regard to consumer goods. He had suggested sometime ago that expansion of the textile Industry should depend upon the manufacture of textile machinery within the country and that such machinery should not be allowed to be imported from outside. Because of the decision to import more machinery for accelerating the expansion of production, a situation was created in which even before fulfilling the target for cloth production, a stage of stagnation had been reached. If automatic looms were imported further, more difficulties might be created. At a time when they were short of foreign exchange, machinery should not have been imported for increasing the capital investment in fields where it was not necessary. At the same time handloom industry was suffering from stagnation due to increase in mill production beyond 5000 million yards

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mentioned in the Plan. The protection enjoyed by the handloom cloth due to exemption from sales tax was being removed and over and above that, the Central Government wanted to remove the excise duty on the ordinary cloth. The handloom industry should be saved, as on this depended the economy, particularly of Madras, Andhra and Mysore States.

29. Replying to the Finance Minister, Shri Morarji Desai, Shri Subramaniam admitted that the Madras Government had asked for some spinning mills to be established in Madras. He wished, however, to say that further imports of looms and spindles must be stopped as it would create difficulties later on. The existing manufacturing potential was more than the requirements and the firms engaged in the manufacture of textile machinery might possibly have to divert some of the manufacturing capacity to other sectors.

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## AFTERNOON SESSION

30. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** observed that there might be some psychological advantage in keeping the ceiling at Rs. 4,800 crores, knowing all the time that there would be shortfalls. Experience had, however, shown that if they adhered to Rs. 4,800 crores for psychological reasons, it would be worse than honestly facing facts. A reduction to Rs. 4,500 crores was, therefore, necessary. As regards resources, the taxable capacity of the citizen was the same whether the taxes were imposed by the Centre or the States. In Uttar Pradesh, there was another important factor, viz. the main source of taxation as in some of the other States was the sales tax. The Central Ministry of Food and Agriculture had opposed an increase in the sales tax on foodgrains above 3 pies per rupee and this had involved their foregoing about Rs. 9 crores. From other resources, they had hoped to raise about Rs. 4 crores, though the Planning Commission wanted it to be raised to Rs. 6 crores. They had taken steps to raise about Rs. 3 crores and they did not know whether it would be possible to go beyond that in the existing circumstances.

31. Referring to loans and small savings, Dr. Sampurnanand said that the source from which they could get loans viz. insurance had now been nationalised. They were not allowed to raise loans from the open market last year. It was, therefore, not a question of their being unwilling to raise the resources but they were not permitted to increase their resources. In the matter of small savings some special measures would have to be adopted. The suggestion that the State Governments should completely take over the small savings scheme might have to be considered. U.P. Government's suggestion was that the ceiling under the small Savings scheme should be doubled.

Although this might cause some loss in income tax, this would be made up. The Government had made other suggestions also. Unless they expanded the scope of their activities they could not raise more money. As regards the collection of outstandings there was not much that could be done. In the Uttar Pradesh, the land revenue had been collected except for a sum of Rs. 50 lakhs which would be unrealisable unless there was a succession of two or three good seasons. The *taccavi* loans are repayable in instalments spread over 15 years or so and there was not much that could be done regarding this item.

32. Referring to the question of economy and non-plan expenditure, the Chief Minister, Uttar Pradesh, mentioned that his Government had appointed an Economy Committee and on its suggestions they had already made economies up to about Rs. 1 crore. As regards committed expenditure on non-plan projects, there were in the first place so many things they could not foresee. There was the question of increase in dearness allowance for certain classes of employees. There were also other items such as correction of records which had to be carried out immediately. The whole of the expenditure should be treated as a Plan item but the Planning Commission treated about Rs. 70 lakhs as non-plan expenditure. Expenditure on the adoption of the metric system of weight and measures would involve an expenditure of Rs. 2½ crores. They could not raise a loan for a non-productive scheme like this at a time when their finances were so tight. Whatever the theoretical position might be, it was not very easy to add to their resources by curtailment of non-plan items. A certain amount of flexibility in the Plan should be allowed and a sum should be allowed for non-plan expenditure also.



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33. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** observed that the Planning Commission had taken into consideration the adverse psychological effects of reducing the Plan and had proposed a plan of Rs. 4,500 crores. The only alternative left was to mobilise the internal resources to find a sum of Rs. 240 crores of which Rs. 100 crores were to be found by additional taxation. It appeared that the States had not been able to find even Rs. 225 crores by means of additional taxation for the plan and they would not be in a position to raise the additional amount of Rs. 60 crores. The State of Bihar found itself in a very difficult position, in regard to additional taxation. In spite of their best efforts they had been able to get only a little more than Rs. 12 crores as against the estimate of Rs. 27 crores. They are trying to levy a surcharge on land revenue and they expected to have additional revenue of Rs. 20 lakhs in two years. It was, therefore, very difficult to subscribe to the suggestion that the States should go in for additional taxation of Rs. 60 crores. As regards economy in expenditure, there was not any great hope in that direction. The non-plan expenditure had also increased. They had to pay compensation and *ad-interim* compensation to the landlords which was unavoidable. There was also the difficulty about dearness allowance given to the employees which involved Rs. 2½ crores during the plan period for a poor State like Bihar. Out of the additional money that they got from additional taxation something had to be diverted as subsidy on food. Bihar State had also been the victim of repeated droughts and floods and large amounts had to be given away as loans to the agriculturists.

34. Referring to the realisation of dues, the Chief Minister, Bihar, said that a big amount was due from agriculturists. Because of repeated droughts and floods, they had not been able in spite of their best efforts to realise a substantial portion of the dues. With a good monsoon they would do their best to realise as much as possible of the amount due from the tenants. In spite of all these difficulties the Bihar State had not spared any efforts to make as much contribution to the Plan as the circumstances permitted. They had already contributed Rs. 44 crores. It was said that the contribution from revenue to the Plan had been a minus quantity. This technical mistake had arisen because the expenditure which should go under capital had been shown under revenue. It would be very difficult for Bihar State to raise any additional amount by way of taxation.

35. Referring to small savings, Dr. Sinha said that the Bihar Government would be able to raise the amount expected from them. They had framed a plan and fixed a target and they were going to intensify their effort for the collection of small savings. The internal resources had certainly to be mobilized and the States should try to collect as much as possible of the outstanding. They would try to raise as much by additional taxation as was possible under the circumstances. But still there would be a gap left.

36. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** said that he would endorse a good deal of what had been said by the Finance Minister, Madras. Madhya Pradesh was surplus in foodgrains and they had introduced a Bill in the Assembly for introducing sales tax. They had received very emphatic advice from the Agricultural Ministry and the Finance Ministry not to touch the foodgrains because these were exported to deficit areas. Dr. Katju said that they were asked to raise internal resources but when they were proposing a tax on something produced by them, it was objected to on the ground that it was in short supply elsewhere. He suggested that foodgrains imported in other States from outside might be subsidised a little more.

37. Referring to the possibility of raising the rate of land revenue, Dr. Katju said that in the Indian States now integrated into Madhya Pradesh the land settlements were made by the princely rulers about 40 years ago and the terms were light. If now a surcharge of land revenue was suggested, there would be a political commotion. There was no other source which they could tap as there



was no industry in the State. Half of the State was badly affected by the drought and not to speak of collecting old *taccavi* dues, in a majority of the districts they had to suspend the collection of current revenues. 34% of the population consisted of Adivasis and Harijans whose economic condition was bad. The Planning Commission should take a realistic view of the conditions prevailing in the State.

38. Continuing Dr. Katju observed that the proposed reduction of outlay from Rs. 4,800 crores to Rs. 4,500 crores was not really a reduction of Rs. 300 crores but a reduction of Rs. 400 crores on six items and an increase of Rs. 100 crores on industries and minerals. On, social services, a reduction of Rs. 135 crores had been made. On the basis of his experience gathered during the last 12 months in the Madhya Pradesh, Dr. Katju said that men and women were extremely fond of education and they wanted primary schools, high schools and colleges as also medical facilities. There was also the system of public participation prevailing in the Madhya Pradesh under which people in the rural areas were prepared to contribute in cash for having a school or dispensary. It would be a very serious matter now to tell them that there was no money in the Second Five Year Plan to add to their contribution. In the Madhya Pradesh, the percentage of boys and girls of the school-going age attending schools was extremely low.

Schemes had been sanctioned for giving free education to adivasis and for establishing hospitals for them. There should be less rigidity and a little more flexibility in allowing the State Governments in making adjustments in their plans.

39. The Chairman said that he was very unhappy about the reduction in social services. Social services were the basis and he had almost come to the conclusion that he would give up industry in favour of social services. The matter had, however, to be approached in some other way. There should be no buildings and the people should contribute the salary of the teacher.

40. Referring to the non-developmental expenditure, Dr. Katju said that there was demand for an increase in salaries and dearness allowance. There was also demand for better housing from the low paid Government employees. Dr. Katju's suggestion, therefore, was that the size of the plan outlay might be retained at Rs. 4800 crores because its reduction would produce extremely bad psychological effect.

41. The Chairman remarked that he recognised the difficulty as regards provision of more schools, dispensaries, hospitals etc. The way they had been dealing with these problems and the amount of money they were spending on schools dispensaries etc. had no relation to what it should be in India. That was not being done in any country in Asia. Lakhs and lakhs at rupees were spent and somebody sitting in a far off place organised it.

42. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** said that in Andhra State they had exceeded the target of additional taxation by a few crores. In food production also they had done comparatively well and the yield per acre had been very good. However in the schemes which had been included or were to be included in the 'core' Andhra Pradesh did not figure at all. It made no difference so far as Andhra Pradesh was concerned whether the target of outlay was Rs. 4,800 crores or Rs. 4,500 crores. Andhra Pradesh was a real example in the matter of regional disparity. There was not a single scheme in Andhra Pradesh which found a place in the 'core' of the plan. After the Tungabhadra Project was completed they would have to sit idle for the whole of the third five year plan. For communications a big amount was provided in the Plan but reasonable amount was not spent in the Andhra State. In regard to Singareni collieries, if the Government of India asked them for a guarantee for the loan of Rs. 4 crores, it might be asked whether similar guarantee was

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demanded for investment elsewhere. Large amounts of money were being spent on transport of coal from Bihar to the South. With that amount coal could be produced in the South itself. The finance Minister (Shri Morarji Desai) intervened to say that the Government of India were reconsidering the proposal in regard to the Singareni collieries.

43. Shri Reddy pointed out that Andhra State was a good rice producing area and they were using about two lakh tons of fertilizers. It would be helpful for increasing further production of rice if they could set up a fertiliser factory near about. Unfortunately no consideration had been given to that matter. For setting up a bagasse factory everything had been finalised but now the scheme had been deferred. Shri Reddy said that a cut might be made in the industrial sector but not in social services. If schools and hospitals were cut it would be bad.

44. Referring to the schemes for co-operative sugar factories, Shri Reddy said that they had collected Rs. 10 lakhs from small cultivators on the assurance that the Government of India would help them. The Government of India now said that they had no foreign exchange. The Finance Minister, Shri Morarji Desai pointed out that there were 10 such factories which were pending.

45. The Food and Agriculture Minister, **Shri A. P. Jain** said that out of the 12 pending cases 3 were from Andhra State. There was a proposal from Holland and also from Czechoslovakia to sell plant on rupee basis. It was not therefore a question of foreign exchange but rupee expenditure. The main difficulty was about finding internal finance of Rs. 10 crores.

46. The Chief Minister, Mysore, **Shri S. Nijalingappa** said it would not be wise to cut down the Plan expenditure from Rs. 4,800 crores to Rs. 4,500 crores because people had been expecting that something would be done for them. Most of the reduction was under social services and transport which were the most vital needs of the rural areas. It would be wrong to cut these essential items. Referring to resources Shri Nijalingappa said that their machinery in Mysore State had been geared up to raise more resources by loans and they would be able to keep to the target. Regarding retrenchment also they were trying to do their best. About buildings the position was difficult as in their capital they were short of buildings. So far as the small savings schemes were concerned they were making collections of nearly Rs. 40 to 45 lakhs per month and hoped to be able to collect Rs. 5 crores. As regards loans instead of the Centre and the State competing in the same market it would be very healthy for both to coordinate their efforts. To implement the Plan in Mysore they had to go to the market to raise loans and, therefore there should not be any hard and fast rule that they could not go to the public for raising loans.

47. The Chief Minister, Mysore said that they had in common with other States the problem about pay scale and dearness allowances of employees. In the four States in South India non-gazetted and Class IV staff were pressing for more pay. They had scarcity and famine areas in Mysore and no hinderance should be placed in their carrying on the projects for these areas. They also wanted a number of cooperative sugar factories to be established in the Belgaum and Raipur Districts. Mysore was also in very great need of power for which a scheme had been taken up. This scheme should be included in the core of the Plan so that they might get the necessary help. It was a great disappointment to Mysore that some of the vital railway links were not there and therefore, they could not improve industry or transport or exploit the rich natural resources.

48. The Chief Minister, Kerala, **Shri Namboodiripad** said that he did not want to say anything.

49. The Chief Minister, Orissa, **Dr. Hare Krushna Mahatab** said that if the States and the Centre could not raise taxation as was expected, these practical considerations should be taken into account in fixing the size of Plan outlay. Without talking in terms of cutting down the Plan the

expenditure in the last year of the Second Plan could be taken into the first year of the Third Plan. That way the Plans will run into each other and the psychological effect of cutting down the Second Five Year Plan would not be there. Such extension had already been done in the case of community development programme and similarly period of the Second Five Year Plan could be extended.

50. Referring to resources Dr. Mahatab said that in Orissa State they had tried their utmost to raise additional revenue but they would not be able to raise Rs. 7 crores. Owing to the rise in prices the saving capacity of the middle classes who contributed to the national savings had gone down. There was one sector which had got more income as a result of the Plan and that was the working classes. The possibility of introducing compulsory saving for these classes should be thought out further. As regards agriculturists they were paying betterment levy, irrigation rates and sales tax and all the additional taxes affected them. Orissa was purely an agricultural province and various industries were just coming up. New townships had to be built and police arrangements had to be made. Expenditure was tending to increase rather than decrease on buildings. Dr. Mahatab, therefore, suggested strongly that instead of cutting the Plan it should be extended into the Third Five Year Plan.

51. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that his State was lagging behind in the raising of additional taxation but that was only in a technical sense. They had been able to collect within 3 years about Rs. 14 crores and the balance of Rs. 5 crores would be raised from betterment levy. There had been some delay in introducing betterment levy on account of the various technicalities. The remaining Rs. 7 crores they were trying to realize either by economy or by certain other methods. The reduction of plan outlay from Rs. 4,800 crores to Rs. 4,500 crores would have a very bad psychological effect and they should not let this happen. The States should therefore, work in a more serious manner.

52. Referring to the small savings, Sardar Kairon said that they had collected a large amount and they would be able to raise a substantial amount in the coming two years. Regarding food production, the target in the Punjab would have been reached this year but unfortunately they had no rains. One point on which there was criticism was that Punjab had not been able to utilise the tubewells for irrigation purposes. These tubewells were installed in an area where the people were not progressive and were hesitant to pay more and earn more. Another mistake had occurred because somebody had suggested that there should be a three mile pucca lining for the field channels for these tubewells. The expenditure per mile would be Rs. 9,000/-. The field channels need not be lined and this would be an unnecessary expenditure. They had now asked the people to build kucha lining by the end of April and it must have been completed now. A few tubewells which were not energised might also have been energised by April. They had also made it known that if any village would not take water from the tubewells for their crops which are in dry area, Government was going to acquire the land to the extent tubewells could irrigate. Irrigation from tubewells was very low and the Punjab Government were trying their utmost by propaganda to make the people irrigate their fields. It was not clear why Government should own these tubewells which were so expensive. Sooner or later the Panchayats would have to be persuaded to own these tubewells and the money would be realised from them from year to year in instalments.

53. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** pointed out that the tube-well channels had to carry 40 to 50 thousand gallons of water and strong channels were required to stand the rush of water. Much depended on the nature of the soil. The Home Minister, (Shri Govind Ballabh Pant) said that in arid areas every drop of water had to be saved and if the channels were lined, there would be saving of water. The Chief Minister, Punjab, said that they had asked the engineers

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to make surveys and wherever it was necessary, the field channels would be given pucca lining.

54. The Minister of Planning, Assam, **Shri K. P. Tripathi** said that the proposal for reduction in plan outlay to Rs. 4,500 crores would mean cutting down of 8.6% of the Plan which meant that 91.4% of the Plan would be fulfilled. There was no point in cutting down the Plan now. The retention of Plan, as it was, was in the best interests of the country. In any case, the cutting down should be scheme-wise and not on the basis of a certain percentage worked out for all the States. Naturally the Planning Commission would have to discuss with the States which of the schemes would require priority.

55. The Chairman observed that if the Plan was left at Rs. 4,800 crores and divided into two parts, one for Rs. 4,500 crores and the other for Rs. 300 crores, schemes would not be excluded but would be put slightly below in the order of precedence. How that was to be done was a matter of discussion. However, if they started with Rs. 4,800 crores, there was a chance of the Plan not being fulfilled.

56. Shri Tripathi said that the States might agree to arranging items on a priority list in view of the financial difficulty. If any of the schemes depended on external resources, then automatically some of them would have secondary importance. The schemes in List(B) should be determined in consultation with the States and not on the basis of a uniform cut. Referring to regional disparity, Shri Tripathi said that in the Second Plan special attention should be given to Assam so that it might not completely lag behind. The Planning Commission should give special consideration to the development of power in Assam so that at least a few industries might be established there.

57. Referring to resources, Shri Tripathi said that it was rather capricious to demand at a particular time whether a State had fulfilled its quota of taxation. Sufficient thought had not been given to per capita taxation. In this connection, the efforts made by Assam State in the last year of the First Plan should be taken into consideration. Dr. Ghosh, Member, Planning Commission pointed out that Assam had plantations which accounted for high per *capita* taxation.

58. Shri Tripathi said that out of Rs. 17 crores which they were to contribute towards the plan outlay of Assam, they had already contributed Rs. 9 crores and in the next two years they would be adding another Rs. 2 crores. The shortfall would, therefore, be only Rs. 2 crores which could be made up if they increased the taxation in the next two years. They would endeavour to fulfil their part of the Plan. The tempo of expenditure had risen and if they now cut down the plan they would have to dispense with personnel. So far as engineers were concerned they had been searching in the whole of India and even in the case of overseers they were short. The CHAIRMAN enquired why they should have to dispense with the services of persons if they were short of them.

59. Referring to greater savings, Shri Tripathi pointed out that Assam had passed a law for provident fund and within the 5 year period they would be raising Rs. 17 crores. In the tea plantations they had a compulsory provident fund and they were going to raise Rs. 7 crores in the five year period. In a socialist pattern of society a way of capital formation had to be found. If the idea of compulsory saving by way of provident fund was applied to the rest of India, the amount of money raised would be considerable. If a proposal, pending with the Ministry of Labour regarding provident fund was accepted, the amount of contribution which could be obtained in this manner would be greatly increased. All the middle class employees working in the different parts of India should be brought under this scheme. Shri Tripathi suggested that the increased wages given on the recommendation of Wage Board might be collected through compulsory saving and utilised for the Plan of the country.

60. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** said that they would not be able to spend Rs. 4,800 crores in the Second Five Year Plan and, therefore, it was no use keeping the target of Rs. 4,800 crores. It would be practical to reduce it to Rs. 4,500 crores as suggested by the Finance Minister. In Rajasthan they were to raise Rs. 9 crores of additional resources and they had tried to do Rs. 10.5 crores. It was necessary that while reducing the size of plan outlay, the Planning Commission should take up the subject with the States and then reach a decision.

61. Referring to social services, Shri Sukhadia said that the expenditure on them should not be reduced especially if some States could afford to incur such expenditure. In Rajasthan and Madhya Pradesh they had to provide schools, dispensaries and even drinking water.

62. The Chairman observed that the consensus of opinion seemed to favour not the cutting down of the plan outlay to Rs. 4,500 crores but its being divided into two parts, part (A) of Rs. 4,500 crores and part (B) of Rs. 300 crores. Part (B) would be kept in view and, if possible, an endeavour would be made to carry it out. This division into two parts should be carried out after discussion with the States about their requirements etc. Those States, which were considered economically backward might have to be helped. A brief statement would be drafted and brought up for consideration at the meeting the next day.

63. Referring to constructions which involved expenditure of large sums of money, the Chairman observed that it might be possible to effect savings on construction without trying to make savings on the activity carried on in the buildings. This could not be done always but in rural schools they might not have any constructions. The idea that a school must be a building after a set pattern did come in the way of education in view of their resources. It was better for school teacher to have higher salary with no building at all than to have a building with a low paid school teacher. This might be examined by the State Governments.



**MAY 4, 1958**

**MORNING SESSION**

64. The Chairman said that he would read out a draft of what he thought represented the consensus of opinion about the Plan outlay of Rs 4,800 crores. After this copies of the draft would be cyclostyled and distributed so that it could be considered more carefully. The following draft resolution was then read out by the Chairman :—

“At its meeting on the 3rd and 4th May, 1958, the National Development Council discussed the Memorandum of the Planning Commission on the Appraisal and Prospects of the Second Five Year Plan.”

“The Council considered the question of the total outlay to be undertaken in the public sector during the period of the plan in the light of the progress made during the past two years and the steps taken to raise additional resources. It was decided that the total outlay should be maintained at Rs 4,800 crores and that the proposed allocation between different sectors and between the States should be examined further by the Planning Commission in consultation with the Central Ministries and the State Governments. In view, however, of the assessment of resources made by the Planning Commission, the Council considered that the projects and programmes to be undertaken within the ceiling of Rs. 4,800 crores should be divided into two parts, Part A of the Plan involving a total outlay of Rs 4,500 crores should include besides projects and programmes directly related to increase in agricultural production, ‘core projects’ and projects which have reached an advanced stage and other inescapable schemes. The remaining schemes should be included in part B of the Plan with a total outlay of Rs 300 crores. Part A of the Plan would represent the level of outlay upto which, on the present assessment of resources, commitments might be entered into for the rest of the plan period. Projects in Part B of the Plan could be undertaken to the extent to which additional resources became available, high priority being given to social services. The list of projects to be included in the two parts of the Plan would be settled after discussion between the Planning Commission and the authorities concerned. In working out the distribution, care should be taken to ensure that the needs of the less developed areas were given due consideration and that reductions in outlay on social services were kept to the minimum.”

“It was agreed that the Centre and the States should endeavour to raise resources to the maximum extent possible through additional taxation, mobilising small savings and achieving economies in Plan and non-plan expenditures.”

“The Council stressed the fact that the level of outlay which could be undertaken would depend in a large degree on the success achieved in increasing agricultural production. Local participation and community effort must be enlisted on the largest scale possible in support of agricultural programmes such as the full utilisation of the available irrigation potentials and the adoption of improved practices especially in areas which have irrigation and assured rainfall and intensive efforts should be made to reach every family through the village panchayat and the village co-operative”.

65. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** suggested that where reference was made to social services, village and small scale industries might also be added. He pointed out that a reduction of Rs. 40 crores had been made in the allocation for village and small scale industries. The Chairman said that these industries had been given the topmost priority in the Plan



and in the community development programme also they had been given priority next to food production.

66. The Chairman referred to the proposal made by the Finance Minister, Madras about prize bonds and invited views on it. The Finance Minister, Madras said that it was not intended that the prize bonds scheme should displace small savings scheme altogether; this would be in addition to the small savings.

67. During the discussion, The Defence Minister, **Shri Krishna Menon** said that the prize money should not be subject to taxation directly or indirectly. If a person got a big prize, interest thereon should be taxed. The Chairman referring to the element of gambling in the scheme said that life itself was a risky venture. There was nothing wrong in the scheme of prize bonds. The Chief Minister, Madhya Pradesh said that in the scheme the State would lose nothing but it would be the people who would gamble at their own cost and would lose. The Chairman pointed out that the worst type of gambling was practised on the stock exchange. The Home Minister, Shri Govind Ballabh Pant said that people might refrain from putting any money in the prize bonds. The Finance Minister, Madras said that a prize bonds scheme had already been adopted in U.K. and it was nothing new that was being suggested. There was no question of any loss. The Finance Minister, Shri Morarji Desai doubted whether much could be collected through these prize bonds. He would have no objection if the States wanted to issue their own prize bonds. They should not be Government of India bonds. The Home Minister, Shri Govind Ballabh Pant said that he would not like to encourage in people the spirit that they could earn a lot without working for it. The Chairman remarked that in a sense the whole economic system was based on that.

68. The Finance Minister, Madras said that either some sort of compulsory saving or an inducement like the prize bonds would have to be accepted. The Finance Minister, Shri Morarji Desai said that compulsory saving was all right. The Chief Minister, Bihar, Dr. Srikrishna Sinha was doubtful whether the prize bonds would fetch a good amount. The Chief Ministers of Mysore, Kerala and Assam supported the proposal but the Chief Minister, Rajasthan and the Chief Minister, Punjab did not support it. The Chairman suggested that they might leave it to the States to examine the schemes of prize bonds as well as of compulsory savings and communicate the results of their examination. The Deputy Chairman, Planning Commission said that two papers might be prepared, one on the compulsory savings scheme and the other on the prize bonds scheme, after studying carefully the issues involved.

69. The Minister of Labour & Employment and Planning, **Shri Gulzarilal Nanda** said that he would give some factual information about the proposal for increasing the rate of provident fund contribution and extending its scope. The present annual contribution from Provident fund scheme amounted to Rs. 34 crores covering about 31 lakh of persons. The question of extending it to banks, insurance companies etc., was being considered. If the rate was increased from  $6\frac{1}{4}$  percent to  $8\frac{1}{3}$  per cent, about Rs. 60 crores could be collected over a period of 5 years. For a period of 3 years the collection would be Rs. 30 crores and by extending it to commercial establishments etc., about 40 crores could be collected in a period of 3 years. Shri Nanda said that the collection should be made before any wage increase was given. His Ministry was also thinking of adding an insurance scheme. A scheme of integrated social security had been prepared which would not increase the burdens or add very much to the cost.

70. The Planning Minister, Assam **Shri Tripathi** said that in Assam they had arranged for payment of part of the wages in certificates but it was not made compulsory.

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71. The Finance Minister, Madras, **Shri Subramaniam** said that there appeared to be some discrepancies in the figures of production potential, anticipated achievement in production of foodgrains given in Annexure I of the section on 'Agriculture and Community Development'. He had taken up this question and he would approach the Planning Commission to find out whether they had evolved a better standard for measuring actual production.

72. The Chairman observed that dairy farms had been reported in some quarters as not being a success. Very often these farms were run by people who themselves were not experts. The difficulty was that there was always an official approach. Administrator should not be imposed on the expert whose opinion should be respected. The proper man for a job was the person who was keen about agriculture, dreamt about it, thought about it and was all for it.

73. The Deputy Chairman, Planning Commission replying to the Finance Minister, Madras, said that the Planning Commission was looking into every case where irrigation potential had not been fully utilised. The Programme Advisers of the Planning Commission were examining the details.

74. The Minister of Food and Agriculture, **Shri A. P. Jain** said that the demand for fertilisers was a little more than 15 lakh tons and that the supply would not come upto that level. The maximum demand that they could meet was to the extent of about 55 percent. Sometime ago they had sent to the States a scheme suggesting that the price of fertilisers might be recovered in the form of paddy. The administrative difficulty in putting through the scheme should be overcome. Shri Jain said that Burma was going to supply only half the quantity of rice originally agreed to and he was thinking of diverting a portion of the foreign exchange meant for the import of rice from Burma to the production of fertilisers. He was however thinking that the additional fertilisers should be given to the State Governments on the condition that they would give one ton of rice for one ton of fertiliser supplied to them. The State Governments should give some thought to this proposal.

75. The Chairman then invited views on the draft resolution on the size of plan outlay. The Finance Minister, Madras, said that the resolution was intended for the public and he felt that might not achieve the purpose for which it was intended. The people should get the idea that the best effort should be put forth for achieving a particular target. In the ensuing discussions suggestions were made for giving higher priority to social services and community development and necessary amendments in the resolution were made. The amended resolution read as follows:

"At its meeting on the 3rd and 4th May, 1958, the National Development Council discussed the Memorandum of the Planning Commission on the Appraisal and Prospects of the Second Five Year Plan."

"The Council considered the question of the total outlay to be undertaken in the public sector during the period of the Plan in the light of the progress made during the past two years and the steps taken to raise additional resources. It was decided that the total outlay should be maintained at Rs. 4,800 crores. In view, however, of the assessment of resources made by the Planning Commission, the Council considered that the projects and programmes to be undertaken within the ceiling of Rs. 4800 crores should be divided into two parts. Part (A) of the Plan involving a total outlay of Rs. 4,500 crores should include besides projects and programmes directly related to increase in agricultural production, "core projects" and projects which have reached an advanced stage and other inescapable schemes. The remaining scheme should be included in part (B) of the Plan with a total outlay of Rs. 300 crores. Part (A) of the Plan would represent the level of outlay up to which, on the present assessment of resources, commitments might be entered into for the rest

of the plan period. Projects in Part (B) of the Plan could be undertaken to the extent to which additional resources became available. The list of projects to be included in the two parts of the Plan would be settled after discussion between the Planning Commission and the Central and State Governments. In working out the distribution, care should be taken to ensure that the needs of the less developed areas was given due consideration and that high priority was given to social services and the development of the Community Development movement. There should be no undue rigidity in the working of the Plan and the Central Ministries and States may make minor adjustments in the allocations within the overall ceilings.”

“It was agreed that the Centre and the States should endeavour to raise resources to the maximum extent possible through additional taxation, mobilising small savings and achieving economies in Plan and non-Plan expenditure.”

“The Council stressed the fact that the level of outlay which could be undertaken would depend in degree on the success achieved in increasing agricultural production. Local participation and community effort must be enlisted on the largest scale possible in support of agricultural programmes such as the full utilisation of the available irrigation potentials and the adoption of improved practices especially in areas which have irrigation and assured rainfall and intensive efforts should be made to reach every family through the village panchayat and the village co-operative.”

76. The Prime Minister, Jammu & Kashmir, **Bakshi Ghulam Mohammad** said that in whatever form the Resolution was presented it was necessary to ensure that when the plan target of Rs. 4,800 crores was reduced to Rs. 4,500 crores, the commitments of the States should not be affected. Especially the allocations for 1958-59 should not be reduced. The Minister of Food & Agriculture, Shri A. P. Jain said that a perusal of papers showed that there would be no changes in allocations for 1958-59 and that adjustments would have to be made in 1959-60 and 1960-61.

77. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** enquired whether the allocations under the various main heads such as agriculture and community development, social services etc., were going to be revised. The Finance Minister, Shri Morarji Desai, said that the total of 4,500 crores was final. The Deputy Chairman, Planning, Commission, Shri V. T. Krishnamachari, explained that the allocations under various heads would be discussed and were at this stage not final. The Finance Minister, Madras, Shri Subramaniam pointed out that while in the resolution high priority was accorded to community development projects, even for such projects resources were not available.

78. The Minister of Community Development, **Shri. S. K. Dey** said that it would be necessary to close some of the blocks. That inference was based on simple arithmetical calculations. The Prime Minister, Jammu & Kashmir, Bakshi Ghulam Mohammad said that it was not appropriate to say that existing blocks would be closed. The budget could be reduced and the period might be reduced. The Chairman suggested that the subject of community development and priorities for it would be considered separately and in greater detail. He invited the Minister of Labour and Employment to speak on agenda item 3.

**ARRANGMENTS FOR DEPLOYMENT OF  
SURPLUS PERSONNEL IN MAJOR PROJECTS**

79. The Minister of Labour and Employment and Planning, **Shri G. L. Nanda** said that there were some major projects which would take several years to complete and would give employment to large numbers. Before such projects came to a close, the persons who were working there became restive as they were thinking of their future. Two kinds of difficulties arose. One was that some of them might like to go elsewhere to find more suitable jobs causing dislocation of work in the projects. Those who could not go might create trouble. In the case of D.V.C., they appointed a special officer to arrange for alternative employment and it was done successfully. A similar thing was done for the workers of ordnance factories. Now a similar situation might arise in Jamshedpur. The arrangements that had to be made would be in two directions. Firstly, they should have the necessary information as to which projects were coming up and whether the trend of employment would be upward or downward. Similarly for the projects which were already in hand they should know exactly what was the increase in demand for labour and what retrenchment was likely to take place. In the agenda paper, suggestions had been made about the arrangements for the furnishing of timely information about the number of employees engaged on projects in the States, the date of closing down of the projects and the extent of retrenchment that would occur from time to time. In the projects that were to be undertaken, the employment needs at different stages would be assessed. Then something could be done to send people who were becoming surplus in one place to another place where they were required. What was to be done, therefore, was to make arrangements for sending these returns and to set up some kind of machinery in the States for the purpose of pursuing this matter on the same lines as at the Centre. There could be some kind of a committee in each State and some officer to look after these needs. If the States accepted this proposal the Central Government would send out letters giving the details of the lines on which arrangements had to be made.

80. The Chief Minister, West Bengal, **Dr. B. C. Roy** said that their difficulty was that the surplus workers began claiming unemployment benefit until they could be found jobs elsewhere. That was the greatest difficulty and that burden would have to be borne by the State and not the Centre.

81. The Minister of Labour and Employment, **Shri Nanda** said that the quantum of employment estimated outside agriculture was going to be 8 million with the provision of Rs. 4,800 crores. When the provision was cut down to Rs. 4,500 crores the employment potential would be reduced to 6½ million. The details had not been given but detailed information about the impact of reduction of employment would be circulated. The difficulty about the working out the impact on regional basis was that the statistics were available only on all India basis. Similar statistics would have to be obtained for the States so that they could assess on the size of the problem of unemployment in different sectors and the changes that were taking place. The Ministry of Labour had been asking the States to furnish information but they had not been able to get the information from the States. The statistical equipment was very deficient in various matters and they could not help the States in regard to the regional aspect.

82. The Chairman said that there were many cases of competent technicians and engineers who were going from pillar to post. There were also persons who had been sent abroad for technical studies and were not finding work to do. For some time past Government had been trying to make some arrangements to create a kind of pool for really qualified persons. Even if there was no post to offer immediately such persons would be taken into the pool. It was proposed to give assurance

to persons studying whether in India or abroad but they would be taken into the pool and utilised in some way before a suitable post was found for them. They would be paid a minimum salary and might be sent for work on any of the plan projects. Referring to Shri Nanda's remark that statistical equipment was deficient, the Chairman said that statistical information about engineers was extraordinarily good and that papers prepared in the Planning Commission about scientific and technical personnel would be circulated to the Chief Ministers of the States.

## **REVISION OF THE PROGRAMME OF COMMUNITY DEVELOPMENT**

83. The Minister of Community Development, **Shri S.K. Dey** said that the Study Team on Community Projects had made two principal recommendations along with many subsidiary ones. Firstly, there should be decentralisation of administration and democratisation of the agencies below. Secondly, the programme must be staggered because the quality of personnel had deteriorated in recent years and the capacity of the States to supervise this vast expanding programme had also suffered. It was also felt that the distinction between what was known as the National Extension Service and the Community Development Blocks was artificial and was creating confusion. In fact because of the inadequacy of resources in the N. E. S. areas not much substantial work was being done. The blocks which had completed the intensive period of operation immediately went into the normalisation stage and that meant a complete death of the programme. The Study Team had therefore recommended that the distinction between the national extension service and the community development programme should disappear and there should be one continuous operation of six years. The Team had also suggested that this 6-year period should be succeeded by another 6-year period during which a nucleus provision should be made by the Government to which assistance from the various departments would be added so that the tempo of development could continue. Considering all these factors it was suggested that the programme should be so staggered as to cover the country as a whole by the end of 1963. This question had been considered at the centre in consultation with the Planning Commission and also to the extent possible individually with the State Governments. It was now agreed to stagger the programme. Something not recommended by the Study Team would also be introduced, namely, the pre-extension stage for the programme. The intention was that during this one year concentrated effort would be focussed on agriculture. It was also felt that within the budget pattern it was not possible to have a programme for six years in the first stage and six years in the second stage. The present recommendation was that instead of 6 years there should be a 5 year period in the first stage and 5 year period in the second stage and the budget should be Rs. 12 lakhs and Rs. 5 lakhs for the first and second stage respectively. The budget for the pre-extension period of one year would be Rs. 18,000.

84. Shri Dey said that at the time of drawing up the Second Five Year Plan, it was envisaged that the whole Country would be covered by the end of the plan period. Now they found that the last set of 500 blocks would have to be taken up on the first of April following the completion of the Second Five Year Plan. The present programme that they had drawn up within the allocation of Rs. 200 crores actually meant that the last set of blocks would be taken up one year and six months later than what was originally envisaged. As regards supervision, it had been visualised that there would be a Development Commissioner, a Joint Development Commissioner and a Deputy Development Commissioner for every four blocks in a State or every six blocks in a big State like U.P. Actually there were 350 blocks in U. P. and in other States there were 200 to 250 blocks and the burden on the Development Commissioner had therefore grown. They had expected that the Collector would provide the supervision but he had so many problems of law and order to



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face that he could not manage to supervise the blocks. In actual practice, therefore, the programme was being supervised through reports. Complaints about the dishonesty of workers had now started coming in and it was to be feared that unless it was taken to the ground level the programme might become a much more efficient apparatus in exploitation of the people than was ever seen.

85. Shri Dey said that they had to give responsibility for the implementation of the programme to the people. People were not prepared to take this responsibility unless they had the authority. One basic institution at the village level was the panchayat and it should be given the highest priority. If the village panchayat was to be built up they had to have a local self-governing institution functioning either at the block level or district level. In the paper on "Democratic Decentralisation" it was recommended that democratisation must be completed by the end of the first stage of the programme. The community development agency must create such conditions at the ground level during the five years working of the programme that people would be able to assume the responsibility of running the subsequent stages of the programme. It is for consideration whether this proposal was acceptable. If a new block was started these democratic processes should be established with a maximum of 5 years of the beginning of the programme. If it was a block which had already completed its operation, a maximum of 3 years extra should be given for bringing this process to completion.

86. The Chief Minister, Bombay, **Shri Chavan** pointed out that it was left to the States to work out their own pattern and asked what the position would be if a State did not want to have block as the Unit. The Minister of Community Development, Shri Dey said that if there was a district organisation which had been given genuine powers, that would serve the purpose.

87. The Chief Minister, Andhra, **Shri Sanjeeva Reddy** said that in Andhra the District Boards had been abolished and blocks established. Certain functions which were being discharged by the Presidents of the Panchayats in the blocks would be transferred to the Block Samitis whose members are legislators, members of Parliament and heads of the district boards presided over by the Collector. The Zilla Parishad would look after the area until the Block Committees were constituted. This year they had taken up 20 blocks and in the next two months Block Samitis would be functioning and the powers and functions would be transferred from the District Boards to the Block Samitis. Steps were being taken to create panchayats and in another three years the State Government would be able to constitute all the panchayats in all the blocks. Every village had one panchayat and all of them automatically become members of the Block Samitis. All the officers in the block would be subject to the control of the Samiti. The village level workers would not be transferred from one block to another but the extension officers would be transferred.

88. The Finance Minister, Madras, **Shri Subramaniam** said that Madras Government had appointed a Committee which would submit its report before June 1958. The policy of the State Government was that there would be the panchayat at the village level and Panchayat Union at the block level and this Union would discharge functions of the president of the District Board in addition. The programme was that before the end of the Second Five Year Plan all the villages would be covered under the Panchayat Unions. For every block there would be a Committee consisting of the representatives of the different Panchayats. The question remained as to what was to be done with regard to the District Boards and what should be the functions of the body at the district level. The Madras Government were still considering this matter and had not come to any final conclusions. So far as the existing blocks were concerned, they had been made democratic by including all the effective panchayats and giving them power to finally decide regarding the work.



89. The Chief Minister, Bombay, **Shri Chavan** said that in Bombay State there was an organisation even now at the district level. What they proposed to do was that if there was a Panchayat Committee or a Panchayat Board at the District level they would introduce that. It had to be examined what the organization should be at the district level in future. It was visualised that the Local Boards would be a sort of federation of all the panchayats in the district but the formation of the village panchayats would take some time.

90. The Prime Minister, Jammu & Kashmir, **Bakshi Ghulam Mohammad** said that in Kashmir the panchayat was their primary development unit and there was one panchayat in each patwari circle. There was a network of panchayats all over the States. Within a block, there were 15 to 25 panchayats areas. In the Block Development Committee, the sarpanch of each panchayat was a member. Bakshi Ghulam Mohammad suggested that further consideration of this subject should be postponed to the next meeting of the National Development Council. In response to queries he said that the population of a block was 50 to 60 thousand and in each block there were 5 or 6 villages. In Jammu, there, were 50 blocks and in Laddakh two.

91. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** said that Bihar Government would be able to complete the work in two or three years. The main question in Bihar was what should be the shape of the District Board.

92. The Chief Minister, Mysore, **Shri Nijalingappa** said that the Mysore Government had taken steps to draw comprehensive legislation which would be introduced in the current session of the Assembly to constitute village panchayats. The Taluka Boards would take over the functions of the existing District Board and these Taluka Boards would be the unit for taking up all the work. The Taluka Boards and the Block Development Committees would have a non-official Secretary. The idea was that the village panchayats and the Taluka Boards should take over and start working from 1st April, 1959. To co-ordinate the work of the Taluka Boards, there would be a District Council which would consist of the Presidents of the Taluka Boards, and the M.L.A.'s of the particular district. The District Council would just be a co-ordinating body and would not be given any specific functions. The district Collector would be the Chairman of the District Council.

93. The Chief Minister, Kerala, **Shri Namboodiripad** said that panchayats were already functioning in Travancore-Cochin but there were no panchayats in the major part of Malabar. It was proposed to set up these and also to have the Block Committees and some sort of District Committees. The details of all these were being worked out by a Committee set up by the Kerala Government and its report would be available by the end of June. After that legislation would be drawn up and by 1960 they would have the entire set-up.

94. The Chief Minister, Rajasthan, **Shri Sukhadia** said that Rajasthan had decided to introduce decentralization at the Block level. At present they had panchayats all over Rajasthan.

95. Shri Sukhadia said that there were Tehsil Panchayats in Rajasthan functioning for the last two or three years. Where they had blocks they would have decentralization at the block level and set up a Block Committee as suggested by the Balwantrai Mehta Committee. In those areas where they had the Tehsil Panchayats they would hand over to them the functions at present performed by District Boards. Instead of District Boards they would have Zilla Parishads. The Rajasthan Government set up a committee to work out the financial and administrative implications. It was proposed to make a start simultaneously all over the State and to decentralise at the block level.

96. The Chief Minister, Assam, **Shri Chaliha** said that in Assam the whole of the area in plains was covered by panchayats—the primary panchayats and the rural panchayats. The primary

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panchayat is the village panchayat with a population of about 2,500 people. The rural panchayat consists of the representatives of the village panchayats and covers a population of about 20,000 people or about 10 panchayats. Assam Government had decided that they would decentralise at the block level and there would be Block Panchayats. The rural panchayats would be abolished and replaced by Block Panchayats. At the sub-Divisional level, they would have a Union of panchayats which would be representative of the block panchayats. The function of the Panchayat Union would be to carry on such activities as related to more than one block. As regards the hill areas, there were District Councils and the Assam Government was considering how authority should be delegated to the Block Councils. The change-over would be completed by 1959-60.

97. The Chief Minister, Punjab, **Sardar Pratap Singh Kairon** said that the Punjab Government would take a decision shortly. They proposed to do away with the District Boards. They might have an Advisory Committee in the block. The difficulty was about fixing the responsibility for carrying out the Work. They could not be harsh with the public people but they could be harsh with the officers who were paid for the work. Some way would have to be found to ensure that work and responsibility go hand in hand and yet democratisation was also achieved.

98. The Chief Minister, Madhya Pradesh, **Dr. Kailash Nath Katju** said that Government had appointed a Committee consisting of legislators and others to go into this question and to report within a few months. In Madhya Pradesh in a block consisting of 100 villages there was a Block Advisory Committee. It was felt that Block Advisory Committee could be strengthened and made representative. In Madhya Pradesh they had no District Boards. The idea of rural development was to guide people in the beginning and not to make them dependent on the Government. It appeared, however, that people had become more and more dependent. There was the danger that when Government help was withdrawn people would not function. In a block, the salary of the Development Officers and the cost of building accounted for a good deal of expenditure. There was a demand in Madhya Pradesh everywhere for blocks and this had to be taken into account for the future.

99. The Chief Minister, West Bengal, **Dr. B. C. Roy** said that each of the 14 districts in West Bengal was different from the other. There were at present Union Boards which were given certain powers to raise taxes for local development work, watch and ward etc. The Block Development Officer in Bengal had nothing to do with the ordinary administration. He was almost of the same status as a District Officer and except in a few matters he was absolutely independent of the District Officer. West Bengal had no panchayats until last year. Gram panchayat would now consist of 500 people and if the population of a village was more than 500 it would have two panchayats. Gram panchayats would be elected on adult franchise basis and there would be no nominations. About 15 of these Gram panchayats would elect an Anchal Panchayat which would have the power to collect revenue, impose taxes and supervise the work of the Gram Panchayats. In future, a block would consist of 8 Anchal panchayats who would elect their Block Development Board which would be absolutely independent of the ordinary administration. It was proposed to start Anchal Panchayats and Gram Panchayats wherever the N.E.S. Blocks had already started and after gaining experience of these blocks they would set up other Anchal Panchayats and Gram Panchayats.

100. The Finance Minister, Madras, **Shri Subramaniam** said that there was no agreed decision yet to stagger the community development programme. The original programme was that before the end of the Second Plan period the entire country should be covered by the community development programme. The Minister of Community Development, Shri S. K. Dey said that according to the original programme the last block would have been taken up on 1st April, 1961.

Now, there would be no N.E.S. blocks and the last block would be taken up in October, 1962. The pre-extension period was necessary for two reasons. Firstly, there was great demand from the people that work must begin. Secondly, a special emphasis had to be given to the agricultural programme.

101. The Chairman observed that if the first year of the programme was the pre-extension stage there would be no effective functioning. The Finance Minister, Madras, Shri Subramaniam said that there would have to be a small budget allotment for the pre-extension stage in addition to the staff. The Minister of Community Development, Shri Dey said that there would be a minimum programme during this one year period which could be drawn up in collaboration with the Ministry of Food & Agriculture.

102. The Finance Minister, Madras, **Shri Subramaniam** suggested that a modification might be made in the rephrasing of the programme so that pre-extension blocks would come into existence by October, 1961 and by the end of 1961 they could claim that they had fulfilled their promise of introducing the extension schemes. The Minister of Community Development, Shri S. K. Dey promised to look into the suggestion and to try to implement it.

103. The Chairman said that the main point was that the burden and responsibilities for carrying out these programmes should be shifted, from officials to the people. This was very important because the tendency all over the country had been for the official to undertake more and more responsibility. Officialisation and bureaucratisation of work had proceeded so far that everybody looked to the Government without moving his own fingers. The Finance Minister, Madras said that in certain things technical guidance was essential. For instance, no non-official agency had been able to undertake wholtime work in regard to the management of accounts unless assistance of trained personnel was provided. In the initial stages some guidance was absolutely necessary otherwise funds would not be properly utilised.

104. The Chairman observed that unless men at the bottom were trained and trusted they could not succeed. The Deputy Chairman, Planning Commission said that the local man should be a trained man. In thousands of Madras villages there were part-time Secretaries. The Finance Minister, Madras agreed that the technical men should not be the boss but the members should be the real boss and run the show.

105. The Chairman referred to the apprehension expressed by Shri S. K. Dey that the proposed revised allocation of funds would involve cutting down of what they had promised to do in regard to community development. It was a basic and highly important programme which must be given the highest place. The Chief Minister, Madhya Pradesh, Dr. Kailash Nath Katju said that the non-fulfilment of the community development programme would cause the greatest disappointment. In his view this was not the opportune time for reducing the Plan target.

106. The Chairman observed that in all the Plan programmes including the community blocks a large allocation had been made for constructions. On his attention being drawn to the large buildings constructed in Delhi, the Chairman said that two or three buildings which were very expensive were the Ashoka Hotel, the Vigyan Bhavan and the Supreme Court buildings. As regards Vigyan Bhavan, apart from the fact that they could have their major functions there, foreign exchange was also earned. He pointed out that at the Centre many schemes including the one for national theatres had been given up.

**SUMMARY OF CONCLUSIONS AND SUGGESTIONS ARISING FROM  
THE DISCUSSIONS OF THE NATIONAL  
DEVELOPMENT COUNCIL**

**APPRAISAL AND PROSPECTS OF THE SECOND PLAN**

1. At its meetings on the 3rd and 4th May, 1958, the National Development Council discussed the Memorandum of the Planning Commission on the Appraisal and Prospects of the Second Five Year Plan:

The Council considered the question of the total outlay to be undertaken in the public sector during the period of the Plan in the light of the progress made during the past two years and the steps taken to raise additional resources. It was decided that the total outlay should be maintained at Rs. 4,800 crores. In view, however, of the assessment of resources made by the Planning Commission, the Council considered that the projects and programmes to be undertaken within the ceiling of Rs. 4,800 crores should be divided into two parts. Part (A) of the Plan involving a total outlay of Rs. 4,500 crores should include besides projects and programmes directly related to increase in agricultural production, 'core projects' and projects which have reached an advanced stage and other inescapable schemes. The remaining schemes should be included in part (B) of the Plan with a total outlay of Rs. 300 crores. Part (A) of the Plan would represent the level of outlay up to which, on the present assessment of resources, commitments might be entered into for the rest of the plan period. Projects in Part (B) of the Plan could be undertaken to the extent to which additional resources became available. The list of projects to be included in the two parts of the Plan would be settled after discussion between the Planning Commission and the Central and State Governments. In working out the distribution, care should be taken to ensure that the needs of less developed areas were given due consideration and that high priority was given to social services and the development at the Community Development movement. There should be no undue rigidity in the working of the Plan and the Central Ministries and States may make minor adjustments in the allocations within the overall ceilings.

It was agreed that the Centre and the States should endeavour to raise resources to the maximum extent possible through additional taxation, mobilising small savings and achieving economies in Plan and non-Plan expenditures.

The Council stressed the fact that the level of outlay which could be undertaken would depend in a large degree on the success achieved in increasing agricultural production. Local participation and community effort must be enlisted on the largest scale possible in support of agricultural programmes such as the full utilisation of the available irrigation potentials and the adoption of improved practices especially in areas which have irrigation and assured rainfall and intensive efforts should be made to reach every family through the village panchayat and the village cooperative.

2. Every possibility of effecting savings in expenditure on construction of buildings should be carefully explored. In this connection reference was specially made to school buildings in rural areas.

3. The proposal for the issue of Prize Bonds made by the Finance Minister, Madras and the

possibility for introducing a scheme of compulsory savings should be examined by the State Governments and the results of their examination communicated to the Ministry of Finance at the Centre. The Ministry of Finance should also examine these schemes.

### **ARRANGEMENTS FOR DEPLOYMENT OF SURPLUS PERSONNEL**

4. State Governments should make arrangements for sending returns to the Central Government (Ministry of Labour and Employment) regarding the number of employees engaged on major projects, the personnel which might become surplus at different stages of the completion of the projects and personnel requirements at different stages of the new projects to be undertaken in the States. In particular, attempt should be made by the States to keep Government of India informed about specific shortages and surpluses of personnel which cannot be adjusted locally. The Ministry of Labour and Employment will forward suggestions to State Governments regarding arrangements to be worked out for deployment of surplus personnel.

### **REVISION OF THE COMMUNITY DEVELOPMENT PROGRAMME**

5. The National Development Council considered the proposals of the Ministry of Community Development in regard to the re-phasing of the community development programme. It was agreed that the Community Development programme should be rephased so that the last series of pre-extension blocks would be taken up by October 1962. The programme should consist of two stages of five years each, stage I having a ceiling expenditure of Rs. 12 lakhs for five years and stage II an allotment of Rs. 5 lakhs for the five year period. Before stage I blocks are taken up, provision will be made for pre-extension activity for one year. During the pre-extension stage, the main purpose will be to attend to the agricultural programme so that in the succeeding stages, this emphasis is continued. A minimum programme should be drawn up in collaboration with the Ministry of Food and Agriculture for this period. An attempt should be made to introduce the last series of pre-extension blocks even before October 1962.

6. State Governments should accelerate the processes for the establishment of democratic institutions functioning either at the block level or at the taluqa or district level. The process of democratisation should be completed as speedily as possible. As agreed in the meeting of the Standing Committee of the National Development Council in January 1958 the pattern of democratisation would be worked out by State Governments in the light of their own conditions and requirements. The National Development Council will review from time to time the progress in regard to the steps taken towards democratic decentralisation.



APPENDIX

APPRAISAL AND PROSPECTS OF THE SECOND FIVE YEAR PLAN

SUMMARY AND POINTS FOR CONSIDERATION

I. PLAN OUTLAY AND RESOURCES

1. A strain on resources, both internal and external, has been felt continuously since the commencement of the Second Five Year Plan. Wholesale prices rose 14 per cent between April 1956 and August 1957. Since then they have come down a little. But the present level—*i.e.* 106-107 is still high. The balance of payments deficit over the two years April 1956 to March 1958 was Rs. 821 crores. Various measures have been taken to check these trends. However, the stresses and strains in the system are basically related to the development effort and are expected to continue throughout the plan period.

2. Outlay on the Plan in the first two years was Rs. 1496 crores; for the current year it may come to Rs. 960 crores. Thus, over the three years it might aggregate to about Rs. 2456 crores. A little under fifty per cent of the plan outlay will thus remain to be incurred in the two years 1959-61.

3. Broadly speaking, the plan outlay of Rs. 2456 crores for the first three years will, on present expectations, have been financed as follows:—

	(Rs. crores)
Balance from revenues . . . . .	439
Railways contribution . . . . .	129
Loans from the public, small savings and other capital receipts . . . . .	533
External assistance . . . . .	438
Deficit financing . . . . .	<u>917</u>
TOTAL . . . . .	2,456

4. It will be seen that the resources available for the plan have so far been below expectations. In 1957-58 the budgetary deficit was as high as Rs. 464 crores. For 1958-59 the budget estimates postulate a considerable improvement in loans and small savings. Deficit financing is to be reduced by Rs. 250 crores as compared to 1957-58. But this assumes a step-up in external assistance from about Rs. 100 crores in 1957-58 to Rs. 300 crores for the current year.

5. Taxation has been raised substantially since the Plan began. The five-year yield on the tax measures so far adopted by the Centre will be about Rs. 725 crores. The probable five-year yield of the measures of taxation adopted so far in the States is about Rs. 173 crores. Altogether, additional taxation already adopted should thus bring in approximately Rs. 900 crores over the plan period.

6. A large part of this tax effort has, however, been absorbed by other demands: defense, non-



development expenditure and development expenditure outside the plan. Despite the large tax effort at the Centre the revenue resources available for financing the Centre's plan outlays are expected to show an improvement of only Rs. 45 crores as compared to the plan estimates. In other words only a negligible contribution has been made towards covering the original gap of Rs. 400 crores in resources.

7. The States have raised additional taxation which will bring in Rs. 173 crores over the plan period. They will have gained Rs. 160 crores as a result of the Finance Commission's Award plus certain amounts by way of a large share of Central taxation. In spite of this, the balance they are able to find from their revenues for financing the Plan is below the original expectations. Assuming that the States are able to reach their original tax target of Rs. 225 crores, their revenue contribution to the plan will amount probably to Rs. 350 crores as compared to the original expectation of Rs. 370 crores.

8. Altogether, over the first three years, the budgetary resources of the Centre and of the States will add up to Rs. 1100 crores as compared to the five-year estimate of Rs. 2400 crores, which, as mentioned earlier, still left a gap of Rs. 400 crores.

9. The lag in resources has necessitated resort to heavy deficit financing at an early stage in the Plan. At one time the intention was to limit the total to Rs. 900 crores over the five-year period. Now it looks fairly certain that the original figure of Rs. 1200 crores of deficit financing will have to be restored. In fact, it will be difficult to adhere even to this figure unless measures are taken (a) to raise further resources and (b) to limit plan outlays along the lines suggested below.

10. A certain amount of latitude in the matter of programme formulation is permissible while the country has large foreign exchange reserves. But this is no longer so. Between April 1956 and March 1958 the foreign exchange assets of the Reserve Bank came down by Rs. 479 crores. In addition, the I.M.F. credit of Rs. 95 crores has been used up. External assistance authorised since the Second Plan began amounts to Rs. 679 crores. Further external assistance of the order of Rs. 500 crores is still necessary for covering the foreign exchange requirements for the rest of the plan period. Even for the core projects in the public sector further commitments of the order of Rs. 285 crores have still to be made.

11. The present import policy is very tight. This tightness will have to be maintained. But, beyond a point it would be unwise to invest in new construction and installations while failing to make sufficient provision for utilising fully the capacity already built up.

12. The cost of the Plan has gone up considerably. Nevertheless, the financial ceiling remains at Rs. 4800 crores. The Planning Commission has worked out revised allocations corresponding to this financial ceiling. These allocations are set forth for approval by the N.D.C. in the Table below:—

## Summary Record of Discussions of the NDC Meetings

Original and Revised Allocations

(Rs. crores)

	Original				Revised			
	Centre	States including Union Territories	Total	Per cent of total	Centre	States including union Territories.	Total	Per cent of total
	1	2	3	4	5	6	7	8
I. Agriculture and Community Development	65	503	568	11.8	65	503	568	11.8
2. Irrigation and Power	105	808	913	19.0	72	788	860	17.9
3. Village and Small Industries	80	120	200	4.2	60	140	200	4.2
4. Industries and Minerals	667	23	690	14.4	857	23	880	18.4
5. Transport and Communications	1203	182	1385	28.9	1175	164	1345	28.0
6. Social Services	394	549	945	19.7	321	542	863	18.0
7. Miscellaneous	43	56	99	2.0	37	47	84	1.7
<b>TOTAL</b>	<b>2559</b>	<b>2241</b>	<b>4800</b>	<b>100.0</b>	<b>2593</b>	<b>2207</b>	<b>4800</b>	<b>100.0</b>

13. The acceptance of this ceiling means a lowering of the physical targets. The problem at this stage, however, is whether the balance of resources required to complete this financial outlay of Rs. 4800 crores can be found. It is particularly necessary in view of the factors mentioned earlier to define concretely the further effort that is feasible in order to make good the inadequacy of resources and to make commitments in terms only of this assessment of resources.

14. The requirements of the last two years of the Plan amount to Rs. 2344 crores—in fact they may amount to a little more if the shortfalls in plan outlays in 1957-58 and 1958-59 turn out to be somewhat larger than have been allowed for in the estimates presented.

15. As against these requirements, the present estimates show an availability of not more than Rs. 4260 crores as the table below will show. This already postulates external assistance at a level of Rs. 300 crores a year as also a better response to public loans and the small savings effort.

Out look on Resources

(Rs.crores)

	Likely actuals for the first 3 years of the Plan			Total for 3 years	Estim- ates for the last two years 1959-60 and 1960-61	Total 1956-61
	1956-57	1957-58	1958-59			
	1	2	3	4	5	6
I. Domestic Budgetary Resources						
(a) balance from current revenues	139	150	150	439	320	759
(b) Railways' contribution	34	45	50	129	121	250
(c) Loans and small savings	200	127	217	544	440	984
(d) Unfunded debt & Miscellaneous Capital receipts	(-)14	(-)25	28	(-)11	40	29
TOTAL	359	297	445	1101	921	2022
II. External Assistance	38	100	300	438	600	1038
III. Deficit Financing	238	464	215	917	283	1200
IV. Total Resources-Outlay	635	861	960	2456	1804	4260

16. It would be desirable to ensure that Plan outlay turns out to be somewhat nearer the target of Rs. 4800 crores. This can be done only to the extent that further resources are raised. The Planning Commission suggests that an effort be made along the following lines:—

	(Rs. crores)
Additional taxation	100
Loans and small savings	60
Economies in expenditure and collection of arrears of taxes and loans	80
TOTAL	240

17. The scope for additional taxation at the Centre is very limited. Nevertheless, the Centre should accept a target of Rs. 40 crores of further taxation in the next two years. The original taxation target for the States was Rs. 225 crores. The measures they have adopted so far add up to Rs. 173 crores. They are thus Rs. 52 crores short of the original target. It is suggested that the States agree to raise Rs. 60 crores by way of additional taxation in the next two years. If this target is accepted, the concrete measures to be adopted can be gone into.

18. As regards public borrowings, very much depends upon the state of the market. The bulk of the additional Rs. 60 crores shown under loans and small savings has to be found by intensifying the small savings drive.

19. Another Rs. 80 crores will have to be raised through economies in non-Plan expenditure and through speedier collection of overdues of taxation and loans. This requires close examination. It looks feasible, but it calls for determined effort both at the Centre and in the States.

20. The N.D.C. is requested to approve the approach indicated above. It is particularly important

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to ensure that the States will undertake this effort. The point to stress is that only if effort along these lines is possible can the Plan outlay be raised to Rs. 4500 crores (as compared to the estimated resources of Rs. 4260 crores). Such an effort must be made, if an imbalance as between the different sectors of the Plan is to be avoided. At the same time, no commitments beyond this level of outlay can now be undertaken without resources being in sight.

21. Economic stability internally and viability on external account—allowing for whatever resources from abroad are forthcoming—are of vital importance at this stage. The fact that foreign exchange reserves have fallen to a low level makes it particularly necessary to limit deficit financing and therefore the total level of plan outlays in consonance with the resources position.

22. The Planning Commission has worked out a pattern of allocations by major heads of development on the basis that the necessary effort will be made to bring the resources at least up to Rs. 4500 crores. It is for consideration whether this broad pattern is acceptable. The table below sets forth the break-up of a total of Rs. 4500 crores between different sectors as compared to the revised allocations.

Allocations and Outlays by the Major Heads of Development

	Alloca- tions as origi- nally made in the Plan	Per cent of total	Revised alloca- tions (to acco- mmo- date the higher cost of some projects within the ceiling of Rs. 4800 crores)	Per cent of total	Outlays now pro- posed to corres- pond with the resources position	Per cent of total
	1	2	3	4	5	6
1. Agriculture & Community Development	568	11.8	568	11.8	510	11.3
2. Irrigation & Power	913	19.0	860	17.9	820	18.2
3. Village & Small Industries	200	4.2	200	4.2	160	3.6
4. Industries & Minerals	690	14.4	880	18.4	790	17.5
5. Transport & Communications	1385	28.9	1345	28.0	1340	29.8
6. Social Services	945	19.7	863	18.0	810	18.0
7. Miscellaneous	99	2.0	84	1.7	70	1.6
TOTAL	4800	100.0	4800	100.0	4500	100.0

The National Development Council's approval to these is requested.

23. If commitments for the Plan have to be limited—as they have to be on the basis of the estimates of resources given above—to Rs. 4500 crores, there will be a sizeable cut on State

Plans, especially in respect of social services. It is only if ways could be found to raise domestic resources beyond the levels postulated that these cuts could be reduced.

24. Behind the inadequacy of financial resources is the insufficiency of total production and savings. It is most important in this connection to utilise fully the facilities that have already been built up for increasing food production. Success on the physical targets of the Plan is not a question merely of increased allocations; it depends to a great extent on the steps taken at each stage to utilise the new facilities immediately and fully.

25. Employment opportunities do not appear to be expanding sufficiently to absorb the increases in the labour force. This is because the investment effort in the economy is still low relatively to needs. Steps are being taken to strengthen the employment potential of the Plan at particular points e.g., the scheme recently approved for appointment of 60,000 teachers. But, total investment and employment can be increased only to the extent that more savings are forthcoming.

## **II. ACHIEVEMENTS AND TARGETS**

The review of achievements and targets given in this part of the memorandum shows that in each field there is scope for realising greater efficiency in execution and that various shortcomings which have been pointed out can be overcome. Given proper assignment of tasks, supervision, continuous review of evaluation and greater attention to the training of personnel and to coordination in team work between the various agencies concerned, the outlays provided for in the Plan can produce appreciably larger results than is commonly recognised.

### **1. AGRICULTURE AND COMMUNITY DEVELOPMENT**

1. During the review by the Standing Committee of the National Development Council of agricultural production programmes in January 1958, it was noted that over the period 1949-50 to 1956-57 the annual increase in agricultural production came to 2 to 2.5 per cent. This rate of increase was not sufficient to support a large plan of economic development. The results had been varied and uneven and, in several cases, they did not reflect adequately the large outlays which had been incurred. There had not been enough concentration of efforts on increasing yields per acre in irrigated areas and in areas with assured rainfall. Progress in the utilization of the irrigation potential created in major and medium irrigation schemes had not been satisfactory. Minor irrigation programmes had tended to develop into departmental programmes with insufficient public participation. Even in N.E.S. and community project areas, the provisions for minor irrigation had not been adequately utilised and programmes had to be fully coordinated with the Agriculture Departments. It was also pointed out that the crux of the problem of reaching every village and every Family through the community development programme lay in the building up of village institutions—the panchayat and the co-operative—for undertaking village planning.

2. Following the directives of the Standing Committee of the National Development Council, Programme Administration Advisers of the Planning Commission with officers from the Ministries of Food & Agriculture and Community Development have visited nine States and have made recommendations relating, in particular, to the question of utilising irrigation facilities. These recommendations stress the following aspects:—

- (a) construction of field channels and other ancillary works needed for irrigation;
- (b) speeding up localisation of areas to be irrigated from certain projects;
- (c) organisation of demonstration plots, introduction of appropriate crop patterns and guidance in irrigated cultivation;
- (d) introduction of legislation for making a compulsory charge from all persons whose lands are eligible for irrigation supplies;
- (e) arrangements for seed multiplication at the village level;
- (f) intensification of the campaign for green manuring; and
- (g) expediting the production of improved seed on farms for which land has already been obtained and speeding up the entire programme for the setting up of seed farms.

3. Results achieved over the first two years of the Plan fall seriously short of the targets fixed



for the plan period in 1956-57 after detailed consultation with the States. Estimates of additional production potential under different categories of agricultural programmes for these two years along with the Plan targets are given in the Statement below:—

(Lakh tons)

Programme	Plan target	Achievement 1956-57	Anticipated achievement 1957-58
1. Major Irrigation	30.2	1.8	3.0
2. Minor Irrigation	18.9	3.4	5.1
3. Fertilisers and manures .	37.7	5.6	7.7
4. Improved seeds	34.0	1.7	2.0
5. Land development	9.4	1.0	1.7
6. Improved agricultural practices	24.7	2.2	5.0
Total	154.9	15.7	24.5

The National Development Council may consider suggesting to the States that they should devise means of improving upon the present estimates for 1958-59 through greater concentration of resources in areas of irrigation facilities and assured rainfall where large increases are possible. This is specially important because for 1957-58, on information at present available, there will be a reduction of over 2 million tons in the output of foodgrains compared to 1956-57.

4. In regard to seed farms, it is pointed out that against a Plan target of 4185, 387 were established in 1956-57 and 608 in 1957-58. It is of the utmost importance to complete the various operation on the seed farms for which land has been obtained, so that they begin to provide stocks of nuclear seed with the least delay. To expedite the programme, it has been decided that the maximum amount of assistance for purchase of land may be raised from Rs. 500 per acre to Rs. 1500 per acre.

5. As between different sectors in the agricultural programmes it is proposed to allocate larger resources in favour of agricultural production and to reduce somewhat the allocations proposed in the Plan for animal husbandry, forests and soil conservation and other heads. The increases contemplated are for completion of distributaries where storage has been established (Rs. 30 crores) and for minor irrigation where it is a genuine people's programme and results are assured, and for agricultural production programmes (Rs. 12 crores).

## **2. IRRIGATION AND POWER**

1. The lag in the use of irrigation facilities was greater in areas in which existing legislation does not provide for a compulsory charge in respect of lands for which irrigation is available, whether or not the supplies are utilised. It has also been very marked in the case of tube-well irrigation and in respect of certain projects in the South and in the Eastern region.

In a number of projects the failure to utilise irrigation facilities has been due to the fact that sufficient attention had not been given to the construction of distributaries and field channels along with the provision of storage capacity and to such measures as the setting up of demonstration

farms, introduction of new crop patterns and assistance to cultivators.

2. As against a target of additional irrigation from major and medium schemes of 12 million acres which was proposed for the Second Plan, the present estimate is that if the requisite funds are available the additional irrigation achieved would be of the order of 10.4 million acres. During 1956-57, the additional irrigation achieved was 6,80,000 acres and during 1957-58, the additional irrigation anticipated is 1.11 million acres. The estimated irrigation for 1958-59 is 2.03 million acres. The object of the increased provision referred to in 1 (5) above is to expedite the construction of the canal systems and field channels wherever possible in order that the target for the utilisation might be raised beyond the level of 10.4 million acres.

3. Attention is invited to the need in all States to organise special investigation units to locate areas requiring irrigation, assess water resources available and the needs of each region and prepare preliminary project reports. They should also determine which areas could best be served by minor irrigation schemes and which areas are best suited for contour bunding and dry farming. So far, nine States have set up investigation units, but it is not known whether programmes on these lines have got fully under way.

4. Under the power development programme, the target of additional capacity for the Second Plan was 3.5 million kW of which 2.9 million kW were to be achieved in the public sector, 300,000 kW in the private sector and 300,000 kW in industrial plants providing for their own generating capacity. During the past two years, there has been a steadily increasing demand for additional power generation in a number of areas. The total installed capacity likely to be added in the first three years is 770,000 kW only of which 178,000 kW were added in 1956-57 and 310,000 kW in 1957-58. According to the present anticipations, the actual realisation of benefits within the plan period from projects in the public sector may be about 2.5 million kW, from private electricity undertakings about 175,000 kW and from industrial establishments providing for their own power 378,000 kW. Thus, the total installed capacity during the Second Plan is expected to be nearly 3 million kW as against the original target of 3.5 million kW.

### 3. VILLAGE AND SMALL INDUSTRIES

In this Section, attention is drawn to the progress made in respect of handloom production from mill yarn and Ambar yarn, khadi, small-scale industries, industrial estates etc.

### 4. LARGE AND MEDIUM INDUSTRIES

1. For industrial projects in the public sector, the Plan had allocated Rs. 524 crores in addition to Rs. 60 to 65 crores in favour of the National Industrial Development Corporation. As against the provision of Rs. 617 crores for large and medium industries (including scientific and industrial research) it is proposed to raise the allocation within the total outlay of Rs. 4,800 crores to Rs. 790 crores. Projects completed in 1957-58, those expected to be completed in 1958-59 and those expected to be fully implemented by the end of the Second Five Year Plan are referred to in the review.

Projects which are not expected to be completed until the early years of the Third Plan and those which are likely to be deferred are also indicated. Briefly, industrial projects entailing a total cost of Rs. 582 crores are likely to be completed during the plan period, projects involving a total outlay of Rs. 169 crores will be completed after the Second Plan and projects involving investment

during the plan period of about Rs. 64 crores are likely to be deferred. The main reason for slowing down some of the projects is the shortage of foreign exchange.

2. As regards industrial projects in the private sector, the Plan had envisaged a total investment of Rs. 685 crores—Rs. 535 crores for new investment and Rs. 150 crores for replacements. After the formulation of the Plan, targets in certain industries were revised upwards. Cost of construction and import prices of capital goods also increased. To fulfil the entire programme approved for the private sector, the total investment required is Rs. 840 crores in place of Rs. 685 crores, the foreign exchange cost also being higher than the original figure of Rs. 320 crores by about Rs. 120 crores. During the first two years of the Plan, the overall investment in the private sector has been about Rs. 135 crores to Rs. 140 crores per year. The total investment on schemes which have been initiated is likely to be about Rs. 475 crores, in addition to Rs. 100 crores for modernisation and replacements. Thus, against the original figure of Rs. 685 crores, investment in the private sector may be about Rs. 575 crores.

3. The Section reviews in detail the likely increases in installed capacity on the basis of schemes which have been undertaken in different branches of industry, namely metallurgical industries, heavy chemicals, fertilisers and allied industries, mechanical engineering industries, electrical engineering industries and consumer goods industries. Indication has been given in each case of the additional amount of foreign exchange required in order to complete the original Plan target. On an overall view, about 70 to 75 per cent. of the original targets of capacity may be achieved. The main conclusions drawn are the following:—

- (1) There will be a substantial shortfall as against the original targets of capacity in the case of aluminium, ferro manganese and caustic soda.
- (2) The original target of capacity for heavy chemicals (some miscellaneous chemicals and caustic soda excluded) will be substantially achieved but there will be appreciable shortfalls in the case of cement and dyestuffs and relatively smaller shortfalls under refractories.
- (3) In the field of engineering industries, there will be shortfalls in respect of structural fabrication and in respect of all types of machinery, except sugar machinery, but the targets for locomotives, wagons, and bicycles will be achieved. In the case of automobiles, the manufacturing programme will considerably lag behind the schedule in the achievement of the target of 80 per cent. of self-sufficiency.
- (4) The original targets of capacity in the field of electrical engineering industries will be achieved and even exceeded in certain lines, but some shortfalls in respect of VIR and plastic cables is indicated.
- (5) Targets of capacity for consumer goods industries will be achieved except in the case of paper and newsprint, rayon filament and sugar. The original target for the rayon industry will, however, be exceeded and in the case of sugar the production target should be achieved.

## **5. DEVELOPMENT OF MINERAL RESOURCES**

1. The allocation for mineral development is proposed to be raised from Rs. 73 crores to Rs. 90 crores.

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2. The target for coal production under the Plan is 22 million tons, of which 12 million tons were to be achieved by the public sector and 10 million tons by the private sector. During 1956-57, coal production increased by 1.84 million tons to which the existing State collieries contributed 200,000 tons. The target of additional production for 1957-58 was 3.2 million tons. The first two years of the Plan have been taken largely in work of a preparatory character such as detailed prospecting, preparation of project report, acquisition of unworked areas of old coal leases, placing orders for equipment etc. It is estimated that the public sector will contribute only about 6.6 million tons of coal production by the last year of the current Plan against the target of 12 million tons. The private sector has been permitted to raise an extra 1.4 million tons in the Central India coalfields. In all, the shortfall of 4 million tons in coal production compared to the total output of 60 million tons at the end of the Plan is anticipated.

3. Attention is invited to the recent decision to form a Rupee Company in partnership with the Burmah Oil Company for the exploitation of the Nahorkatiya oil fields and for the construction and operation of a pipe line. This involves a total outlay of Rs. 24 crores in the current plan period.

### **6. TRANSPORT & COMMUNICATIONS**

1. The total allocation for 'Transport & Communications' is to be placed at Rs. 1,345 crores. This involves a few changes in respect at different branches of transport development. The allocations for roads is to be reduced from Rs. 246 crores to Rs. 221 crores, for road transport from Rs. 16.5 crores to Rs. 11 crores and for posts & telegraphs from Rs. 63 crores to Rs. 62 crores. Correspondingly, there are small increases in the allocations for ports and harbours and shipping.

2. The Section reviews progress in respect of railways, shipping, ports, roads and communications and broadcasting.

### **7. CORE PROJECTS**

This Section summarises the main facts regarding the core projects. Core projects in the public sector entail a total expenditure during the plan period of Rs. 1900 crores, of which about Rs. 1130 crores will have been incurred during the first three years. The total foreign exchange cost of the core projects, taking public and private sectors together, is about Rs. 941 crores.

### **8. SOCIAL SERVICES**

1. It is inevitable that any reallocation within a total outlay of Rs. 4800 crores with a view to providing the minimum additional funds needed for the development of large and medium industries and mineral resources involves corresponding adjustments under social services. In making these adjustments, the aim has been to keep reductions in allocations in the States and in respect of social services to the smallest magnitudes feasible. The Proposed adjustments are shown below:—

(Rs. crores)

Head of Development	Five Year Plan allocations (Original)			Five Year Plan allocation (Revised)		
	Total	Centre	States	Total	Centre	States
1	2	3	4	5	6	7
1. Education	307	95	212	285	75	210
2. Health	274	90	184	255	75	180
3. Housing	120	47	73	100	27	73
4. Welfare of Backward Classes	91	32	59	83	24	59
5. Rehabilitation	90	90	..	90	90	..
6. Social Welfare, Labour and Labour Welfare and Educated unemployment schemes	63	42	21	50	30	20
Total	945	396	549	863	321	542

2. In the expansion of educational facilities for the age groups 6—11, 11—14 and 14—17 progress during the first three years of the Plan suggests that the initial Plan targets will be substantially exceeded. The targets for technical education, especially for engineering graduates and diploma holders, have been raised substantially.

3. To meet the growing demand for education and also to provide further relief to educated unemployed persons it is proposed to introduce with effect from 1958-59 a new scheme for the appointment of 60,000 teachers.

4. In the review of the health development plan, attention is drawn amongst others to the following aspects:—

- (a) In view of the large programme of urban water supply and sanitation already under way, new schemes cannot be entertained .
- (b) On account of the change-over from a programme of control to the programme of eradication of malaria, substantial additional costs are involved.
- (c) The programme for setting up 3000 primary health units will need to be reviewed along with the rephrasing of the community development programme.

5. It is proposed to increase the target for training of craftsmen from 30,000 to 50,000.

## Summary Record of Discussions of the NDC Meetings

### PARTICIPANTS

#### PLANNING COMMISSION

- |     |                           |    |    |    |  |
|-----|---------------------------|----|----|----|--|
| 1.  | Shri Jawaharlal Nehru     | .. | .. | .. | Chairman   |
| 2.  | Shri V. T. Krishnamachari | .. | .. | .. | Deputy Chairman  |
| 3.  | Shri Gulzarilal Nanda     | .. | .. | .. | Minister of Planning                                   |
| 4.  | Shri Morarji R. Desai     | .. | .. | .. | Member (Finance)                                       |
| 5.  | Shri K. C. Neogy          | .. | .. | .. | Member (Industry)                                      |
| 6.  | Dr. J. C. Ghosh           | .. | .. | .. | Member (Education)                                     |
| 7.  | Shri V. K. Krishna Menon  | .. | .. | .. | Member (I. T. & D.)                                    |
| 8.  | Shri C. M. Trivedi        | .. | .. | .. | Member (I. & P.)                                       |
| 9.  | Shri S. N. Mishra         | .. | .. | .. | Dy. Minister of Planning                               |
| 10. | Shri L. N. Mishra         | .. | .. | .. | Parliamentary Secretary to the<br>Minister of Planning |
| 11. | Shri M. K. Vellodi        | .. | .. | .. | Secretary  |

#### STATES

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|----|-----------------|----|----|----|--|
| 1. | Andhra Pradesh  | .. | .. | .. | Shri N. Sanjeeva Reddy, Chief Minister<br>Shri V. B. Raju, Minister of Planning  |
| 2. | Assam           | .. | .. | .. | Shri B. P. Chaliha, Chief Minister<br>Shri K. P. Tripathi, Minister of Planning  |
| 3. | Bihar           | .. | .. | .. | Dr. Srikrishna Sinha, Chief Minister   |
| 4. | Bombay          | .. | .. | .. | Shri Y. B. Chavan, Chief Minister<br>Shri V. P. Naik, Minister of Agriculture<br>Shri S. K. Wankhede, Minister of Plan-<br>ning<br>Dr. Jivraj Mehta, Minister of Finance |
| 5. | Jammu & Kashmir | .. | .. | .. | Bakshi Ghulam Mohammad, Prime<br>Minister  |
| 6. | Kerala          | .. | .. | .. | Shri E M S Namboodiripad, Chief<br>Minister  |
| 7. | Madhya Pradesh  | .. | .. | .. | Dr. Kailas Nath Katju, Chief Minister  |



8. Madras	..	..	..	Shri K. Kamraj, Chief Minister Shri C. Subramaniam, Finance Minister
9. Mysore	..	..	..	Shri S. Nijalingappa, Chief Minister Shri C. M. Poonacha, Home Minister
10. Orissa	..	..	..	Dr. Harekrushna Mahatab, Chief Minister
11. Punjab	..	..	..	Sardar Pratap Singh Kairon, Chief Minister
12. Rajasthan	..	..	..	Shri Mohanlal Sukhadia, Chief Minister
13. Uttar Pradesh	..	..	..	Dr. Sampurnanand, Chief Minister
14. West Bengal	..	..	..	Dr. B. C. Roy, Chief Minister

**UNION MINISTERS**

1. Shri Govind Ballabh Pant	..	..	..	Minister of Home Affairs
2. Shri Lal Bahadur Shastri	..	..	..	Minister of Commerce and Industry
3. Sardar Swaran Singh	..	..	..	Minister of Steel, Mines and fuel
4. Shri Ajit Prasad Jain	..	..	..	Minister of Food and Agriculture
5. Hafiz Mohammad Ibrahim	..	..	..	Minister of Irrigation and Power
6. Shri Raj Bahadur	..	..	..	Minister of Shipping
7. Shri S. K. Dey	..	..	..	Minister of Community Development
8. Prof. Humayun Kabir	..	..	..	Minister of Scientific research and Cultural Affairs
9. Shri B. Gopala Reddy	..	..	..	Minister of Revenue Expenditure
10. Shri B. R. Bhagat	..	..	..	Dy. Minister of Finance





**ELEVENTH MEETING OF THE NATIONAL DEVELOPMENT  
COUNCIL – NOVEMBER 8 AND 9, 1958**

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**AGENDA**

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1. Plan resources and Outlay : a Review.
2. Annual Plan for 1959-60.
3. Preliminary studies in regard to financial resources, irrigation, power, agricultural production and other fields as preparation for the Third Five Year Plan.
4. (a) Progress in the utilisation of irrigation potential; and  
(b) Progress in implementing the seed multiplication programme.

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**SUMMARY RECORD**

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**NOVEMBER 8, 1958**

**MORNING SESSION**

In his opening remarks the Chairman after welcoming the Chief Ministers enquired what procedure would be the best for discussion of the problems confronting them. The procedure adopted in the past of requesting each Chief Minister to give his views on the subject under discussion yielded some useful information but did not help in tackling the issues, as the discussion became rather discursive. It would be better if some way of dealing with the issues was evolved so that there was more reality and liveliness in their discussions. The Chairman suggested that he would ask any one who wanted to participate in the discussion on any issue to offer his views. This would be a more profitable procedure and would help in securing intimate discussion of the difficult problems facing them.

2. The Chairman said that the real problems were both difficult and fascinating. They had to consider what stage they had reached in the Second Five Year Plan, their resources, and what they should do particularly about agriculture and food production. Further, although they were not going to consider the Third Plan as such, they had to give attention and thought to it from now onwards and they should meet after three or four months to consider the approach to the Third Five Year Plan. They often suffered from contradictory approaches due to pulls in different directions but as far as possible they should clear their minds as to what they were doing, where they were going and how they should go there.

3. Referring to the papers circulated about the resources for the Second Plan the Chairman said that from the facts before them it was a perfectly correct appraisal that it would be difficult to stretch themselves to Rs. 4,500 crores. They had, however to consider where this would lead because to give a rather homely example, if three-fourth of a bridge was built and the remaining span was missing, they would not go ahead and would be held up. Unless they achieved certain targets they not only failed in that respect but the whole conception of planning was upset. Planning was a stage-by-stage enlargement of resources so that one step led to another and what was required was some kind of approach and thinking on their objectives and the direction in which they were going and not so much the consideration of one scheme or another. The First Plan was not, practically speaking, a plan at all. The Second Plan marked the beginning of planning but the details and the available data for planning were not adequate. They had now to pull themselves out from the maze of the schemes and think afresh as to where they were and what they could do because there was a certain danger in being overwhelmed by events and by multiplicity of detail.

4. Referring to resources the Chairman said that they could not go naturally beyond the available resources but the approach should always be that certain physical targets had to be achieved. The financial resources were the ways and means of approaching the targets. The essential thing, therefore, was planning for physical targets conditioned by financial and other resources. It was a truism to say that they lived in a new and changing world with entirely new horizons and it might be asked whether their thinking about economic and financial matters was not getting rather cautious and old-fashioned. Referring to the objective of socialist pattern of society the Chairman said that there were comments and suggestions in the press that they had forgotten it or were going away from it. It was necessary to make it clear to the public what they stood for and proposed to do and not allow this mis-apprehension and misunder-

standing to continue.

5. The Chairman observed that the Annual Meeting of the International Monetary Fund and the World Bank held recently was of international significance from several points of view because it brought the problems of the so-called under-developed countries before a world forum. They were naturally grateful for the help in the shape of loans, credits etc., which helped to get them over the present foreign exchange difficulties. They had however, always to remember that it was the real effort made in the country that counted. They should not forget that the burden had to be shouldered by themselves and in their own way. Referring to comments in the foreign press that Indian planning was very ambitious and that India should take the advice offered to her and not make mistakes again, the Chairman said that he would like to make it perfectly clear that they would follow their own advice whatever the consequences. It was amazing that any person should think in terms of influencing or directing India's policy. While they would profit by the advice of those who knew more, they had their own views as to how the country should grow and they would adopt that course.

6. Referring to "India 1958" Exhibition, the Chairman said that it awakened them to the great deal of progress that had been made in various sectors in India and was a healthy antidote to the atmosphere of pessimism which some people had created. He was convinced that there was hardly anything that they could not do in the near future, though they might not be able to do it quite so swiftly or as well as some other countries. They were not using all their resources in the field of agriculture or industries and, therefore, the foreign exchange crisis was of some help in that it forced them to look inward to their own resources.

7. The Chairman said that an eminent economist had expressed the view that the method by which the industrial revolution could be set in motion was by increasing agricultural productivity and then transferring the fruits of that productivity from agriculture to the development of industries. He pointed out that they had not attached enough importance to agriculture. The Agriculture Departments in some States were poorly manned and agricultural services were also supposed to be secondary services. There was no doubt that agricultural productivity could be increased very greatly irrespective of whether there was rain or not. Rain did make a difference but productivity had to be increased by all other means all over India and they had not done it so far. They had got into the habit of writing reports and every single fact was crushed under long arguments and forests of words. It was agreed that fertilizers, manures, composts, bunding, irrigation and good seeds were to be used but the question was why these programmes did not progress. There was something wrong either in their mental or organisational approach or in administration. Perhaps the most important fact was that they had not been able to get all they should have out of the people—their enterprise their throwing themselves into the work with joy and good heart. Apart from good officers the real thing of primary importance was to choose responsible people from amongst the peasants and the agriculturists. The community development had only partially succeeded in that. The only way to get response was to trust the peasant and give him power and authority to go ahead. It was a fundamentally wrong argument that the peasant did not have knowledge and, therefore could not be given power and authority. The community development movement is meant to assist in awakening initiative of people in the villages but obviously the authority had to be given on the administrative side to the Panchayats and on the economic side to the co-operatives. These should be allowed to function and even make mistakes. It was against the basic idea of a co-operative that it should be run by officials. In the village co-operatives members knew one another and therefore, the basis of the agricultural and every other approach was devolution of authority to the Village Panchayat and the village co-operative, otherwise there would not be a sense of common partnership in doing things.



## Summary Record of Discussions of the NDC Meetings

8. Referring to ceilings on land the Chairman said that the more they thought of them the more they came to the conclusion that while the ceilings were essential they would not be useful without co-operatives. Both must go together otherwise something would go wrong. The co-operative laws in some of the States were defective because they were restrictive and in one State in the South legislation had been introduced to restrict still further the freedom of the co-operatives and to officialise them. This was putting the progress of co-operative movement in reverse.

9. The Chairman said that the big industries would go ahead because a lot of attention was being paid to them. The small industries were, however, becoming more and more important and these as well as the cottage industries had to be encouraged. He had no notion as to how far the Ambar Charkha or any such device might be 25 years later because only the superior technique would prevail but he was convinced that it was necessary to develop cottage industries to provide employment and explore possibilities of creative effort which would add to the nation's capital. The small industries would also help in spreading a spirit of technology among a large number of people and already in the towns people are gradually becoming technical-minded and a major revolution was thus coming in India. The Chairman said that they had got tied up with the idea of big schemes and had largely forgotten that small and medium industries could also be developed. With all their ideas of decentralisation they had forgotten that the real development would come from millions of small-scale industries and small irrigation works undertaken by the people themselves. A small irrigation work should really be one costing Rs. 10,000 and less. The manpower in the villages should be properly used and the habit of everybody becoming dependant on somebody else and everybody asking for money should be eliminated.

10. The Chairman mentioned the recent discovery of oil and said that while it could not be indicated precisely how much oil would be available, it was certain that oil had been found in Cambay and might be found in Punjab and Assam also. They could not take out the oil and use it until proper drilling arrangements were made and proper quantity came out. They had proceeded with oil exploration in spite of a good deal of doubt and hesitation and a good deal of advice offered from abroad by big organisations. Fortunately they went ahead and they met good luck because the very first well in Cambay region produced oil and the very first one in Hoshiarpur and Jawalamukhi produced gas. In this matter they had to go ahead at a fast pace because the thing could not be left half done. To say that they did not have the money to complete the task was just defeatism.

11. Referring to the private sector the Chairman said that they wanted to encourage it and there was a vast field for it provided it did not come in the way of public sector. The firms in the private sector were giving prodigious salaries to their employees, far higher than what Government could or should give. Foreign firms working in India gave enormous salaries and this resulted in putting up the salaries that the indigenous private sector had to pay. That disturbed employment in the public sector and set a wrong standard which was not an Indian standard.

12. Concluding the Chairman said that a part of the expenditure in the Second Five Year Plan, may be about Rs. 2,000 crores or Rs. 1,500 crores, was spent on construction. If there was saving of 10 per cent on construction at least Rs. 150 crores could be obtained. There was no doubt that at least 10 per cent could be saved on construction work whether done directly by departments or by contractors or by anybody else and in practice the saving had been even more. The Chairman said that he was not referring in this context to corruption but to the general methods of approach. High rates were being paid to the contractors who however, did not provide the minimum conveniences for the workers. The cost of the Plan was increasing tremendously owing to expenditure on jeeps, cars, etc., and he did not know how they could carry on in that way.

## PLAN RESOURCES AND OUTLAY : A REVIEW

13. The Finance Minister, **Shri Morarji Desai** referred to the papers already circulated on item 1 of the agenda and said that he would give a short summary of the same. In May last an appraisal of the position had been made and the available resources were estimated at Rs. 4,260 crores. It was then stated that if they were able to raise additional resources of Rs. 240 crores they could have a Plan of Rs. 4,500 crores. It was now found that they could not raise Rs. 240 crores unless they made a very serious and strenuous effort to do so. The position had actually deteriorated in recent months because the resources were now estimated at Rs. 4,220 crores. In the first three years they would have spent Rs. 2,466 crores, Rs. 1,424 crores at the Centre and Rs. 1,042 crores in the States. The Centre had to find resources not only to cover its own direct expenditure but also to provide assistance to the States of about Rs. 568 crores. Altogether the resources of the Centre thus came to Rs. 1,992 crores in the first three years, Rs. 736 crores from domestic budgetary resources, Rs. 458 crores from external assistance and Rs. 798 crores from deficit financing. If the target of Central assistance for the next two years was taken as Rs. 470 crores, they would have to spend Rs. 2,034 crores, Rs. 1,088 crores by the Centre and Rs. 946 crores by the States. The resources for the next two years were now estimated at Rs. 1,754 crores which meant a deficit of Rs. 280 crores, Rs. 198 crores at the Centre and Rs. 82 crores in the States. If assistance of the order of Rs. 470 crores was to be given to the States during the next two years they would have to find Rs. 198 crores of additional resources during the next two years in addition to Rs. 40 crores which they had already provided as additional taxation. If they were unable to do it, the Central Plan would have to be cut by Rs. 198 crores and he did not know how this could be done. The States outlay would be Rs. 946 crores of which Rs. 470 crores would be Central assistance and Rs. 394 crores would be States own resources and this would again mean a shortfall in resources of Rs. 82 crores. Since the last meeting of the National Development Council, foreign aid of the order of 350 million dollars had been received for the period ending March 31, 1959 and negotiations would be carried on for another 500 to 600 million dollars for the next two years. In all they had received foreign aid amounting to Rs. 1,100 crores in addition to about Rs. 300 crores which they might get during the next two years. About Rs. 550 or Rs. 600 crores from the sterling balances would be used up by the end of the Plan.

14. The Finance Minister said that the foreign aid would, of course, help the Plan but it would also create large liabilities. They had, therefore, to depend on internal resources as emphasised by the Prime Minister. The liabilities arising from 1960 onward in respect of interest and instalments would be of the order of Rs. 120 crores. From the International Monetary Fund they had borrowed Rs. 95 crores. Additional taxation of the order of Rs. 700 crores would have been raised at the Centre and of Rs. 216 crores in the States and the prospects of additional taxation in the next two years were not known. The other source of augmenting their resources was deficit financing which they had already used to the extent of Rs. 798 crores at the Centre and Rs. 84 crores in the States. They had provided for Rs. 210 crores of deficit financing for the remaining two years of the Plan period making up a total of Rs. 1,100 crores. It was first envisaged that they could go up to Rs. 1,200 crores of deficit financing but it would be dangerous to go up to that limit because it would create inflationary pressure on the prices which had already gone up. Heavy deficit financing during the previous two years had not created serious inflationary pressure because the utilisation of sterling balances to the extent of Rs. 500 to Rs. 600 crores had acted as a cushion. That cushion was not available now. The sterling balances might go down from the present level of Rs. 180 crores to about Rs. 150 or 140 crores which was a dangerous level. Central assistance of the order of Rs. 230 crores would be given to the States next year and Rs. 240 crores in the last year

## Summary Record of Discussions of the NDC Meetings

of the Plan but this was possible only if they could raise Rs. 198 crores more at the Centre or could cut down the Central Plan by that amount. It would be impossible to have a total Plan outlay of Rs. 4,500 crores if they did not raise another Rs. 280 crores. To the extent they were not able to raise Rs. 280 crores there would be a shortfall in the contemplated outlay of Rs. 4,500 crores. More deficit financing could be undertaken if the prices could be brought down. Food prices depended on agricultural production and if this year with good crops the procurement prices were not reduced, the prices would never go down in future. If next year there was a short crop the prices would go up and most dangerous spiral would be created.

15. The Finance Minister requested the Chief Ministers of the States to consider this matter seriously and to see if the prices could be reduced when the crops were good and there was a fair amount of food production. He had no doubt that the prices should be lowered. If the prices went up even deficit financing of Rs. 200 crores which they had taken into account for the next two years would become difficult.

16. The Chairman suggested that they might consider how far in recent months the prices had gone up, whether the rise benefited the cultivator purchaser or trader and further how far they could control trading activities because that would become a very important element in bringing down prices. They all knew that profits were earned by the intermediaries.

17. The Finance Minister, Madras, **Shri C. Subramaniam** remarked that prices this year were higher and the benefit did not go to the smaller producer but to the bigger one.

18. The Chief Minister, Andhra Pradesh, **Shri Sanjeeva Reddy** said that prices between one State and another differed substantially. This matter should be considered because such large differences should not exist.

19. The Chairman remarked that in big cities like Calcutta and Bombay higher prices prevailed because people being better off did not mind paying higher prices. The Chairman then suggested that the Finance Minister might first say something about his tour abroad.

20. The Finance Minister, **Shri Morarji Desai** said leaving India on the 27th of August he went first to London where he stayed for eight days and had talks with the Chancellor of the Exchequer and some other members of Government as also with businessmen, leaders of labour Party and a few other public men. Before his arrival a Conference arranged by the World Bank of the representatives of U.S.A., U. K., Japan, Germany and Canada had been held to consider India's difficulties and what they could do to help India. By the time he reached England certain conclusions had been reached. He had to discuss as to how financial help was to be arranged and on what conditions. A number of things were settled and some others would be settled shortly. One question put to him was why the element of foreign help was not fully taken into account and whether the estimates of projects were not extravagant. There were also suggestions about the Plan being over-ambitious. Further it was said that the required emphasis was not being put on agriculture but greater emphasis was being put on larger industries and that because of this India had come across these difficulties.

21. The Finance Minister said that in regard to the Plan being over-ambitious he drew their attention to the average per capita income in this country and in other countries and pointed out that to raise living conditions in this country they had to make strenuous efforts to develop industries and agriculture progressively. What was being done was not much because per capita income would be raised by only 5 or 6 dollars in five years and if even that was not done the economic condition of the people would remain stagnant or worsen. The Finance Minister said that in regard

to resources he explained that some of the difficulties confronting them could not be foreseen and certain difficulties had cropped up suddenly. The earnings from exports had decreased and for imports they had to pay higher prices and thus they had suffered both ways. He also made it clear that if they did not get financial help they were not going to fade out. They would try to raise savings and their progress might have to be slowed down in the beginning.

22. The Finance Minister stated that he found the atmosphere to be sympathetic on the whole and those who put the questions explained that they really wanted to understand the position. There was some difficulty regarding the rate of interest that they wanted to charge on loans to be given to India and he pointed out that one per cent more than the market rate would not be fair. He mentioned that on India's sterling balances the rate of interest had been only 0.8 per cent and they had also agreed to certain arrangements regarding pensions etc. The Finance Minister said that eventually his view was accepted.

23. Referring to his visit to Washington the Finance Minister said that he had discussions with the members of the Government and the Presidents of the World Bank and the International Monetary Fund. During the discussions, he was asked about the prospects of the Third Five Year Plan. He pointed out that the income per capita had to be increased and they had to frame the Plan according to their resources. Whatever financial help they required for the Plan would be needed for five years. In New York he met members of the Foreign Trade Council and other public men to whom also he explained the position in the same terms. In Canada he attended the Commonwealth Conference of which the report had appeared in the newspapers. At the Conference he laid stress on the development of under-developed countries and pointed out that impediments to the export of manufactured goods from these countries should not be placed. On the whole the atmosphere of the Commonwealth Conference was very friendly and the importance of India in regard to various matters was recognised.

24. The Finance Minister, Madras, **Shri C. Subramaniam** said that in America the businessmen and others seemed to be carrying the impression that because of various kinds of aid India would be getting there would be greater scope for private enterprise and greater importance would be attached to the private sector. That impression had to be corrected.

25. The Chairman said that in a way it was a natural impression because the people who had come over were bankers, Finance Minister, etc., who believed thoroughly in private enterprise. So far as India was concerned, the impression needed to be corrected.

26. The Finance Minister, Madras, **Shri C. Subramaniam** enquired about the provision for foreign assistance in the Plan and the actual assistance received and pointed out that the position in this respect had considerably improved. Similarly, the internal resources raised over the first three years of the Plan were larger than the estimates framed with reference to the Plan outlay of Rs. 4,500 crores. The resources raised in the States were also showing improvement. It could not, therefore, be said that the position in regard to resources had deteriorated since the last meeting of the National Development Council when it was decided to fix the target of Plan outlay of Rs. 4,500 crores. Shri Subramaniam said that he did not understand why the Plan for the next two years should be cut down to the extent of Rs. 198 crores in the Central sector and Rs. 82 crores in the State sector. After the target of Plan outlay under Category 'A' was fixed at Rs. 4,500 crores the Planning Commission put out a statement that it was to be increased by Rs. 150 crores. At the same time the resources were now being estimated at only Rs. 4,220 crores. These different figures created a good deal of confusion in the public mind and created the impression that the Planning Commission had got no firm figures.

## Summary Record of Discussions of the NDC Meetings

27. The Minister of Labour and Employment and Planning, **Shri Gulzarilal Nanda** said that he had made it very clear in the Parliament that the Plan outlay was not going to be raised above Rs. 4,500 crores.

28. Shri Subramaniam said that the figure of additional outlay of Rs. 150 crores raising the Plan outlay from Rs. 4,500 crores to Rs. 4,650 crores should not have been mentioned. The National Development Council had taken the decision to fix the Plan outlay at Rs. 4,500 crores. That target should be revised only if the performance had been bad and expectations had not been fulfilled in regard to the raising of resources during the current year.

29. The Member for Natural Resources, Planning Commission, **Shri C. M. Trivedi** pointed out that the Plan outlay of Rs. 4,500 crores was based on the assumption that additional resources to the extent of Rs. 240 crores would be forthcoming and deficit financing of the order of Rs. 1,200 crores would be resorted to. The present position was that additional resources were estimated at only Rs. 52 crores and deficit financing was assumed at Rs. 1,100 crores. There was thus a shortfall of Rs. 198 crores at the Centre and Rs. 82 crores in the States. The Deputy Chairman, Planning Commission, Shri V.T. Krishnamachari pointed out that details in regard to the resources of the States had been given in the paper already circulated.

30. The Finance Minister, Madras, **Shri C. Subramaniam** said that they had to take a decision whether to allow the prices to go up and give up the Plan or to control the prices and have the Plan. If the understanding was that they were committed to a Plan outlay of Rs. 4,500 crores, the necessary steps would have to be taken to fulfil the Plan and one of the steps would be the control of prices. If the prices were allowed to control planning, there would be no planning but only drifting.

31. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that Shri Subramaniam had raised a very important point which was referred to in paragraphs 6 & 7 on page 2 of the agenda paper on item (1). He suggested that the Chief Ministers should indicate the methods by which prices could be controlled because that was the crux of the whole Plan. Shri Subramaniam said that the Madras Government had submitted a note to the Food Minister on which decision was yet to be taken. The Minister of Food and Agriculture (Shri A. P. Jain) said that they had discussed the proposal with Shri Bhaktavatsalam and there might be obvious difficulties in working that out.

32. The Chairman said that the crucial question, as pointed out by Shri Subramaniam, was whether they had to control prices or give up the Plan or allow the Plan to drift. This was a basic issue because the control of prices was not wholly within their hands, as it depended on other factors also including the operations of the intermediaries and traders. Shri Subramaniam said that the Third Plan was now to be formulated and if the same conditions continued, the Third Plan would also be confronted with the same difficulties.

33. The Chairman said that normally they were thinking in terms of expanding economy and larger resources but if there were a number of brakes and restrictive features beyond their control, there would be no expanding economy but a static economy. The Finance Minister, Madras pointed out that when prices went up, the costs of projects also went up and Governments were unable to commit themselves to any programme of work. They, therefore, became creatures of circumstances instead of being planners.

34. Prof. P. C. Mahalanobis pointed out that the Foodgrains Enquiry Committee (the Ashoka Mehta Committee) had recommended that wholesale trade in foodgrains should be taken over by Government. That subject had not been fully discussed to his knowledge. The views of the different



States on that recommendation might be useful because that was a broad policy question affecting the whole of India.

35. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** agreed with the Finance Minister, Madras that the Plan outlay of Rs. 4,500 crores had been fixed after a good deal of consideration and that if it was now reduced, the expectations of the people at any rate in his State, would not be fulfilled and social services in particular would suffer. The big projects would go through because they were productive and the burden would fall again on the social services. The question of deficit financing should be faced and the figure of Rs. 4,500 crores should not be reduced, because otherwise there would be a demoralising effect in the villages where people were asking for more schools, dispensaries, community centres etc. Instead of growing from hope to hope, they would be going down from disappointment to disappointment. Referring to the Prime Minister's emphasis on the delegation of authority to co-operatives, Gram panchayats and the schools, Dr. Katju said that the implementation of this policy would entail expenditure and therefore, instead of cutting down the outlay to Rs. 4,200 crores, they should actually increase it. Referring to the question of prices Dr. Katju said that his own experience was that the small cultivator was sufficiently wide-awake to get the benefit of the rising prices. He urged the need of fixing both the purchase or floor prices as well as ceiling price for foodgrains. In determining the fair price for the cultivator, account must be taken of the various elements in the cost of production. At the same time the consumer should be protected by ensuring a fair price for him. The large difference between the purchase price and the sale price should be eliminated and the intermediary must know that he was entitled only to his reasonable trade margin. Dr. Katju supported the view of Shri Subramaniam that the Plan outlay should be allowed to remain at least at Rs. 4,500 crores and that nothing should be cut down under the head of social services. He assured that in Madhya Pradesh they were determined to raise as much resources as possible. Replying to a query from the Deputy Chairman, Planning Commission, Dr. Katju said that the Madhya Pradesh Government would be prepared to adopt any arrangements indicated to them for controlling the prices.

36. The Minister of Planning, Andhra, **Shri V. B. Raju** said that it was necessary to examine where the resources had fallen short of the estimates. In regard to the balance from current revenues the estimate in the Plan was Rs. 1,200 crores against which the amount envisaged now was Rs. 899 crores. This shortfall was attributed to increase in nondevelopmental expenditure and it had to be examined whether increase on this account was in the Central sector or the State sector. The States, had fulfilled their obligations and would be able to find Rs. 835 crores as stipulated at the time of drawing up the Plan. The Finance Minister, Shri Morarji Desai intervened to point out that substantial resources had been transferred to the States. Shri Raju said that the States, had not failed in developing their resources according to the Plan and many of the States had raised additional taxation. The maximum resources possible had been found by the States. Expenditure in the States on the other hand was lagging behind. It was therefore not proper to apply any cut to the State Plans. SHRI RAJU pointed out that the item 'unfunded debt and miscellaneous capital receipts' needed to be thoroughly examined because the estimate in the Plan in respect of this item was on the high side.

37. The Chief Minister, Bombay, **Shri Y. B. Chavan** said that they had three or four alternatives before them to reduce the quantum of Central assistance to the States, to cut the Plan in the Central sector or to take the risk of larger deficit financing. The cut in the Central assistance to the States would be unwelcome because the Centrally assisted schemes were mostly social service or agricultural schemes. It would be unfair on the part of the representatives of the States to say that the Plan in the Central sector should be reduced. They could, however, consider whether there



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should be larger deficit financing and whether it could be done without taking any anti-inflationary measures. In the coming two years the State Plans would gather greater speed and if no decision was taken now regarding continuance of Central assistance the effect on the State Plans, particularly important schemes of agricultural production, would be disastrous.

38. The Finance Minister, Madras, **Shri C. Subramaniam** observed that they had to look at the Plan as a whole rather than to divide it into State and Central Plans. Emphasis should be on the point that the Plan as a whole should go through and necessary measures would be taken for that purpose and should be discussed here.

39. The Chief Minister, Andhra Pradesh, **Shri Sanjeeva Reddy** said that the State Plans essentially meant social services and social services should not be cut. Shri Subramaniam remarked that the Plan had to be considered as a whole, as the National Development Council was responsible for the whole of India. The Chairman observed that whether it was the Central Plan or the State Plan the development was occurring within India and not outside India. The main point of course was that the State Plans were plans basically for social services.

40. Continuing, the Chairman said that the Chief Ministers of the States were against cutting the State Plans. They had to face the consequences of that view and make suggestions as to how to find the resources.

41. The Finance Minister, Rajasthan, **Shri Hari Bhau Upadhyaya** largely agreed with the observations of Dr. Kailas Nath Katju. He pointed out that Rajasthan had exceeded the target for raising resources and if any reduction was made in the State Plan, its repercussions would be felt on the social services.

42. The Chief Minister, Orissa, **Dr. H. K. Mahatab** said that it was obvious that the resources which had been expected were not forthcoming. He had pointed out at the last meeting of the Council that the expectations in regard to the additional resources were not quite realistic. If they decided to-day that prices should be controlled at least two years would be required to build up the necessary machinery. A practical view of the situation had therefore to be taken. The States need not say that the Central Plan should be cut down. Taking the facts as they were they had to proceed on the basis of controlling the prices. Referring to the recommendation of the Ashoka Mehta Committee, Dr. Mahatab pointed out that the Committee had recommended higher prices than those prevailing at present and if these prices were accepted the food prices would go up. In controlling prices the need of providing incentive to the cultivator and the importance of enabling him to pay his taxes and repay the loans taken by him would have to be taken into consideration. Dr. Mahatab agreed that State trading in foodgrains would have to be undertaken but he felt that this would not result in bringing down the prices of other (*i.e.* non-food) articles.

43. The Chief Minister, Punjab, **Shri Partap Singh Kairon** said that while State trading was one alternative the other was to fix the quantity to be purchased by a wholesaler and compel him to render an account as to its sale, the sale price being never allowed to exceed the cost plus incidental charges plus the trade margin. Either of these alternatives would be adopted. Steps should be taken to see that no smuggling from one State to another took place and the responsibility for this should be as much on the importing State as on the exporting State. Referring to the size of Plan outlay, Shri Partap Singh Kairon said that the figure of Rs. 4,500 crores should be adhered to. The States should do their utmost to contribute more by way of resources. He expressed the hope that if there was any deficit even after the States had made efforts to raise resources the Centre would give as much help as possible. The Chief Minister, Punjab, further said that the contention about

the small peasants not selling in the market was not correct because as soon as the crop was harvested, the peasant tried to sell the foodgrains even though he might have to buy them after a few months. This was because of certain commitments he had to meet such as the payment of land revenue and in addition he had also to make purchases for his family.

44. The Chairman observed that if they had to proceed according to the Plan they would have to organise village co-operatives rather than introduce controls all over. They were facing difficulties because they had not attached importance to the formation of such co-operatives. The proper method of control was to deal with the co-operatives instead of having to deal with the mandis. The big wholesale dealers would be made agents of the Government and operate under certain regulatory conditions. The Chairman said they had already lost irretrievably four or five years of the nation's life.

45. The Agriculture Minister, West Bengal, **Dr. R. Ahmed** said that the agriculturist should be given an incentive in the form of a floor price and there should also be a ceiling price for the benefit of the consumer. So far as West Bengal was concerned the Centre had been repeatedly requested to consider this point. Probably procurement could not be re-introduced in the old way but something along that line should be thought of immediately. Replying to a query from the Chairman, the Agriculture Minister said that the West Bengal Government were in favour of State undertaking wholesale trade and also of the establishment of village co-operatives. He further said that co-operative law would need to be changed.

46. The Chief Minister, Kerala, **Shri Namboodiripad** enquired what type of co-operatives were proposed to be set up. The Chairman explained that these would be village-based multi-purpose co-operatives performing all the functions that they could perform. To begin with they would undertake services relating to marketing, seed, fertilizers, etc., and later on they could undertake joint farming. Once the members of co-operatives began to work together as a small intimate family and got to know each other, the next step would be easy; otherwise it would involve far too much compulsion and coercion. The co-operative would deal with the economic aspect of the life of the village and if there were cottage industries, it would deal with them too. The village co-operatives could be federalised by setting up unions or federations at the Block and State levels.

47. The Finance Minister, Madras, **Shri C. Subramaniam** said that the Committee of Direction on the Rural Credit Survey had estimated the finance required for village co-operative societies at Rs. 1,800 crores by the end of the Third Plan period. He suggested that the minimum capital required for setting up 5 lakhs of co-operative societies in the villages should be worked out. It should also be made clear what kind of machinery was proposed to be set up and how the Reserve Bank of India would be brought into the picture. The Planning Commission should, therefore, work out the implications of State trading and of having a co-operative society for each village rendering all the services in terms of finance, trained personnel, etc., and draw up a scheme.

48. The Chairman said that the subject of State trading had been partly studied in the Ministry of Food and Agriculture and the implications should be worked out by the Ministry and the Planning Commission jointly. In regard to co-operatives, there should not be too much rigidity and he suggested that the Deputy Chairman, Planning Commission might indicate the broad principles for organising them.

49. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that taking all the States there were at present not more than 160,000 village societies with an average membership of 40 each. In the Annual Conference on Community Development held at Mount Abu,

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a number of resolutions had been passed indicating the sort of programme which the village Cooperatives should take up. For certain programmes finance was already provided in the Plan, for example, multiplication of seeds, minor irrigation works etc. After taking into account these programmes it might be examined what more village societies should do and what further additional finance would be needed. If the village was expected to make contribution that would also have to be carefully considered. The Finance Minister, Madras, Shri Subramaniam said that to cover one Block completely with co-operative credit about Rs. 10 lakhs would be required and for Madras alone, which had 358 blocks, Rs. 35 to Rs. 36 crores would be needed. Shri V.T. Krishnamachari said that the other services which were already being provided could be utilized and as for the credit their conception was that the medium and large land holders in the villages should be taught that their interests lay in putting their money into the co-operatives.

50. Continuing the Deputy Chairman, Planning Commission emphasized that local resources should be tapped. When the small Savings movement was started, the Registrar of Co-operative Societies, was declared the agent for the movement. If the co-operatives got local capital for financing trading operations in grain, then a good deal of capital would be released for other purposes. There should be a plan for each co-operative under which, in five or six years, depending upon the conditions of each village, whatever capital was needed for agricultural operations must be found by that village or a group of villages. Unless the large and medium landholders realised that their interests were bound up with those of others in the village, cooperatives would have no meaning because cooperatives essentially represented social cohesion. In Madras 75 per cent of the co-operatives paid their way and made profits but their membership was very restricted because only 30 to 40 per cent of persons in the village became members.

51. The Finance Minister, Madras, **Shri C. Subramaniam** said that now effort were being made to bring entire villages into cooperatives. In connection with the grant of tenancy rights a condition could be laid down that persons should become members of a cooperative society and assistance should be given to them to enable them to contribute to share capital. The Chairman pointed out that the large provision for cooperation already made in the Plan still remained unused.

52. Summing up the discussion the Chairman said that it was agreed to have State trading for foodgrains at the wholesale stage and also to set up multi-purpose village cooperatives as economic units of the villages. The Planning Commission and the Food Ministry would go into these matters and prepare broad framework of what should be done. They might also look into cooperative law so that even those persons who had no resources could join cooperatives. On an enquiry from the Chief Minister, Madhya Pradesh, Dr. Kailas Nath Katju whether the cooperative societies could borrow locally at the rates at which they borrowed from banks, the CHAIRMAN said that they could borrow. He further said that the potential gain from steel plants and the oil might be estimated at about Rs. 100 crores and if constructions were properly dealt with, another Rs. 100 crores would be saved.

53. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** said that foreign exchange expenditure on mineral oil was at present of the order of Rs. 100 crores and it was likely to increase at the rate of 10 or 15 per cent per annum and perhaps even more. By the time the two new refineries went into production the increase in consumption could be taken care of. About five million tons would be refined in the two refineries and oil had been struck in Assam also. This would mean a saving of Rs. 30 crores a year. So far as the steel plants were concerned, they would be producing 2.7 million tons of finished steel valued at about Rs. 160 crores to Rs. 200 crores.

54. The Chairman observed that they should go ahead with steel plants as well as oil exploration as any saving on these would be the worst possible saving.

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55. The Chairman referred to a paper prepared by the Planning Commission at his instance on 'Economy in Construction Costs'. This matter had to be examined not only directly but the conditions in other countries had also to be considered. In China, directions were proposed to be laid down to reduce specifications to avoid over-designing, secure more space economy by better designing, fix a ceiling cost for all buildings, eliminate non-productive buildings and reduce the costs of productive buildings and to undertake construction only after adequate preparation and proper designing. Similarly in the Soviet Union directions had been laid down additionally for reduction of costs by utilising industrial methods of construction and manufacture of various types of structural with consequent emphasis on prefabrication, pre-cast and prestressed construction, by preparing type designs, by utilisation of local materials, by improving designs, specifications, skills, etc., and by continuous evaluation. Similar steps had been taken in the West European countries and reduction of construction costs was one of the foremost aims of the European Recovery Programme. Referring to the report of the Committee on Plan Projects Team, the Chairman pointed out that the Indian Standards had not been adopted for loading, in most of the cases alternative designs had not been thought of and the authorities had straight-away gone in for steel construction, even the steel construction was normally of the riveted type though welding would reduce the cost and consumption of steel by 15 to 20 per cent, space economy had not been kept prominently in view in designing the buildings, there was unjustified consideration for flexibility leading to wastefulness, in a factory building normally north light roofing was adopted and tenders were called for without finalising the plans and specifications. The contractor's gross profits were usually between 10 to 20 per cent of the value of the contract.

56. Continuing, the Chairman mentioned the suggestions made by the Committee for securing economies in building constructions. All unproductive buildings should as far as possible be eliminated from the Plan. For productive buildings norms should be laid down for their construction including the overall ceilings for rates. The tendency should be to evolve more and more type designs. The State Governments should be asked to review their building programmes and to suggest at least 10 per cent saving. All buildings projects costing more than Rs. 10 lakhs should be examined by the Selected Buildings Projects Team with a view to achieving reduction in costs. More use of local materials and specifications should be made. More use should be made of the National Projects Construction Corporation for executing specialised designs. Further the entire method of distributing steel for buildings should be overhauled to ensure that progressive use of high tensile steel was encouraged in place of mild steel imported from outside. The CHAIRMAN remarked that steel was being used extravagantly and he quoted Mr. Khrushchev's remark that in India steel was wasted. In Soviet Union also steel was used most freely but later on they had learnt out of experience to use it most economically.

57. Replying to a query from the Finance Minister, Madras, as to how steel was available in the open market while it was not available to Government for executing their projects, the Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** pointed out that detailed distribution of steel was done entirely by the State Governments. There were overall allocations but the actual enforcement and distribution was the responsibility of the States. Explaining how black market came into existence, Sardar Swaran Singh said that during 1957 and 1958 they had not been able to import as much as was necessary for meeting their requirements. In 1958, the actual availability was much less than in 1957. Broadly, 50 to 60 per cent of the available steel was allocated either for

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various projects or to Government or semi-Government organizations and of the remaining 35 to 40 per cent was allocated to the various State Governments under several quota heads like agriculture, small-scale industries, etc. The State Governments had a certain measure of discretion to use the allocation under one head for another head. The distribution was controlled by the State Directors of Industries. If the lists of quota holders were properly scrutinised by the States they might find that some of these persons preferred to sell their quota in the black market and charge higher prices. The higher black market price for steel prevailed because on the price of the manufactured article there was no effective control. Any person who obtained a quota charged from the consumer for the manufactured product the raw material price plus the genuine fabrication charges plus the black market margin. Some of the so-called fabricators were not fabricators at all but passed on the material to others. The West Bengal Government had recently taken measures and the quantity going into the black market had decreased but at the same time the black market prices due to smaller availability had risen. The main question was one of availability. If the Madras Government tightened up their distribution system and their enforcement staff was vigilant, the steel should not go into the black market.

58. The Chairman referred to an impression among the foreign observers that we might be using steel unnecessarily and enquired whether all unnecessary use of steel had been cut out. The Minister of Steel, Mines and Fuel, Sardar Swaran Singh said that this was really a matter for those in charge of construction. The engineering methods and Specifications appeared to be such as would promote large scale use of steel. The Chairman remarked that they least of all could afford wastefulness or extravagance. Extravagant designs for buildings should be avoided and engineers should carry out expert directions in major constructions while there was a complaint voiced in a meeting of the Khadi and Village Industries Board that they did not have enough steel for agricultural implements for which only small quantities were required, cinema halls were going up. The CHAIRMAN suggested that norms for steel consumption should be laid down and the purpose for which steel should be used specified, so that any person using it for any other purpose could be prosecuted.

59. Before passing on to item (2) of the agenda, the Chairman referred to a letter received from Shri Humayun Kabir suggesting that scientific and technical terms common to three or four languages like English, French, German, etc., should be adopted in the text-books in Indian languages. He said that a great deal of variety was creeping in regard to the use of scientific and technical terms in Indian languages, although it had been repeatedly laid down that in respect of well known scientific terms a common set of terms that are internationally used should be adopted. It would be a tremendous gain for students and others. Since school text-books were prescribed by the State Governments a good beginning could not be made without their willing cooperation. Shri Humayun Kabir had, therefore, suggested discussion at the meeting of the National Development Council. The Chairman recalled that this matter was discussed some time ago at the Education Ministers' Conference and it was agreed that the new terms which were used in two or three languages should be incorporated bodily into the Indian languages.

60. The Finance Minister, Madras, **Shri C. Subramaniam** suggested that there should be a common terminology for all scientific terms even though a term might not be used commonly in a number of European languages. A term should be adopted even if it was used in English only but was otherwise a common term in Indian languages.



## ANNUAL PLAN FOR 1959-60

61. On a query from the Finance Minister, Madras, the Chairman said that the Plan outlay indicated for the States would be based on the decision to limit the overall Plan outlay to Rs. 4,500 crores. The Finance Minister, Madras said that on the basis of the total Plan outlay of Rs. 4,500 crores the size of the annual plan for the States for 1959-60 should be more than Rs. 418 crores. With Central assistance of Rs. 230 crores the Plan outlay for the States together would be Rs. 428 crores and any increase over and above this figure should be entirely the responsibility of the States.

After some discussion it was agreed that the Central assistance of Rs. 470 crores for the two years 1959-60 and 1960-61 would be with reference to the overall outlay of Rs. 4,500 crores and not Rs. 4,220 crores.

62. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** said that in Madhya Pradesh because of reorganisation and other difficulties expenditure in the first year of the Plan was low and did not exceed Rs. 18 crores. The Centre should, therefore, be more generous to Madhya Pradesh and enable it to make good the deficiency of the first year. The tempo of the Plan was now increasing and they were in a position to spend more. The Deputy Chairman, Planning Commission, Shri V. T. Krishnamachari said that where Central assistance had been allotted for individual projects in the State, that could be drawn.

63. The Member for Agriculture, Planning Commission, **Shri Shriman Narayan** referring to the allocations of Central assistance of Rs. 470 crores among the States said that some States had done better than others in raising resources and the Finance Minister, Madras had made the point that the States which had done better in this respect than others should have some incentive to do more. However, there were factors like backwardness of a State and other difficulties which had also to be taken into account.

64. The Minister of Community Development, **Shri S.K. Dey** pointed out that at the last meeting of the National Development Council he had mentioned that if the Community Development programme was to be carried out within the reduced provision of Rs. 170 crores it would be necessary to discontinue some of the existing blocks and of course, any further expansion was out of question. It was, therefore, decided at the last meeting that the Community Development programme should be given high priority. Shri Dey said that in making allotments for 1959-60 he did not know on what basis to proceed because there could be no more expansion. The Chairman observed that work in the existing blocks, should be completed as there was no point in spreading out the fresh blocks, especially as the resources in trained personnel seemed to be very limited. Efforts should be concentrated on the strengthening of the panchayat and co-operatives.

65. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** said that if the decision was taken to prevent further expansion, an impression would be created that Government of India was constantly changing its decisions. It was first decided that the whole country should be covered by blocks by 1961 and later on the date was postponed to 1963. He was receiving representations for setting up more blocks. The date already decided should therefore be observed, otherwise a bad psychological effect would be created. The Finance Minister, Madras, Shri Subramaniam pointed out that it was agreed that in October 1961 pre-extension work should be started in all the blocks. The Minister of Community Development, Shri S. K. Dey pointed out that this date was agreed to on the basis of an allocation of Rs. 200 crores but the position would be different if it was reduced



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to Rs. 170 crores. The training programme was progressing and, therefore, it could not be said that the trained personnel would not be available. Due to the postponement of the target date the Local Development Works were going to be stopped from next year and therefore the areas which were not covered by blocks would be deprived of such works also.

66. The Chairman said that he was not certain whether they had got full value for the money spent on irrigation and other schemes in the Blocks. Anything for which full value was not being obtained was not worthwhile continuing. In China, much more was left to the local people to do than was being done in India. Except for the big schemes assistance was not extended. The Minister of Community Development, Shri S. K. Dey said that the people already had to raise to the extent of 50 per cent of the cost of Local Development Works. It was a very popular scheme among the villagers as they could assist in its execution and could see immediate results. If the entire area was not to be covered by Blocks by 1961 it would be only logical to continue these Local Development Works for another three years. The Chairman said that this matter should be considered carefully by the Planning Commission in consultation with the Ministry of Community Development because obviously some types of works such as good water supply for villages were very important. The point was that if the local contribution was increased by voluntary labour then the expenditure required by Government would be less. The Deputy Chairman, Planning Commission said that before the discussions on the Annual Plan for 1959-60 started they would have a discussion on this matter.

67. The Chairman mentioned that the Ministry of Education were evolving a scheme regarding compulsory social service which would be essentially the social aspect of military service. The scheme would be considered soon in the Ministry and sent to the State Governments. The idea was that every graduate before he got a degree should put in a period of social service. The social service would not consist in doing some odd jobs; it would be strict military training minus arms. The chief virtue in it would be the military life of discipline, of hard work and of some intellectual work. Referring to his visit to the Soviet Union the Chairman said that a big change of policy had been announced there under which students from secondary schools would not be allowed to come directly to the University or higher technological institutions without putting in some amount of practical work. Stress in this would be laid on something practical in the way of technical work. The Finance Minister, Madras, Shri Subramaniam suggested that the period of social service might preferably to be split up, a part of it being put in before the student enters the University and the other part during the University course.

68. Referring to the suggestion of the Minister of Community Development regarding expansion of community development blocks the Chairman remarked that the question was really one of going as far as they could. He agreed with the Finance Minister, Madras that savings on construction could be made in the community development blocks also. The Minister of Community Development, Shri S. K. Dey pointed out that Public Works Department insisted on constructing buildings according to their own specifications because if a mistake was made they would be held responsible. The Chairman suggested that for a while they should have less of buildings or have buildings made with local material. P.W.D. standards were unnecessarily high and the State Governments should look into this matter. The Minister of Steel, Mines and Fuel, Sardar Swaran Singh suggested that the best solution might be that the headquarter buildings in the blocks should not be entrusted to State Public Works Departments. Other work in the blocks was mostly done by the villagers. The Chairman observed that in community blocks, wherever possible, construction of big buildings should be avoided and where these are constructed local material should be used and new specifications should be laid down which need not comply

with the P.W.D. standards. For the village schools it should be enough to start with a place where equipment, books, maps, etc., could be kept.

69. The Member for Agriculture, Planning Commission, **Shri Shriman Narayan** said that two points in regard to the mobilisation of resources required more attention. Firstly, the machinery for collection of taxes particularly sales-tax should be tightened and the tax evaders should be dealt with much more strictly. Secondly, there was still ample scope for mobilising small savings through the co-operatives and panchayats if they were appointed as agents. The effort was so far concentrated mainly on the cities and the rural areas were still largely undeveloped in this respect.

70. The Finance Minister, Madras, **Shri Subramaniam** referred to his earlier suggestions for introducing the prize bond schemes and for making the small savings organization a State organisation. The Finance Minister, Shri Morarji Desai pointed out that the Central Organisation functioned only to collect the figures. Shri Subramaniam said that the States were functioning as the agents of the Central Government for small savings and he did not see any reason why the whole responsibility could not be handed over to a State Government which was prepared to take it up. The Chairman observed that while the burden ultimately rested on the State Governments it was desirable that there should be a certain amount of uniformity, for examples in forms. As regards the procedure for the use of post offices, that could be simplified. The State Governments should be in charge of the small savings work as far as possible.

71. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that a paper has been prepared in the Planning Commission summarising the results of experience regarding small savings which would be circulated for discussion the next day. Referring to Shri Subramaniam's queries regarding the compulsory provident fund scheme and the prize bond scheme, the Chairman said that the Planning Commission would go into the matter afresh and see whether some concrete proposals could be formulated.

### **PROGRESS IN THE UTILISATION OF IRRIGATION POTENTIAL AND IN IMPLEMENTING THE SEED MULTIPLICATION PROGRAMME**

72. The Chairman said that the agenda papers circulated on the two items viz., 'Progress in the utilization of irrigation potential' and 'Progress in implementing the seed multiplication programme' were only for information and not for discussion. The point of the paper on utilisation of irrigation potential was that the results were not satisfactory. The Member for Natural Resources, Planning Commission, Shri C. M. Trivedi pointed out that canal and distribution system were not complete and utilisation was less than the potential created at the outlet head.

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73. The Chairman referred to the papers on States trading scheme, Cooperative policy, Small savings and Construction costs which had been circulated and said that the paper on 'Construction costs' was meant for information.

74. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** said that for the proposed multipurpose village cooperatives three or four important activities to be envisaged were agricultural production, marketing, animal husbandry and spinning. Referring to the suggestion in the paper that village societies should be federated through unions with Central banks and apex marketing societies, Dr. Katju said that he did not understand the reasons for this linking up. Marketing should be the concern of the village society. He pointed out that in the paper nothing had been mentioned about animal husbandry. Further, to implement the draft resolution on Cooperative Policy before them, many hundreds of crores of rupees would be required and there would be need of a large programme for training of personnel. The societies would become top-heavy unless honorary workers were forthcoming. It was absolutely essential that trained honorary personnel resident in the villages should be found.

75. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that presumably the functions mentioned in paragraph 4 of the draft resolution on Cooperative Policy were illustrative and not exhaustive. He further said that the sense in which the term village was used had to be defined and for the purpose of cooperatives, the limits of population might have to vary. It might be desirable in the beginning to have cooperatives covering more than one panchayat area. They should not commit themselves to the principle of the area of the village cooperative coinciding exactly with that of the village panchayat. The Chairman said that it would be a great advantage for the panchayat and the new cooperative to have the same area. He suggested that the States should start on the programme immediately and progress should be reviewed at every meeting of the National Development Council.

76. The Minister of Community Development, **Shri S. K. Dey** said that at present the benefits of cooperative movement were being enjoyed only by 20 to 25 per cent of the persons in a village who were members of the societies. Others got no benefit out of the societies and the main purpose of the cooperative movement should be to evolve such procedures as would enable persons, not normally eligible, to receive credit and other benefits from the cooperative movement. He suggested the addition of a paragraph in the draft resolution to bring out this point.

77. Prof. P. C. Mahalanobis said that financial assistance had to be given to those who were not credit-worthy because such people had to be made credit-worthy in order to create conditions for increase in agricultural production. He suggested that the States should consider the type of credit requirements of the village people in respect of working capital and block capital. The Minister of Community Development, Shri S. K. Dey said that he was referring to 50 or 60 per cent of the cultivators who could not offer anything as security but who had complete integrity and could be relied upon. Their experience was that the poorer sections of the community defaulted much less and were much more careful about their obligations than the comparatively richer sections of the community. What was needed was the extension of supervised credit through the cooperatives. The CHAIRMAN said that in the draft resolution more stress should be laid on drawing up the rules and regulations in such a way as to ensure that those who worked and produced and whose working capacity really constituted their credit-worthiness were able to obtain credit.

78. Referring to the taccavi loans, the Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that they had written to the State Governments that taccavi should be given through the cooperatives but many States had not done that and the arrangements were very unsatisfactory.

79. The Minister of Steel, Mines and Fuel, **Sardar Swaran Singh** said that one basic thing to be kept in mind in regard to the cooperative movement was the element of compulsion. In the case of panchayat certain functions had been entrusted to them by statute and they exercised certain powers. In regard to the cooperative societies, they had relied on the element of consent and voluntary action and in practice this had been pushed to extremes. He felt that the law should be altered basically to introduce a certain element of compulsion and taccavi might not be given unless a person was a member of cooperative society. At present in the villages only a small percentage of the person were members of the societies. The Deputy Chairman, Planning Commission, Shri V. T. Krishnamachari said that while their aim was that everybody should be a member they had to proceed on a voluntary basis. He felt that all the facilities should be given through the cooperative societies. The Finance Minister, Madras, Shri Subramaniam said that once all the assistance was given through the cooperative societies, there would be a heavy pressure for admission to these societies as had happened in the handloom sector. The Chief Minister, Punjab, Shri Partap Singh Kairon expressed doubts whether the cooperatives would be able to effect recoveries of loans. The Minister of Community Development, Shri S. K. Dey said that there was competition at the village level between the cooperatives and the Government gave relief in collection which the cooperative could not. If it was laid down that facilities would be given only through the panchayats and the cooperatives, the institutions would thrive. The Chairman remarked that in a small cooperative the element of personal pressure did come in and that would help in effecting recoveries. The Finance Minister, Shri Morarji Desai suggested that if no recoveries were effected by the cooperatives, there should be no further loans.

80. On a query from the Planning Minister, Assam, **Shri K. P. Tripathi** the Chairman said that the office bearers of the cooperatives should be honorary and might be given some allowance or honorarium. The village school teacher, for instance, could do the work and be paid some allowance. The Member, Planning Commission, Shri Sriman Narayan referred to the model Bill prepared by the Ministry of Agriculture and suggested that the amendment of laws should be completed by March, 1959. The Deputy Chairman, Planning Commission, Shri V. T. Krishnamachari said that the model draft Bill would have to be examined afresh in the light of the new approach but the State Governments could go ahead and make such amendments as they desired. A copy of their Bill could be sent to the Ministry of Agriculture.

81. The Minister for Food and Agriculture, **Shri A. P. Jain** referred to the paper on State trading scheme which had been circulated and said that the basic idea in regard to this scheme was that the State must enter into trading activities for the purpose of counter-acting the speculative activities of the traders. Even when a State procured to the extent of about 10 per cent to begin with and later on 15 per cent or even more of the foodgrains coming into the market, it would have stocks at its disposal which it might sell at reasonable prices when the prices tended to go up or in the regions where there was a heavy deficit. It was clear that the State Governments would have to procure and augment their stocks and sell the stocks when the prices tend to rise.

82. The Finance Minister, Madras, **Shri Subramaniam** said that this scheme was completely different from what had been discussed on the previous day. What was envisaged in the present scheme was stricter and more direct control which the Food Ministry had already been

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trying. What was now being aimed at was the elimination of intermediaries who pushed up prices when the stocks ran out. The decision was that the State should enter the wholesale trade in *toto*. The Chairman observed that the proposal now made did not fit in with the decision taken on the previous day. The Minister for Food and Agriculture, Shri A. P. Jain said that it was open to a State to acquire all the surplus if it could do so. The object was to make the scheme practical because in the past West Bengal had tried to make procurement but it did not come up to expectations. The Chairman remarked that it was not a question of procuring a certain percentage but a question of approach. Shri A. P. Jain said that this was State trading on a limited scale to begin with but the scale could be increased progressively.

83. The Finance Minister, Madras, **Shri Subramaniam** said that the limited procurement would involve them in difficulties. The only way of taking over was to make the entire wholesale trade the monopoly of the State, otherwise co-existence between the big merchants and the traders on the one hand and Government on the other would never work well. The Agriculture Minister, West Bengal remarked that if procurement was to be made from mills it would work but if the State was to procure also from the cultivators, there would be hardship for the producer. The Minister for Food and Agriculture, Shri A. P. Jain said that procurement would have to be made from the traders and the mills and also directly from the farmer. At present they did not have adequate machinery for procuring the entire quantity. The Chief Minister, Andhra, Shri Sanjeeva Reddi said that so long as private trade was allowed to purchase, the State Government could not procure the quantities that were required. Complete authority should, therefore, be given to the State Government and export from the State banned.

84. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that in the first instance all wholesale traders should be licensed. Every transaction of more than five maunds must be done only by licensed traders. Secondly, it was for the State to decide what proportion of the produce each trader should surrender to the State. In his opinion, it should not be less than 50 per cent.

85. The Chairman said that the real question was whether they were to introduce a system of more rigid control or adopt a different approach of eliminating the wholesale dealer. Even if the decision was in favour of the latter, there could nevertheless be an intervening period. They should, however, be clear about what they were aiming at. Procurement of 10 per cent from the trader did not amount to State trading.

86. The Member for Industry, Planning Commission, **Shri T. N. Singh** said that the taking over of wholesale trade by the State inevitably meant that there would have to be monopoly of purchases and sales by the State. The Chief Minister, Bombay, Shri Chavan remarked that monopoly sales by the State would lead ultimately to rationing. The Chairman observed that excepting under conditions of scarcity, rationing need not be introduced. They had to be clear as to what they were aiming at. The Minister for Steel, Mines and Fuel, Sardar Swaran Singh said that the sale prices of the retailers would also have to be controlled. The Minister for Food and Agriculture, Shri A. P. Jain remarked that taking India as a whole, if they undertook the responsibility of 100 per cent procurement, they would have to introduce some sort of rationing because supply would be short of demand. The Finance Minister, Madras, Shri Subramaniam said that if they could do without rationing when the intermediaries were still functioning, it was not clear why rationing should be inevitable after the intermediaries were removed.

87. The Chairman said that there should be a clear, unambiguous, unequivocal and firm decision on the issue that wholesale trade in foodgrains should be handled by the State. The intermediaries



should go. They wanted industrial revolution which was based on agriculture and the whole basis of agriculture was not in their hands. It was an impossible situation. This question was basic to the whole policy. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** said that the traders should purchase everything on behalf of Government and Government should take what they wanted. The State would fix the prices and traders would purchase and hold stocks on behalf of the State and be accounted to the State for the entire quantity.

After further discussion it was agreed that a Committee should be set up to think over the whole subject and to suggest what steps should be taken. The State Governments should be informed of the decisions taken so that there might be uniformity in the implementation of the decisions taken.

88. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** referred to the paper on small savings prepared in the Planning Commission, copies of which had already been circulated to the members of the Council and drew attention to the suggestions made in the paper for strengthening the movement.

89. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** suggested that the ceiling amount for small savings should be raised and the sub-cellings now fixed for particular schemes should be removed.

90. The Finance Minister, Madras, **Shri Subramaniam** expressed the view that the element of compulsion recommended in the paper should be adopted if larger resources were to be raised. Referring to the suggestion of the Deputy Chairman, Planning Commission that the element of compulsion might be tried first by Madras, Shri Subramaniam said that it would have to be adopted for the whole of India. The CHAIRMAN observed that while the yield from small savings would increase if the compulsory methods which had been suggested were adopted, the psychological resistance of the people—their unwillingness—had to be taken into account. He wanted, therefore, to have the preliminary reaction of the Chief Ministers because they would have to face the situation.

91. The Planning Minister, Assam, **Shri K. P. Tripathi** was of the view that compulsory saving would be less unpopular than taxation. The Deputy Chairman, Planning Commission said that this would be so only if it was an all-India scheme. The CHAIRMAN observed that while this could be applied to Government employees it might not be easy to apply it to the agriculturists. The Chief Minister, Madhya Pradesh, Dr. Katju was of the view that a more attractive scheme should be formulated before going in for compulsion. The Chief Minister, Orissa agreed with the views of Dr. Katju. The Chief Minister, Punjab and the Finance Minister, Rajasthan were in favour of a compulsory saving scheme while the Chief Minister, Kerala thought that without using compulsion the effort could be made as part of a drive. The Chief Minister, Andhra said that it could not be claimed that in the existing small savings scheme there was no element of compulsions. There was nothing wrong in compulsion. The Chief Minister, Bombay said that while there would have to be compulsion in obtaining savings there should also be restrictions on withdrawals before a reasonable period, say, three years. The Chief Minister, Bihar agreed in principle to compulsion.

92. Summing up the discussion on small savings the Chairman said that the Chief Ministers should consider the question of compulsory savings further with their own Governments and send their suggestions or proposals to the Planning Commission. The matter would be considered more fully by the National Development Council at its next meeting. After some discussion it was agreed that the ceiling for small savings should be raised from Rs. 93,000 to Rs. 1 lakh.



## **PRELIMINARY STUDIES AS PREPARATION FOR THIRD FIVE YEAR PLAN**

93. The Deputy Chairman, Planning Commission, **Shri V. T. Krishnamachari** referred to the agenda paper on the preliminary studies in regard to financial resources, irrigation, power, agricultural production and other fields as preparation for the Third Five Year Plan and said that for the next meeting of the National Development Council a more detailed paper would be prepared setting out the time table for the preparation of the Third Five Year Plan. The CHAIRMAN suggested that far more important than the discussion on schemes and projects was the approach and the conception of planning and, therefore, the National Development Council would be associated with the consideration of the Third Five Year Plan from the earlier stages. At the next meeting of the Council they could have a discussion about the approach. The First Plan, was, broadly speaking, no plan at all but a continuation of schemes. The Second Plan was the first attempt at some kind of planning. The Third Plan, therefore had to be much more of a plan with things fitting into each other and it should be based more on factual information, statistics, etc.

94. The Planning Minister, Assam, **Shri Tripathi** suggested that in drawing up proposals for the Third Plan regard should be had to the requirements of the individual States and the availability of resources. In Assam, for instance, while all the ingredients of power were available, power had not been developed.

95. The Chairman suggested that it would be a good idea to discuss broad approaches before coming down to details. Problems like irrigation, floods, etc., could all be discussed and in that connection the specific needs of individual States should be taken into consideration. When the States placed certain proposals for consideration before the National Development Council they could frame the proposal with reference to their own basic needs. That would help in getting a clear picture of what was required and of the materials available in all the States. The principle of proper development of every part of the country had been laid down and it had to be followed subject to inevitable difficulties. In this connection the Finance Minister, Madras, **Shri Subramaniam** suggested that in regard to removal of disparities between States, a Zonal Council might perhaps be set up and a zonal approach might be adopted in regard to exploitation of resources.

96. Concluding the discussion the Chairman said that the procedure adopted by them for discussion during the current session of the Council had been more successful and they had come to grips with some of their major problems. The decisions reached by them regarding cooperatives, panchayats, etc., if acted upon fully in rural areas, could bring about a revolutionary change. He hoped that the Chief Ministers would give urgent and full attention to them. The decision regarding the State taking over the wholesale trade in foodgrains was also a basic important decision which should be given effect to as soon as possible and without hesitation.

97. The Chairman said that they had taken a great burden on themselves by keeping the Plan outlay at Rs. 4,500 crores in spite of difficulties. He had no doubt that the scope for savings in the country was great if they could simply get to grips with the problem. It was vital for them to consolidate the gains of the existing schemes and to obtain full benefits from irrigation works, village schools, etc. Unless they consolidated what they had already done, the next step would not produce the right result.

**SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS OF THE  
ELEVENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL  
HELD ON NOVEMBER 8 AND 9, 1958.**

**I. REAPPRAISAL OF THE SECOND FIVE YEAR PLAN**

1. The National Development Council considered a Memorandum on Plan Resources and Outlay prepared by the Planning Commission in the light of its discussion during September and October with State Governments and the Ministry of Finance. In the course of these discussions the Commission reviewed performance during the first three years of the Plan and prepared estimates in respect of resources during the next two years. In its Memorandum, the Planning Commission had pointed out that with prices at the present level and with growing pressures for increase in wages and salaries, it was necessary to avoid further deficit financing. Deficit financing on any significant scale could be contemplated only if food production increased substantially and food prices registered a distinctly downward trend. To finance a Plan outlay of Rs. 4,500 crores would involve an outlay during the next two years of Rs. 1,088 crores at the Centre and Rs. 946 crores in the States. The total gap in resources was estimated by Planning Commission at Rs. 280 crores, of which Rs. 198 crores was expected to be at the Centre and Rs. 80 crores in the States.

2. The National Development Council considered the question of resources for implementing the Plan in relation to wider questions affecting the economy as a whole. In view of the decisions mentioned below, to socialise wholesale trade in foodgrains, to formulate a new and expanded programme of cooperative development on the basis of village cooperatives, to ensure that both at the Centre and in the States determined efforts were made for achieving economies in construction costs and finally, decisions relating to the raising of further resources to meet the gap at the Centre and in the States, the National Development Council agreed that the conclusion reached in May 1958 to work up to a level of outlay of Rs. 4,500 crores over the period of the Second Five Year Plan should be maintained.

**II. WHOLESALE TRADE IN FOODGRAINS**

3. The Council decided that the State should take over wholesale trade in foodgrains and a committee including the Chief Ministers of certain States be set up to decide upon measures for the coming kharif harvest. The Ministry of Food and Agriculture and the Planning Commission should work out a scheme for State trading in foodgrains which would be sent to the State Governments. The wholesale traders in every State should be licensed and should undertake operations on behalf of the State Government who would take from them such proportion of their purchases as might be considered necessary.

**III. COOPERATIVE POLICY**

4. The National Development Council considered the role of the cooperative movement in intensifying agricultural production, in mobilising local manpower and other resources and, generally in rebuilding the rural economy. The Council considered that for the development of cooperation as a people's movement, it was essential that cooperatives should be organised on

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the basis of the village community as the primary unit, and that responsibility and initiative for social and economic development at the village level should be placed fully on the village cooperative and village panchayat. The Council recommended that in the light of this general approach, all States should take steps to review their present programmes of cooperative development and formulate fresh programmes to be implemented during the next two years. The National Development Council recognised that conditions differ in different parts of the country and that it would be necessary for each State, according to its conditions, to organise the development of the cooperative movement along the lines set out in the Council's Resolution during the course of the next few years.

5. In a rural cooperative, the members should have intimate knowledge of one another as well as a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community. By working together for the common objective of raising the standard of living of all sections of the population, the community develops social cohesion and unity. Where villages are too small, with the consent of the communities concerned, it would be convenient to form them into larger groups with a population of about 1,000. As a rule, the cooperative and the panchayat should serve identical areas. These institutions should be given assistance and guidance, but care must be taken to see that they develop through the support of the people by undertaking constructive programmes for the benefit of the people and with their free participation. The aim should be to ensure that every family is represented in the village cooperative.

6. Referring to various measures needed to increase agricultural production, the National Development Council considered that these programmes should be carried out through the village cooperative in which every family is represented. Thus, the responsibility for maintaining minor irrigation works and for excavating and maintaining field channels should be placed on the village community. The cooperative should make permanent arrangements in the village for producing the seeds and organic and green manures needed, arrange for the supply of these in kind to persons who cannot pay for them in advance, recoveries being made after harvest. It should arrange for the distribution of fertilisers received for the village and for their supply to small holders on credit in the first instance. The cooperative should lay special stress on animal husbandry programmes. It should also promote programmes supplementary to agriculture, consolidation of holdings and other works of benefits to the community.

7. Village societies should be federated through Unions. They should also become members of marketing societies serving their areas of operation.

8. The National Development Council decided that the cooperative movement should be developed so as to bring within its fold all rural families before the end of the Third Five Year Plan. For the remaining period of the Second Plan, it was suggested that existing agricultural cooperative societies should be revitalised so as to increase their membership from the present level of 9 to 10 million to about 15 million by the end of the Second Plan. Under the community development programme, as a matter of first priority, co-operative societies should be established in those villages which do not have them at present. State Governments should ensure that before the first stage of the community development programme was completed in any block, all villages had the necessary cooperative and village institutions. It was expected that if programmes on these lines were implemented vigorously, it should be possible to raise the total membership of the agricultural cooperatives to 20 million by the end of the current Plan in the provision of credit, special attention should be given to facilities for the grant of crop loans. It was essential that in each district and development block the grant of credit through cooperative agencies should be closely linked with programmes for increasing agricultural production and for marketing. As arrangements are

developed along these lines steps should be taken to review the existing credit limits so as to facilitate the expansion of agricultural credit.

9. An essential objective of the cooperative movement is the inculcation of the habit of thrift and saving. In each area, within a specified period, or according to a programme worked out by the cooperatives, the effort should be to meet all the credit needs of their members. In the national savings movement cooperatives should function as primary agencies in rural areas.

10. The National Development Council emphasised that the programme for setting up 1,900 primary marketing societies serving mandi areas should be completed during the present Plan. Marketing societies should be linked with village cooperatives which should serve as agencies for collection and sale at assured prices at the village level. This would make it possible not only to get larger supplies of foodgrains for meeting the needs of urban areas but also to expand greatly the credit facilities for rural areas.

11. Emphasising the importance of training, the Council suggested that State Governments should organise training programmes for village leaders who work on village panchayats and cooperatives, for teachers in village schools and for young men in rural areas who could serve as secretaries of village institutions. Existing Cooperative Departments in the States, the Council pointed out, were not adequately equipped in field personnel and at the higher levels for organising a large programme of cooperation development. These Department should be strengthened and a large number of competent and experienced persons, both non-officials and officials, should be brought into the field of cooperation. States should make it a point to draw an increasing number of non-official workers for honorary service so that co-operatives retained their dynamism.

12. The present procedure for registration of cooperative societies, grant of loans, and management of cooperatives should be simplified. Many of the existing procedures impede the development of cooperation as a popular movement in which small groups and communities can function freely and organize their work and activities along cooperative lines without excessive official interference and red tape. The restrictive features of the existing cooperative legislation should be removed and both the present cooperative laws and the model legislation and rules which have been under the consideration of States, should be modified in accordance with the approach outlined in the Council's Resolution. State Governments were requested to take early steps to introduce radical changes in procedures so as to facilitate the growth of the cooperative movement. The Council further recommended that by making taccavi loans and other facilities available to individuals through cooperatives, conditions should be created in which every peasant and rural worker would find it to his advantage to join the village cooperative.

13. The Council expressed the belief that through the development of cooperatives based on the values of freedom and community responsibility and organised as a national movement, the creative energies of the people would be released for the tasks of national reconstruction.

14. After approving the Resolution on Co-operative Policy, the Council agreed that State Governments should proceed immediately with its implementation and that the progress made should be reviewed regularly at every meeting of the National Development Council.

#### **IV. ECONOMIES IN CONSTRUCTION COSTS**

15. The Council was of the view that the question of saving steel was of special importance and the purposes for which steel might be used should be specified. Fewer buildings should be

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constructed than had been originally contemplated and such buildings as had to be constructed should be on a cheaper basis. In particular, in community development areas, to the maximum extent possible the construction of new and large buildings should be avoided. Where buildings had to be constructed in these areas, they should be built with local materials. Their construction need not be entrusted to the Public Works Department which works on its own standards and specifications. This would make it possible for State Governments to follow lower specifications in Community projects areas.

### **V. COMPULSORY SAVINGS**

16. The National Development Council considered a survey of small savings prepared by the Planning Commission. It discussed the suggestion that measures should be taken for securing compulsory contributions to savings schemes. It was felt that if compulsory savings had to be introduced, this should be done on a national basis and that it would not be feasible for individual States to introduce a scheme of compulsory savings on their own. It was agreed that Chief Ministers and State Governments would examine the suggestions regarding compulsory savings and that the subject should be considered at the next meeting of the National Development Council.

### **VI. ANNUAL PLAN FOR 1959-60**

17. The National Development Council decided that for next year's Plan, the total outlay should be of the order of Rs. 450 to 455 crores of which Central assistance would amount to Rs. 230 crores and States should find resources to the extent of Rs. 220 to 225 crores. This outlay could be reached if States raised additional resources next year to the extent of Rs. 25 to 30 crores over and above the estimates made during the recent discussions. To the extent State resources fell short of the level indicated their total outlay would be smaller.

### **VII. PREPARATION OF THE THIRD FIVE YEAR PLAN**

18. The Council took note of the steps which had been taken in recent months towards the preparation of the Third Five Year Plan. The Planning Commission had already set up Working Groups for Agriculture, Irrigation and Power and proposed shortly to set up a Working Group for Resources, which would consider both internal and external resources and would, in particular, examine measures for stepping up domestic capital formation. State Governments were requested to set up Working Groups to work in association with the Groups at the Centre in such fields as Elementary, Secondary and Technical Education, Health, including family planning, Urban Development and Housing, Welfare of Backward Classes and Administrative problems in the implementation of the Plan.

19. It was pointed out that each Five Year Plan had to be based on a careful assessment of current and recent trends as well as on a perspective of the next fifteen to twenty years. The long-term view guides major decisions regarding the current and the next plan. At the same times, it was necessary to take as precise a view as possible of existing commitments, commitments carried over from one plan to the next and especially the outlook concerning the mobilisation of resources.

20. Work on the preparation of the Third Plan is expected to fall broadly into four stages. The first stage consists of studies of different sets of problems and of different sectors of the economy and how they can be developed in step so as to get certain overall results. When these studies have made sufficient progress, it is proposed to put the results together and prepare a preliminary draft outline or plan-frame for the Third Plan. This will be in about a year from now. After the preliminary draft outline has been approved, detailed preparation of Central and State plans and of local plans which will fit into the State plans will constitute the third stage. This will be completed with the preparation of a fairly full outline of the Plan more or less in its final form. This is expected to take a further year and would be the basis on which the annual plan for the first year of the Third Five Year Plan would be drawn up. The fourth stage in the formulation of the Third Plan will be the preparation of its final version for submission for approval to the National Development Council and to Parliament.

21. The National Development Council decided to consider the approach to the Third Five Year Plan at its next meeting to be held early in February, 1959.



## **APPENDIX I**

### **PLAN RESOURCES AND OUTLAY: A REVIEW**

#### **SUMMARY AND POINTS FOR CONSIDERATION**

Assessment of Resources in May 1958.

The Appraisal Memorandum considered by the National Development Council at its last meeting held in May this year brought out the fact that the resources available for the Plan were likely to fall short considerably in relation to the original plan outlay of Rs. 4,800 crores. The estimates then made indicated the level of total resources at around Rs. 4,260 crores for the five-year period. It was emphasised that the outlay on the Plan should be at least Rs. 4,500 crores and that efforts should be made to raise additional resources of the order of Rs. 240 crores.

Discussions with States in September-October 1958.

2. In September-October, the Planning Commission held detailed discussions with the States on the assessment of the resources position for the first three years as also for the next two years. An important object of these discussions was to examine the scope in each State for raising additional resources so that the minimum overall target of Rs. 4,500 crores might be realised. In regard to the Centre also, a fresh view has now been taken in the light of information that has become available since the publication of the Appraisal Memorandum. The results of this review are set forth below in summary form.

Results of the present assessment.

3. According to the assessment made now, the aggregate outlay likely to be incurred over the first three years works out at Rs. 2,466 crores, Rs. 1,424 crores at the Centre and Rs. 1,042 crores in the States. The balance of outlay to be incurred in the remaining two years, for reaching the minimum target of Rs. 4,500 crores suggested by the National Development Council at its meeting in May, is Rs. 2,034 crores, Rs. 1,088 crores at the Centre and Rs. 946 crores in the States. As against this, the estimated resources for the next two years amount to Rs. 1,754 crores. Of this, resources at the Centre, after allowing for Central assistance of Rs. 470 crores, would amount to Rs. 890 crores and those in the States to Rs. 864 crores. Between the balance of the outlay left for the next two years and the estimated resources, there is thus a gap of Rs. 280 crores, Rs. 198 crores at the Centre and Rs. 82 crores in the States. Over the plan period, the aggregate outlay can, on this basis, be only Rs. 4,220 crores, Rs. 2,466 crores in the first three years and Rs. 1,754 crores in the last two years.

Estimates for Centre and States.

4. Table I below sets out the estimates of resources for the Centre and the States separately for the first three years, the last two years and the five-year period as a whole :

TABLE 1

(Rs. crores)

	Estimates for the first three years (1956—59)			Estimates for the last two years (1959—61)			Total for the 5 years		
	Centre States Total			Centre States Total			Centre States Total		
(1) Balance from current revenues	250	178	428	140	182	322	390	360	750
(2) Railways' contribution	126	....	126	124	.....	124	250	....	250
3) Loans from the public (net)	328	113	441	170	107	277	498	220	718
(4) Small savings	96	115	211	59	114	173	155	229	384
(5) Unfunded debt and miscellaneous capital receipts	-64	-16	-80	25	-19	6	-39	-35	-74
Total of domestic resources	736	390	1,126	518	384	902	1,254	774	2,028
II. External assistance	458	....	458	642	....	642	1,100	.....	1,100
III. Total of budgetary resources and external assistance	1,194	390	1,584	1,160	384	1,544	2,354	774	3,128
IV. Central assistance	-568	568	.....	-470	470	.....	-1,038	1,038	.....
V. Resources after adjusting for Central assistance	626	958	1,584	690	854	1,544	1,316	1,812	3,128
VI. Deficit financing	798	84	882	200	10	210	998	94	1,092
VII. Total resources – Plan Outlay	1,424	1,042	2,466	890	864	1,754	2,314	1,906	4,220

Estimates for 1959-61

5. The estimates for the last two years set out above take into account the additional taxation of Rs. 12 crores over the next two years which State Governments indicated in the recent discussions. For the Centre, the corresponding estimate is taken at Rs. 40 crores. No allowance, has, however, been made in the estimates for any increases in emoluments that might be recommended by the Pay Commission. Such increases, if found inevitable, will have to be financed by additional taxation. The likely yield of loans and small savings and availability of external assistance have been estimated in the light of the latest trends and expectations. While estimates under individual heads cannot be very precise, the broad conclusion is clear : the

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outlay on the Plan over the five-year period will, on the basis of the resources in sight, have to be limited to a little over Rs. 4,200 crores unless further resources can be raised .

Limits of deficit financing.

6. It will be observed that in the estimate of resources, the limit for deficit financing for the next two years has been taken at Rs. 100 crores a year. This does not mean that deficit financing of this order is safe or innocuous. With prices at the present level and with the growing pressures for increases in pay and salaries to compensate for the increase in cost-of-living, there is, strictly speaking, no case for deficit financing for some time to come. Hitherto, the inflationary impact of deficit financing has been offset by the large balance of payments deficits financed by a draft on foreign exchange resources. Since that "cushion" is no longer available, the less deficit financing there is, the better. It is only if food production increases substantially and food prices register a distinctly downward trend that deficit financing on any significant scale can be contemplated. It is, therefore, not possible to make up the deficiency in resources by more deficit financing.

7. The resources position separately of the Centre and the States is explained briefly in the following paragraphs :

Resources position at the Centre.

8. Corresponding to the minimum outlay target of Rs. 4,500 crores, the target of outlay for the Centre's plan would work out at Rs. 2,512 crores. As against this, the outlay incurred in the first three years, as already mentioned, is estimated to amount to about Rs. 1,424 crores. This would leave a balance of Rs. 1,088 crores to be incurred over the remaining two years of the plan.

9. In addition, the Centre has to find resources for Central assistance. In the first three years, the Centre made available assistance of Rs. 568 crores to the States for financing their plans. The aggregate resources raised by the Centre in the first three years for financing its plan and those of the States thus amounted to Rs. 1,992 crores. Of this, Rs. 736 crores would have been raised by way of domestic budgetary resources, Rs. 458 crores from external assistance and Rs. 798 crores from deficit financing.

10. In the next two years, the Centre has to find Rs. 1,088 crores for its plan. Central assistance for State plans for the next two years has been assumed tentatively at Rs. 470 crores. The problem at the Centre, therefore, is to raise total resources of the order of Rs. 1,558 crores over the next two years. As against this, the estimates of resources available works out at Rs. 1,360 crores. Between the requirements of Rs. 1,558 crores and the estimated resources, there is thus a gap of Rs. 198 crores. The problem is to find ways and means to cover this gap and, to the extent this cannot be done, to adjust the outlays downwards—both on the Centre's plans and by way of Central assistance.

External assistance

11. The estimate of Rs. 1,360 crores mentioned in the previous paragraph takes into account external assistance of Rs. 642 crores. For the first three years, the corresponding estimate is placed at Rs. 458 crores. Thus, utilisation of external assistance over the five-year period is estimated at Rs. 1,100 crores. This estimate represents a broad judgment. The point to note, however, is that

of the total estimated resources of Rs. 4,220 crores over the plan period, about Rs. 2,200 crores will have been found by external assistance and deficit financing. This highlights the need for larger effort to increase the normal budgetary resources.

Resources  
position in the  
States

12. On the basis of the discussions held recently with the States, the outlay on the State plans in the first three years works out at Rs. 1,042 crores. For financing this, the State Governments will have raised Rs. 390 crores from their own budgetary resources and Rs. 84 crores by liquidation of reserves of cash and securities. The remaining outlay of Rs. 568 crores will have been met by Central assistance. More than 50 per cent of plan outlay by the States will thus have been financed by assistance from the Centre.

13. The balance of outlay left for the next two years, for realising the minimum target of Rs. 1,988 crores suggested in the Appraisal Memorandum, works out at Rs. 946 crores. As against this, the estimate of States' resources, including additional taxation of Rs. 12 crores, works out at Rs. 394 crores. As regards Central assistance the tentative figures, as mentioned earlier, might be taken at Rs. 470 crores. On this basis the State Governments would be able to finance a plan outlay of Rs. 864 crores in these two years, Rs. 82 crores less than the minimum target of Rs. 946 crores. But, as mentioned earlier, the Centre's own resources are not sufficient to warrant the assumption that provision of Central assistance of this order will, in fact be feasible.

Additional  
taxation in the  
States

14. Measures of additional taxation so far adopted in the States are estimated to yield Rs. 206 crores during the second plan period. For the coming two years, the State Governments have so far indicated a sum of about Rs. 12 crores only by way of additional taxation. After taking into account this sum, the aggregate amount which the State Governments expected to raise by way of additional taxation over the plan period, works out at Rs. 218 crores as compared to the original minimum target of Rs. 221 crores.

15. The gap of Rs. 82 crores in the State's resources can be filled only to the extent that the States can raise further resources. The Centre's own resources position is, if anything, even more strained. The Planning Commission has indicated from time to time the lines along which the State Governments should make an effort to raise further resources. The precise measures to be adopted have naturally to be decided by each State Government. The tax effort which the State Governments have so far indicated, namely, Rs. 12 crores over the next two years, is inadequate. Action in regard to the imposition of betterment levy has been slow and needs to be expedited. There is need also for quick assessment of the scope for surcharges on land revenue in areas in which regular settlements have not taken place for many years. Agricultural land used for non-agricultural purposes should also bear higher taxation. An upward adjustment in standard water rates in the well-established projects deserves consideration. The yield of sales taxes can be improved through better administration. The small savings drive may be intensified further. Undoubtedly, the task of raising additional resources is difficult, but it has to be faced in view of the pressing needs of the situation as also on longer range considerations.

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Allocations between sectors.

16. In the Appraisal Memorandum, the sector-wise break-down of the revised target of Rs. 4,500 crores was given as set out in Table II below:-

**TABLE II**

***Allocations and Outlays by Major Heads of Development***

	Outlays (Rs crores)	Per cent of Total
1. Agriculture & Community Development	510	11.3
2. Irrigation & Power	820	18.2
3. Village & Small Industries	160	3.6
4. Industries & Minerals	790	17.5
5. Transport & Communications	1,340	29.8
6. Social Services	810	18.0
7. Miscellaneous	70	1.6
<b>TOTAL</b>	<b>4,500</b>	<b>100.00</b>

17. These allocations were reviewed in discussion with Central Ministries and information regarding projects which had not been begun yet or on which comparatively small outlays had been incurred was also obtained from the States. In some cases, larger allotments than those proposed were urged. The problem of determining allocations for the next two years presents various difficulties. The recent assessment of resources confirms that allocations or ceilings for sanctions suggested earlier on the basis of a level of outlay of Rs. 4,500 crores can only be sustained on certain favourable assumptions. The actual expenditures are likely to be somewhat less. In the circumstances, the best course appears to be to retain the sector-wise allocations proposed in the Memorandum of May last as a frame of reference for more detailed provisions from year to year. The requirements of particular projects which are under execution will have to be met as far as possible within these ceilings. In the industrial sector, in particular, for projects in different stages of formulation, the actual provisions to be made have to be based on fresh assessments from time to time.

18. For the States the Plan now provides for a total outlay of Rs. 946 crores during 1959-61 with Central assistance at Rs. 470 crores. The States have to find the balance of Rs. 476 crores, i.e., Rs. 82 crores more than the total resources amounting to Rs. 394 crores indicated thus far. To the extent this gap is made up by the States, they will be able to approach the level of outlay proposed for them. The shortfall will differ in different States, one of the main factors being the extent to which States find the balance of resources required.

## APPENDIX II

**RESOLUTION OF THE NATIONAL DEVELOPMENT COUNCIL  
ON  
CO-OPERATIVE POLICY**

At its meeting on November 8 and 9, 1958, the National Development Council considered the role of the cooperative movement in intensifying agricultural production, in mobilising local manpower and other resources and, generally, in re-building the rural economy. The Council considered that for the development of cooperation as a people's movement, it was essential that cooperatives should be organised on the basis of the village community as the primary unit, and that responsibility and initiative for social and economic development at the village level should be placed fully on the village cooperative and the village panchayat. The Council recommended that in the light of this general approach all States should take steps to review their present programmes of cooperative development and formulate fresh programmes to be implemented during the next two years. It recognised that conditions differ in different parts of the country and that it will be necessary for each State according to its conditions, to organise the development of cooperative movement along lines set out in this Resolution during the course of the next few years.

2. In a rural cooperative, the members should have intimate knowledge of one another as well as a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community. By working together for the common objective of raising the standard of living of all sections of the population, the community develops social cohesion and unity. Where villages are too small, with the consent of the communities concerned, it will be convenient to form them into larger groups with a population of about 1,000. As a rule, the cooperative and the panchayat should serve identical areas. These institutions should be given assistance and guidance, but care must be taken to see that they develop through the support of the people by undertaking constructive programmes for the benefit of the people and with their free participation. The aim should be to ensure that every family is represented in the village cooperative. It is one of the main purposes of cooperation to assist those who do not obtain credit under the ordinary banking principles. The greatest attention should, therefore, be given to ensure that the sections of the community that do not come into the cooperative society at present are enabled to share fully in its benefits and obligations in their own right.

3. Increased agricultural production calls for a number of specific measures. These include the full use of irrigation facilities available, application of improved agricultural techniques, especially the multiplication of improved varieties of seed at the village level and the production in every village of organic and green manures, and the adoption by each village community of techniques of dry farming, contour-bunding, soil conservation, etc. These and other programmes should be carried out through the village cooperative in which every family is represented. Thus the responsibility for maintaining minor irrigation works and for excavating and maintaining field channels should be placed on the village community. The cooperative should make permanent arrangements in the village for producing the seeds and organic and green manures needed, arrange for the supply of these in kind to persons who cannot pay for them in advance, recoveries being made after harvest. It should arrange for the distribution of fertilizers received for the village and for their supply to small holders on credit in the first instance. The cooperative should lay



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special stress on animal husbandry programmes. It should also promote programmes supplementary to agriculture, consolidation of holdings and other works of benefit to the community.

4. Village societies should be federated through Unions. They should also become members of marketing societies serving their areas of operation.

5. The National Development Council considers that the cooperative movement should be developed so as to bring within its fold all rural families before the end of the Third Five Year Plan. For the remaining period of the Second Five Year Plan, the Council suggests that State Governments should formulate intensive programmes on the basis of the following broad national targets. The conference of Development Commissioners held at Mussoorie in April, 1957 recommended a minimum programme for cooperation which, aimed at bringing 50 per cent of agricultural families into the movement during the intensive stage of community development and 75 per cent subsequently. A programme for the revitalization of existing small cooperative societies was introduced during 1957-58. The National Development Council recommends that State Governments should make special efforts to revitalise existing agricultural cooperative societies so as to increase their membership from the present level of about 9 to 10 million to about 15 million by the end of the Second Plan. The greater part of this increase in membership will be achieved by intensifying the work of these Societies in the villages served by them. There are, however, villages which are at present not served by any cooperative society in areas taken up under the community development programme, as a matter of first priority, cooperative societies should now be established in such villages. Each State Government should endeavour to ensure that before the completion of the first stage of the community development programme in any block, all villages have the necessary cooperative and village institutions. The programmes for the revitalisation and expansion of existing societies and for setting up new societies in community development areas and elsewhere should together help to raise the membership of agricultural cooperatives to a total of about 20 million by the end of the current Plan. This still involve a doubling of the present membership.

6. The Second Five Year Plan visualises that credit to the extent of Rs. 225 crores should be made available through cooperative agencies, Rs. 150 crores by way of short-term loans and Rs. 75 crores by way of medium and long-term loans. For the new programmes now envisaged, credit requirements are likely to be larger. For providing these the National Development Council suggests that suitable arrangements should be worked out in the near future in consultation with the Reserve Bank of India. In the provision of credit, special attention must be given to facilities for the grant of crop loans. The National Development Council considers it essential that in each district and development block, the grant of credit through cooperative agencies should be closely linked with programmes for increasing agricultural production and for marketing. As arrangements are developed along these lines, steps should be taken to review the existing credit limits so as to facilitate the expansion of agricultural credit.

7. An essential objective of the cooperative movement is the inculcation of the habit of thrift and savings. In each area, within a specified period, or according to a programme worked out by the cooperatives, the effort should be to meet all the credit needs of their members. In the national savings movement cooperatives should function as primary agencies in rural areas.

8. In the course of the Second Five Year Plan, it is proposed to set up 1900 primary marketing societies. It is expected that when this programme is carried out most of the mandi areas in the country will be served. The National Development Council attaches much importance to the development of these cooperative marketing societies as they will assist in the stabilisation of

prices. For setting up these societies there should be careful surveys of the potential for increased production in each area and estimates of marketable surplus. Hitherto, even in areas in which marketing societies have been organised, their coverage has been small and restricted. By linking marketing societies with village societies and using the latter as agencies for collection and sale at assured prices at the village level, it will be possible not only to obtain larger supplies of foodgrains for meeting the needs of urban areas but also to expand greatly the credit facilities available for rural areas. The programme for cooperative processing, which is already under way, should also be enlarged, in particular, in relation to the processing of food crops.

9. To ensure the success of cooperative development programmes on the scale here visualised, training programmes should be organised for village leaders who work on village panchayats and cooperatives, for teachers in village schools and for young men in rural areas who can serve as secretaries of village institutions. It is also necessary to expand training programmes for personnel serving in cooperative departments and to organise refresher courses for village level workers and other extension workers. Existing Cooperative Departments in the States are not adequately equipped in field personnel and at the higher levels for organising a large programme of cooperative development. The National Development Council hopes that all States will take early steps to strengthen these Departments and to bring into the field of cooperation a larger number of competent and experienced persons, both non-official and officials. State Governments should make it a point to draw an increasing number of non-official workers for honorary service, so that cooperatives retain their dynamism.

10. The Central and State Governments have been engaged in considering measures for simplifying the present procedures for registration of cooperative societies, grant of loans and management of cooperatives. Many of the existing procedures impede the development of cooperation as a popular movement in which small groups and communities can function freely and organise their work and activities along cooperative lines without excessive official interference and red tape. The restrictive features of the existing cooperative legislation should be removed and both the present cooperative laws and the model legislation and rules which have been under the consideration of States should be modified in accordance with the approach outlined in this Resolution. It is also essential that by making taccavi loans and other facilities available to individuals through cooperatives, conditions should be created in which every peasant and rural worker will find it to his advantage to join the village cooperative. The National Development Council trusts that State Governments will take early steps to introduce radical changes in procedures so as to facilitate the growth of the cooperative movement.

11. The National Development Council believes that through the development of cooperatives based on the values of freedom and community responsibility and organised as a national movement the creative energies of the people will be released for the tasks of national reconstruction.

**PARTICIPANTS**

**PLANNING COMMISSION**

1. Shri Jawaharlal Nehru	..	..	..	Chairman
2. Shri V. T. Krishnamachari	..	..	..	Deputy Chairman
3. Shri Gulzarilal Nanda	..	..	..	Minister of Planning
4. Shri Morarji Desai	..	..	..	Member (Finance)
5. Dr. J. C. Ghosh	..	..	..	Member (Education)
6. Shri C. M. Trivedi	..	..	..	Member (N.R.)
7. Shri Shriman Narayan	..	..	..	Member (Agriculture)
8. Shri T. N. Singh	..	..	..	Member (Industry)
9. Prof. P. C. Mahalanobis				
10. Shri S. N. Mishra	..	..	..	Deputy Minister of Planning
11. Shri L. N. Mishra	..	..	..	Parliamentary Secretary to the Minister of Planning.
12. Shri Vishnu Sahay	..	..	..	Secretary.

**STATES**

1. Andhra Pradesh	..	..	..	1. Shri N. Sanjeeva Reddy, Chief Minister
				2. Shri V. B. Raju, Minister of Planning
				3. Shri P. Thima Reddy, Minister of Agriculture
2. Assam	..	..	..	1. Shri B. P. Chaliha, Chief Minister
				2. Shri K. P. Tripathi, Minister of Planning
				3. Shri F. A. Ahmed, Minister of Finance
3. Bihar	..	..	..	1. Dr. Srikrishna Sinha, Chief Minister

					2. Shri Ambika Saran Singh, Dy. Finance Minister.
					3. Shri L. P. Sahai, Deputy Industries Minister
4. Bombay	..	..	..	1. Shri Y. B. Chavan, Chief Minister	
					2. Shri Jivraj Mehta, Minister of Finance
					3. Shri S. K. Wankhede, Minister of Planning
					4. Shri G. D. Patel, Deputy Planning Minister
5. Jammu & Kashmir	..	..	..	1. Bakshi Ghulam Mohammad, Prime Minister	
6. Kerala	..	..	..	1. Shri E.M.S. Namboodiripad, Chief Minister	
7. Madhya Pradesh	..	..	..	1. Dr. K. N. Katju, Chief Minister	
					2. Shri M. L. Gangwal, Minister of Finance
					3. Shri S. L. Tiwari, Minister of Public Works
8. Madras	..	..	..	1. Shri K. Kamaraj, Chief Minister	
					2. Shri C. Subramaniam, Minister of Finance
9. Mysore	..	..	..	1. Shri B. D. Jatti, Chief Minister	
10. Orissa	..	..	..	1. Dr. Harekrushna Mahatab, Chief Minister	
11. Punjab	..	..	..	1. Sardar Partap Singh Kairon, Chief Minister	

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				2. Dr. Gopi Chand Bhargava, Minister of Planning
12. Rajasthan	..	..	..	1. Shri Hari Bhou Upadhyaya, Minister of Finance
13. Uttar Pradesh	..	..	..	1. Dr. Sampurnanand, Chief Minister
14. West Bengal	..	..	..	1. Dr. R. Ahmed, Agriculture Minister
				2. Shri T. K. Ghosh, Minister of Development

### UNION MINISTERS

1. Shri Govind Ballabh Pant	..	..	..	Minister of Home Affairs
2. Shri Lal Bahadur Shastri	..	..	..	Minister of Commerce and Industry
3. Sardar Swaran Singh	..	..	..	Minister of Steel, Mines and fuel
4. Shri Ajit Prasad Jain	..	..	..	Minister of Food and Agriculture
5. Hafiz Mohammad Ibrahim	..	..	..	Minister of Irrigation and Power
6. Shri S. K. Dey	..	..	..	Minister of Community Development
7. Shri B. Gopala Reddy	..	..	..	Minister of Revenue & Expenditure

**TWELFTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : APRIL 3 & 4, 1959**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**



## SUMMARY RECORDS OF THE TWELFTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

### AGENDA

1. Review of progress in agricultural production. (For information)
2. Review of the food situation including price levels. (For information)
3. Main issues relating to the Third Five Year Plan
4. State trading in foodgrains
5. Cooperative Policy
6. Management of State Road Transport Undertakings.

### 1. REVIEW OF PROGRESS IN AGRICULTURAL PRODUCTION

#### *Ministry of Food and Agriculture (Department of Agriculture)*

The Second Five Year plan envisages an increase of 15.5 million tons in foodgrains production by 1960-61 over the base level of 65 million tons in 1955-56. Targets for increased production have also been laid down in respect of a number of commercial crops including cotton, jute, sugarcane and oilseeds. The table below shows the progress of production so far and the anticipations for 1960-61 in respect of the major crops:—

Commodity	Unit	Base level output	1956-57	1957-58	1960-61 (anti-cipated)	1960-61 (target)
Foodgrains	(Million tons)	65.0	68.7	62.0	75.0	80.5
Cotton	(Million bales 392 lbs each)	4.2	4.7	4.8	6.0	6.5
Jute	(Million bales 400 lbs.each)	4.0	4.3	4.1	5.5	5.5
Sugarcane	(In terms of Gur) (Million tons)	5.8	6.8	6.4	7.2	7.8
Oilseeds	(Million tons)	5.5	6.2	5.9	7.0	7.5
Overall Index No.of Agri. Production		115	124	113	136	146

While production recorded satisfactory increase during 1956-57, the output during 1957-58 generally suffered from continuous spells of drought and unfavourable weather conditions. During the 1958-59 season, however, the crop prospects are quite encouraging. Production of rice has reached the record figure of 29.7 million tons and it is expected that the total production of foodgrains will be around 70 million tons. The production of jute at 5.2 million bales is the highest so far achieved. The outlook for other commercial crops is also promising. It would be therefore, reasonable

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to expect that agricultural production will reach a new record in the current year.

2. The progress made so far in regard to various works and supply schemes for increasing food production is briefly noted below.

### MAJOR IRRIGATION

3. A target of 12 million acres for additional irrigation potential through major and medium irrigation projects was envisaged under the Second Five Year Plan. The progress during the first two years of the Plan has not been according to the schedule. Irrigation potential is reported to have been created over an area of 0.9 million acres during 1956-57 and 1 million acres during 1957-58. The corresponding figure for 1958-59 is estimated at about 2 million acres. The utilisation of the irrigation potential created through major and medium irrigation schemes was comparatively slow until recently due to delay in the construction of distributaries and field channels, and the time taken in the introduction of new cropping patterns, etc. There has been, however, an appreciable improvement in the utilization of irrigation water during the last year. Having regard to the progress made so far and the funds likely to be available, the target of 12 million acres for major and medium irrigation schemes has been revised to 10.4 million acres. The area likely to receive actual irrigation benefits during the Plan period is, however, not expected to exceed 6 million acres.

### MINOR IRRIGATION

4. Under the Second Five Year Plan, it is proposed to bring in additional 9 million acres under irrigation through the minor irrigation programmes half of which have to be achieved through the G.M.F. programmes and the balance through C.D. and N.E.S. programmes. The achievements reported during the first two years are as under :—

#### *Area benefited by minor irrigation schemes (Million acres)*

Year	GMF Programmes	C.D Programmes	Total
1956-57 . . . . .	1.2	0.4	1.6
1957-58 . . . . .	1.6	0.6	2.2
	----	----	----
Total	2.8	1.0	3.8
	----	----	----

Complete information regarding actual achievements during 1958-59 is not yet available. Increased emphasis has, however, been put on the acceleration of minor irrigation programmes and also on the effective utilisation and proper maintenance of the irrigation potential already created. Additional minor irrigation schemes involving Rs. 3.4 crores have been sanctioned to the State Governments during the current year. The tempo is also being stepped up in C.D. and N.E.S. areas. With the provision of adequate funds, it should be possible to achieve the target of 9 million acres envisaged in the Second Plan.

## LAND DEVELOPMENT & SOIL CONSERVATION

5. The target under the Second Five-Year Plan is to reclaim 1.5 million acres and to carry out land improvement measures over an area of 2 million acres through the Central and State Tractor Organisations and other agencies and through the manual labour of individual cultivators. The total area reclaimed so far by C.T. O. during the Second Plan period is 1.98 lakh acres. In addition, the State Governments have also implemented schemes of mechanical cultivation and land development through State Tractor Organisations. The land reclamation operations of the C.T.O. as also State Tractor Organisations have been hampered by shortage of foreign exchange for the import of tractors.

6. The target under the Second Five-Year Plan is to bring under regular soil conservation 20 lakh acres of agricultural land and 10 lakh acres of other types of land. During the first two years of the Plan period, soil conservation measures were extended to over 4.96 lakh acres. In 1958-59, a further area of 3.3 lakh acres was covered upto December, 1958. The pace of soil conservation work during the first two years of the Plan was affected due to lack of suitable and experienced administrative organisations in the States and the fact that many of the States did not have suitable soil conservation legislation for carrying out the necessary measures. However, the position is steadily improving and it is hoped that the tempo of work would be much greater during the remaining years of the Second Plan.

## MANURES & FERTILISERS

7. In the Second Plan, it is proposed to increase consumption of nitrogenous fertilizers from 6.1 lakh tons (in terms of sulphate of Ammonia) in 1955 to over 25 lakh tons by the end of the Second Plan period. The cultivators are becoming increasingly fertilizer-conscious and the demand for fertilizers has risen far beyond the productive capacity in the country. The table below shows demand, indigenous production and extent of short-fall of nitrogenous fertilizers in the country during 1958-59 and 1959-60.

Year	Demand	Lakh tons in terms of Sulphate of Ammonia	
		Indigenous Production	Shortfall
1958-59	15.22	4.00	11.22
1959-60	18.82	5.68 (expected)	13.14

8. Due to the foreign exchange difficulty, it was possible to arrange for import in 1958-59 only to the extent of 4.50 lakh tons. The total available supplies thus amounted to only about 55% of the demand. This has hampered the production programme in agriculture. Steps have, however, been taken to increase indigenous production of fertilizers through the setting up of additional productive

## Summary Record of Discussions of the NDC Meetings

capacity. It has been agreed to plan for the production of 700,000 to 750,000 tons in terms of Nitrogen (or 35 to 37½ lakhs tons in terms of ammonium sulphate) per annum by 1963. Proposals for creating additional capacity are under consideration. Apart from the Nangal, Neiveli and Rourkela Fertilizer factories on which work has already been started, Trombay Fertilizer Project (90,000 tons of nitrogen) and Fertilizer Plant based on Naharkatiya Natural Gas (50,000 tons of nitrogen) are expected to reach the initial stages of implementation by the end of the Second Plan. For reaching the capacity mentioned above, at least three more new units are likely to be required and a committee has been appointed to examine the most suitable locations and to make recommendations. In all probability, these new units would be based on coke-oven gas. The consumption of super-phosphate is also on the increase. The consumption during 1958-59 is estimated at 2 lakh tons as against 1.35 lakh tons during the previous year. There is need for increasing the production of phosphatic fertilizers also.

9. To supplement supplies of chemical fertilizers, stress is being laid on maximum development and utilisation of local manurial resources, especially organic and green manures, compost, night soil, etc. A quantity of about 22.0 lakh tons of urban compost manure was prepared from refuse materials during 1957-58. The target for 1958-59 is 26.7 lakh tons. Schemes have also been taken up so far (i) larger and better utilisation of local manurial resources in about 1500 NES and CD Blocks, (ii) production of night soil compost in about 475 panchayats, and (iii) popularisation of green manuring practices. Special steps have been taken in a number of States to distribute green manure seeds and organize propaganda campaigns.

### IMPROVED SEEDS

10. With a view to saturating the entire country with improved seeds, a programme for the establishment of 4328 Seed Multiplication Farms has been taken up under the Second Five Year Plan. The progress in the establishment of Seed Farms has been taken up under the Second Five Year Plan. The progress in the establishment of Seed Farms has been as under :-

Year	No. of Seed Farms established	
1956-57 . . . . .	258	
1957-58 . . . . .	1,003	
1958-59 . . . . .	921	(Reported so far)- 1,390 (likely to be set up).
	----- 2,182	

11. According to reports available so far 2,182 seed farms have been set up out of which 1766 Seed Farms have actually started production of improved seeds.

12. The programme was hindered mainly due to difficulties of acquiring land and the high prices of land prevalent in number of States. With a view to resolving the difficulties, the following concessions have been given to the States:-

- (i) to take land on lease wherever outright purchase of land was difficult.

- (ii) diversion of funds from one non-recurring item to another.
- (iii) The ceiling of Central assistance for the admissible cost of land has been revised from Rs. 500 to Rs. 1500 per acre.

13. The States have been advised to simplify the procedure for the acquisition of land for seed farms and to invoke the urgency clause under the Land Acquisition Act for taking possession of land expeditiously. As a result of the above concessions, the scheme is showing steady progress.

## **IMPROVED AGRICULTURAL PRACTICES**

14. Improved agricultural practices comprise various types of measures, such as the Japanese method of paddy cultivation, double cropping, proper spacing and seed rates, proper transplanting method, protection of crops, eradication of weeds, etc., and under the revised target of the Second Plan, a contribution of 2.5 million tons is expected under this head. During 1958-59 an area of 76.9 lakh acres is planned to be brought under the Japanese method of paddy cultivation as against the achievement of about 40 lakh acres in 1957-58 and 23.7 lakh acres in 1956-57. Under the plant protection programme, an area of 10 million acres under various crops is estimated to have been covered as a result of direct Governmental efforts.

15. An intensive Rabi production campaign was launched during the year in 9 States for mobilising and coordinating all available resources and agencies in the regions concerned in the task of raising the production of four major food crops namely wheat, barely, gram and jowar. The outstanding feature of the campaign is the emphasis on non official participation, the creation of enthusiasm among farmers, and the mobilisation of farmers' efforts— the Government agencies mainly providing technical guidance and concrete assistance in managing timely supplies of wherewithals of production. Under the Campaign, the States have concentrated their efforts on certain selected items of work, such as, timely supply of improved seeds and fertilizers, treatment of seeds against seed-borne diseases, provision of irrigation facilities, supply of improved agricultural implements, insecticides, pesticides and agricultural credit. In connection with the campaign the ministry of Food and Agriculture assisted five States in making timely procurement of about nine lakh maunds of additional quantities of wheat and gram seeds. Additional agricultural credit and supplies of insecticides and plant protection equipments were also provided to the State under the Campaign. Steps have been taken to form "Teams of Helpers" to augment the efforts of the normal extension agency. In Delhi, for example, Teams of Helpers organised over 200 demonstrations on cultivators' fields introducing a new variety of wheat. In view of the encouraging results of the Rabi Campaign, a country-wide Khariff Campaign has now been initiated.

16. The actual achievement in different States varies widely from State to State, the average being about 40% during the first 3 years of the Second Plan as against a pro rata figure of 60% in terms of the target. Although there has been a substantial improvement during the last year, on the basis of present performance the overall increase in foodgrains production at the end of the second plan may be around 75 million tons as against the revised plan target of 80.5 million tons. The level of agricultural production as a whole may thus increase by about 18 to 20% as against the revised Plan target of 27%. Even the lower figures assume adequate provision of foreign exchange for import of fertilizers, pesticides, irrigation equipment, spare parts for tractors and other implement, and supply of iron and steel.

## **2. A REVIEW OF THE FOOD SITUATION INCLUDING PRICE LEVELS\***

### ***Ministry of Food and Agriculture (Department of Food)***

#### **PRODUCTION**

The Production of foodgrains in the current season 1958-59, is expected to touch the level of about 70 million tons thereby not only showing a recovery from the low output of 62 million tons in 1957-58 and also exceeding the output of 68.7 million tons achieved in 1956-57. The main increase has been in the case of rice, the production of which is estimated at 29.7 million tons as against the output of 28.3 million tons in 1956-57. The production of other kharif cereals is also expected to be better than in the previous year. The reports so far received about rabi crops are encouraging; there has been an increase in acreage under rabi cereals and there is every possibility of having a very good rabi crop too.

#### **PRICES**

2. The prices of foodgrains which rose in 1958 as a result of the unprecedented decline of 6.7 million tons in foodgrains output in the 1957-58 season have been tending to readjust themselves to lower levels. The index number of wholesale prices for rice, after having risen from 99 in February, 1958 to 118 in September, 1958, came down to 91.2 at the end of February, 1959. At this level it is 7% lower than the corresponding index in 1958 and about 4% lower than that in 1957. The index of wheat prices which increased from 84 in February, 1958 to 130 in the first week of February 1959 receded to 117.5 at the end of February, 1959. The jowar price index went up from 92 in February 1958 to about 117 in the first week of February 1959 and then dropped to 108 in the last week of February. The price index for cereals as a whole rose steadily from 95 in February, 1958 to 115 in September, 1958 after which it began to decline and touched the level of 103 at the end of February 1959. In most of the States the actual prices of rice and wheat have declined by a substantial margin from their off-seasonal peak levels. The extent of decline in some of the important centres is shown in the Appendix. The inter-State differentials in prices of wheat and rice have also narrowed down considerably.

#### **MEASURES TAKEN TO CONTROL THE SITUATION**

3. The present decline in prices is the combined effect of the anticipation of better crops, the strengthening of the machinery of control and regulation by the Government and supplies from Government stocks. To meet the difficult supply and price situation in 1958 created by the severe short-fall in production, Government released larger quantities of food-grains from their own stocks. The sizable reserve of stocks built up earlier stood in good stead and made it possible, despite relatively smaller imports (31.73 lakh tons in 1958 as against 35.82 lakh tons in 1957) to release larger quantities of foodgrains in 1958 than in 1957. The amount released was 36.7 lakh tons in 1958 against 31.8 lakh tons in 1957. The number of fair price shops increased from 34,000 at the beginning of 1958 to about 48,600 and even now about 47,700 fair price shops are functioning in the country.

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\*As on 14th March 1959.



The various regulatory measures that were in force in 1957 were tightened up further during 1958. The zonal arrangements and other restrictions on movement of foodgrains were applied to more areas, the object of these restrictions being to promote regional self-sufficiency, check profiteering and speculative activity, conserve supplies for local use and facilitate procurement.

The purchase operations of Government were enlarged so as to enable it to play an increasing role in the foodgrains trade and correspondingly to restrict the sphere of private trade. The Central Government which purchased rice in 1957 mainly in the States of Andhra Pradesh and Punjab extended its operations to Madhya Pradesh and Orissa in 1958. Besides purchases by the Centre, a number of State Governments, including those of U.P., West Bengal, Assam, Bihar, Madhya Pradesh, Mysore and Madras are undertaking purchases of rice and paddy on their own account.

Total purchases of rice (including paddy in terms of rice) by Central and State Governments which amounted to 2,11,000 tons in 1957 increased to 5,32,000 tons in 1958. The table below indicates Statewise purchase of rice in 1958 :—

(Figures in thousand tons)

State	Purchase by the Centre	Purchase by State Governments on their own account		
	Rice	Rice	Paddy	
Andhra Pradesh	184	—	—	
Uttar Pradesh	—	7	—	
Mysore	—	—	19	
Kerala	—	18	7	
Madhya Pradesh	39	3	Neg.	
Punjab	97	—	—	
West Bengal	—	88	Neg.	
Assam	—	1	31	
Orissa	—	42	17	
Tripura	—	1	1	
Manipur	—	2	—	
	Total	320	162	75

In the first two months of the current year the purchases of rice (including paddy in terms of rice) amounted to about 350,000 tons.

In order to check the rise in prices and to facilitate purchases, maximum control prices for rice and/or paddy have been fixed in most of the States. In addition, Section 3(3A) of the Essential Commodities Act, 1955, was applied to certain States for specified foodgrains whereby the Government is empowered to requisition stocks at the average of prices prevailing in the three months before the date of issue of the Notification applying the Sub-section to a particular State for a particular commodity. Roller flour mills all over the country have been prohibited from buying wheat in the indigenous market and they are prevented from charging more than the prescribed prices for wheat products manufactured out of wheat supplied from Government stocks. Similarly, prices chargeable by fair price or informal ration shops for foodgrains supplied to them by the Government have been laid down. Foodgrain dealers and millers have been brought under the

## Summary Record of Discussions of the NDC Meetings

licensing system in all the important States with a view to exercising a more effective control on their activities. Forward trading in foodgrains, including that in non-transferable specific delivery contracts, which appeared to be lending artificial support to market prices, has been prohibited. Selective credit control against foodgrains was continued during the year as part of the overall policy to check hoarding of foodgrains. The restrictions on aggregate advances by banks which formerly applied at the all-India level were made applicable to certain individual States separately in the case of rice and wheat. In order to prevent the sale of imported foodgrains at high prices, the Government banned the sale or store of any quantity of imported foodgrains by dealers not authorized to deal in such foodgrains. A scheme for state trading in foodgrains has been prepared and is under consideration.

### OUTLOOK FOR 1959

4. The year 1959 commenced with a total stock of 9.14 lakh tons of foodgrains with Central and State Governments, comprising 3.03 lakh tons of rice, 5.24 lakh tons of wheat and 0.87 lakh tons of other grains. In view of the bumper rice crop, Government purchases would be considerably larger in volume than in the previous year while the need for distribution is likely to be comparatively less. Rabi crops also appear to be promising and it may be possible to purchase certain quantities of rabi grains during 1959. The balance quantity of wheat, sorghum and maize under the P.L. 480 Agreement of September 1958 will be available for import during 1959. In addition, Burma is to supply 3.5 lakh tons of rice in 1959 under the Five Year Indo-Burmese Rice Agreement, 1956 and supplies are expected to start after the price has been negotiated. It is, therefore, expected that supply and price position would remain satisfactory and no special difficulty may be experienced during the lean period of the current year.

## APPENDIX

## I. Extent of decline in the prices of Rice

(Rs. per maund)

State/Centre	Variety	Off-seasonal peak Price	Date	Price on 28-2-59	Extent of fall from off-seasonal peak
Andhra Pradesh					
Kakinada	Akkulu (M)	21.00	29-10-58	18.50	2.50
Nellore	Ist Sort (M)	25.00	25-12-58	21.00	4.00
Nizamabad	Akkulu (M)	22.40	9-11-58	16.29	6.11
Assam					
Badati	Arwa	26.00	26-10-58	21.00	5.00
Nowgong	Sali (M)	28.00	23-9-58	17.50	11.00
Jorhat	Sali Coarse (M)	29.00	29-8-58	21.75	7.25
Bihar					
Dumka	Coarse (HP)	28.50	29-8-58	20.00	8.50
Gaya	Common	27.75	28-8-58	19.19	8.56
Motihari	Medium (M)	32.00	21-8-58	20.75	11.25
Jayanagar	Coarse (M)	29.00	11-9-58	18.75	10.25
Bombay					
Kalyan	Inferior (M)	27.00	29-9-58	22.00	5.00
Bulsar	Kada	32.50	10-10-58	22.00	10.50
Kerala					
Trivandrum	Pasanki (M)	23.70	12-12-58	19.57	4.13
Alleppey	Champala (M)	24.30	12-12-58	20.06	4.24
Madhya Pradesh					
Raipur	Raw (M)	22.50	27-11-58	13.00	9.50
Kotma	Gurmatia (HP)	18.50	14-7-58	14.50	4.00
Raigarh	Coarse (HP)	16.75	14-7-58	14.00	2.75
Madras					
Madras	Basangi	23.00	26-12-58	16.58	6.42
Coimbatore	Coarse	20.72	27-12-58	18.03	2.69
Madurai	Samba	20.42	14-2-58	17.26	3.16
Mysore					
Bangalore	Coarse (M)	28.75	19-11-58	16.70	12.05
Mysore	Coarse (M)	20.41	14-8-58	16.45	3.96
Nandgarh	Coarse (M)	23.62	11-10-58	16.00	7.62

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### I. Extent of decline in the prices of Rice — *Contd.*

(Rs. per maund)

State/Centre	Variety	Off-seasonal peak Price	Off-seasonal peak Date	Price on 28-2-59	Extent of fall from off-seasonal peak
Orissa					
Balasore	Coarse (HP)	19.00	31-7-58	14.50	4.50
Cuttack	Coarse (HP)	19.00	8-8-58	11.25	7.75
Sambalpur	Coarse (HP)	19.00	25-7-58	14.50	4.50
Punjab					
Karnal	Jhona	24.00	8-9-58	16.50*	7.50
Amritsar	Coarse	22.50	22-8-58	21.50*	1.00
Uttar Pradesh					
Gorakhpur	IV Sort	27.00	25-7-58	22.00	5.00
Bahraich	III Arwa (M)	26.55	25-8-58	20.00	6.55
Saharanpur	Gadra Arwa (M)	29.90	12-7-58	15.00*	14.90
Varanasi	Coarse (M)	26.75	29-7-58	16.75*	10.00
West Bengal					
Asansol	Coarse	29.00	2-9-58	21.00	8.00
Siliguri	Coarse	33.50	3-11-58	17.50*	16.00

\*Controlled prices.

## 2. Extent of decline in the prices of Wheat

(Rs. per maund)

State/Centre	Variety	Off-seasonal peak Price	Date	Price on 28-2-59	Extent of fall from off-seasonal peak
<b>Bombay</b>					
Bombay	Nasik Yellow	31.39	2-2-59	24.72	6.67
Dhanduka	Red	28.00	4-2-59	21.00	7.00
Akola	Gaorani	26.40	2-2-59	18.00	8.40
Nagpur	Pissi	26.50	11-2-59	19.50	7.00
<b>Madhya Pradesh</b>					
Bhopal	Pissi	26.00	2-2-59	20.25	5.75
Sagar	Pissi	26.00	30-1-59	19.00	7.00
Indore	Pissi	25.50	31-1-59	17.00	8.50
Hoshangabad	White	29.00	2-2-59	21.00	8.00
<b>Punjab</b>					
Abohar	Dara	22.81	24-1-59	19.39	3.42
Amritsar	Dara	23.00	6-2-59	20.00	3.00
Patiala	Coarse	23.25	24-2-59	19.75	3.50
Sonepat	Dara	22.00	9-2-59	20.00	2.00
<b>Rajasthan</b>					
Kotah	Red	20.00	30-10-58	17.50	2.50
Jhalawar	Gajar	23.00	24-10-58	20.00	3.00
Jodhpur	Red	24.00	9-2-59	22.00	2.00
<b>Uttar Pradesh</b>					
Chandausi	Mixed Sharbati	27.25	5-2-59	22.50	4.75
Hapur	FAQ	27.50	10-1-59	22.00	5.50
Kalpi	Red	25.69	12-1-59	18.83	6.86
Saharanpur	...	28.50	3-2-59	22.25	6.25
Jhansi	White	27.00	31-1-59	21.34	5.66
Bahraich	FAQ	26.50	18-2-59	23.00	3.50
<b>Delhi</b>					
Delhi	Dara	22.00	26-12-58	20.00	2.00

### **3. MAIN ISSUES RELATING TO THE THIRD FIVE YEAR PLAN**

#### ***(Planning Commission)***

#### **1. THE PROBLEM**

A number of papers prepared in the Planning Commission on issues relating to the Third Five Year Plan have been circulated to the members of the National Development Council. This paper attempts to focus attention on some of the major issues with a view to facilitating, discussion.

2. The formulation of any Plan involves consideration of :—

- (a) the essential objectives to be fulfilled;
- (b) the size or scale of investment required and feasible;
- (c) an assessment of the resources required and likely to be available;
- (d) the pattern of investments to be undertaken, on a view of priorities and on a balance of immediate as well as longer-term considerations;
- (e) the “instrumentalities”, that is, the techniques and agencies through which the targets proposed for mobilisation and deployment of resources are to be realised.

These considerations are inter-related, since objectives, resources and techniques of implementation have to be viewed together. An overall balance is possible at more than one *level*. But, for each scale or pattern of investment and of mobilisation of resources that could be visualised, a different type of balance or imbalance emerges at different points in the system. The aim of planning is to arrive at an optimum balance, overall and sectoral, between effort and return; between less rigour in the short-term and greater sacrifices immediately in the interests of a more rapid growth in the future; between the output of consumer goods and the demand for them; between a smaller impact on some classes and a larger impact on others; between reliance on domestic savings (including those for export-earning) and that on external assistance.

3. These problems become the more difficult—and call for more careful consideration—as planning becomes more integrated. At this stage in the country’s development, the issues are crucial; in many respects, the Third Plan will be a turning point. A Plan can succeed only to the extent that a consistency between the ends sought and the means to be devised is established, and this involves not mere technical expertise but vital political judgements.

4. In the Second Five Year Plan, a certain perspective for planned development was set forth. This indicated the measure of step-up in effort in terms both of investment and of savings over successive plans so that income *per capita* could be doubled by 1973-74 (*vide* Annexure I). The Third Five Year Plan has to keep this perspective in the forefront. Population growth is now estimated to be at a rate higher than was assumed in the projections mentioned. The increase in aggregate national income by the end of the Second Plan is likely to turn out to be lower than the 25 per cent postulated in the Plan. In *per capita* terms, the increase will, therefore, be considerably less than was expected. It is necessary to take note of the difficulties that have been encountered in the course of the Second Plan; and to ensure that the means and techniques proposed for mobilising resources are adequate for the needs of the Plan. To begin with, the resources available or mobilisable are a limiting factor, but resources grow as investment and employment proceed. The



question is how even within the plan period itself, the growth of resources and of the demands on them can be kept moving forward in step. The most vital issue behind all this is the underlying orientation of policies and a measure of the organisational resources available both to Government and the community at large. It is on this basic issue that attention needs to be concentrated at this stage.

## II. OBJECTIVES

5. The problem may be illustrated with reference to the points listed in paragraph 2 above. As regards (a), namely, the essential objectives, two points emerge clearly from the papers circulated to the members of the National Development Council. First, the Third Plan will have to provide for an acceleration of the effort undertaken during the two earlier plans. In other words, the tempo of development has to be kept up and improved upon to the extent possible. Secondly, there has to be special emphasis on planning development in a manner that would make the economy “self-sustaining” as early as possible. This involves setting up and expansion of industries that will produce the machinery and equipment needed to manufacture the machines and capital goods required for further industrialisation. In this connection there are two sets of considerations. Under this pattern adequate restrictions on consumption will have to be faced and consumption standards will have to be relatively kept down. Progress depends on the extent to which this can be achieved under democratic conditions, for the larger the investment in the ‘more remote’ stages of production, the larger and more varied is the ancillary investment required to support and make full use of these processes, and the greater, therefore, is the sacrifice involved in consumption ‘for the time being’. In the second place, until the base has been built up, industrial development remains largely dependent on foreign exchange being made available from outside for setting up the industries required. Quicker progress towards the “self-sustaining economy” in the sense of its being technically equipped to make the capital goods and equipment it needs will raise the foreign exchange component of the Third Plan and will necessitate a larger measure of external assistance. On the other hand, if this obstacle to economic development is not got over as early as possible, the period of dependence on external resources tends to be prolonged. From both considerations it is necessary to lay out the investible resources during the Third Plan period so as to achieve the requisite ‘balance’. The idea of a ‘balance’ in development is of course not a fixed one and its precise content has to be varied from stage to stage as development proceeds.

6. The other objectives, namely, an increase of 5 to 6 per cent in national income (as indicated in the Second Plan projections) a substantial increase in employment opportunities, correction of excessive inequalities in income and wealth, etc. remain valid. The Third Plan will have to lay special stress on creation of employment opportunities since a shortfall in this respect is expected in the Second Plan and the increase in the labour force will be larger. The precise targets of national income increase, investment and employment will have to be determined on a view of what is feasible in terms of the effort that is forthcoming, and this includes both financial and organisational effort. The experience of the Second Plan suggests that target-setting in macro terms, *i.e.* “so much increase in national income”, “so much of it required for investment”, “therefore so much available for consumption” will not be enough. It will be essential to assess carefully the results that can be achieved in each major field of production and to define in fairly concrete terms on an annual basis (however approximate) the means through which the requisite balance between supplies and demands is to be maintained. Indeed, if savings and investment are to be stepped up substantially in the Third Plan, the acceleration of effort has to begin immediately. The problems that arise for the

Third Plan are, in essence, already with us.

7. As regard (b), *viz.*, the size or scale of investment required and feasible, the Planning Commission has constituted a number of working groups. They are evolving a set of tentative targets in various lines: machine-building, steel, coal, electricity, irrigation, scientific personnel, agricultural production, etc. The working group on Resources has just commenced work: a team from the Ministry of Finance, the Reserve Bank and the Planning Commission is undertaking an assessment of the possibilities in this regard.

8. Broadly speaking, for the Third Five Year Plan, we have to aim at securing investments of the order necessary for realising two main objectives, namely, making a definite advance towards the goal of doubling *per capita* income by the end of the Fifth Plan, and reducing the proportion of the population engaged in agriculture to about 55 per cent by 1976. For realising these objectives, it will be necessary to secure from the economy much larger resources than during the Second Plan. We shall also need sizeable external assistance. The crucial problem, therefore, is how the nation is going to put forward efforts on the scale that is needed. These efforts have to be directed towards increased production, increased taxation and increased savings. In building up the efforts in these directions it is necessary to visualise clearly the role of the rural sector and the work to be undertaken in rural areas.

9. In a developing country, agricultural development and industrialisation should not be regarded as separate processes; they are interconnected parts of the same problem. The proportion of the population employed in agriculture is excessive in underdeveloped areas and in them the process of development means, in effect, the absorption of the surplus population in non-agricultural occupations, that is, in the industrial and tertiary sectors. In other words, there should be coordinated and balanced development of scientific agriculture, village and small industries, medium industries as well as heavy and basic industries. The pace of development should be rapid and much in advance of the rate of growth of population. In the second place, industrial development can be stepped up from within the country's own resources in the measure in which it becomes possible to increase agricultural productivity. Increased agricultural production is also vital from the point of view of raising the standards of living of 70 to 80 per cent of the population living in the villages and ensuring a proper balance between the growth, of rural and urban incomes.

10. Agricultural production programmes can be carried out effectively only as a part of a wider movement for (1) providing the basic necessities of life to the people, and (2) extending employment in rural areas and building up community assets by harnessing to constructive purposes the unused manpower in the country-side.

### III. UTILISATION OF MAN-POWER RESOURCES

11. The question of harnessing the unutilised energies of the people in the rural areas may be approached along the following lines:—

- (i) There are programmes in which there should be an element of legal obligation on the community or the beneficiaries, for instance, excavation of field channels, maintenance of bunds and channels, contour bunding, etc. In these there should be a general acceptance on the part of every local community of responsibility for enforcing customary obligations. The idea of customary obligations should be extended to activities vital for meeting the new needs of rural development.

- (ii) Our plans have not so far attached sufficient importance to the provision of certain minimum amenities for rural areas, namely, (1) adequate supply of wholesome drinking water, (2) the village school, and (3) roads linking each village to the nearest main road or railway station. These three services should be a kind of national minimum of social services for rural areas which should be put forward as an important aspect of the Third five Year Plan. It is not possible to expect village communities to put forward their best efforts for production unless we place before them goals which they would themselves be willing to strive for with enthusiasm.
- (iii) It should be the objective of Government policies and of day-to-day administration to facilitate the building up of community assets which would belong to the village as a whole. Everyone in the village community should feel that he would benefit from what he contributes along with others. The policies of State Government should therefore be re-oriented so as to facilitate the building up community properties which belong to the people as a whole, such as, village tanks, fisheries, plantations, grazing grounds etc. This would go to increase the income of village panchayats. Through legislation and grant of credit facilities both on an individual and community basis, special effort should be made to strengthen the area of community operation in rural life.
- (iv) All projects included in the Plan which call for the use of unskilled and semi-skilled labour should be carried out in each village and area by the community concerned, so that the employment provided and its benefits may accrue to the rural population.

#### **IV. AGRICULTURAL PRODUCTION**

12. The success of our plans will depend on the order of increase achieved in agricultural production. Targets for the Second Plan as initially proposed were found to be too low and had to be revised. The effort which followed the revision of the targets towards the end of 1956 has been found to be inadequate. The problem of increasing agricultural production is primarily one of administration and organisation and enthusing the people. Given these, there should not be great difficulty in providing the financial resources needed, especially by way of credits. In February 1955 the Planning Commission placed before the States the objective of doubling agricultural production by the end of the Third Plan. Taking various factors into consideration, the Planning Commission has proposed that the Working Groups dealing with Agriculture should study different aspects of the food production programmes in terms of a target by the end of the Third Plan of 110 million tons which will mean an increase of 40 to 45 per cent over the production which may be realised at the end of the current Plan. The task is to examine how best this target can be achieved. This is the most vital link in the whole chain of inputs, outputs, savings and the building up of economic strength.

#### **V. RESOURCES**

13. The resources position as indicated by the preliminary examination already undertaken is as follows:—

- (i) That there are, on the existing basis of taxation, no current surpluses available to Government—including both the Centre and the States—for financing investment; in 1958-59 and 1959-60, the net savings available to the Central Government were minus Rs. 50 crores and minus Rs. 36 crores respectively;

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- (ii) That this gap will widen considerably as some of the revenue account expenditures in the Second Plan become “committed” expenditures in the Third Plan; sizeable fresh taxation will be necessary, therefore, even to balance the revenue account;
- (iii) That the tax system at present does not bring in an increasing— or even a constant— proportion of national income to the public exchequer, whereas the claims on resources even for current expenditures are steadily increasing;
- (iv) That the current level of exports is just sufficient to finance “maintenance” imports (including certain non-developmental and “committed” imports) and that the foreign exchange expenditure for, the Plan proper will have to be met entirely from fresh external assistance. Also, in the first two years or so the repayment obligations on the loans already incurred will also have to be met from fresh borrowing abroad;
- (v) With foreign exchange reserves at or near the minimum required, the phasing of the Third Plan will have to depend on the availability of foreign assistance; it will be difficult to make a start unless there is reasonable prospect that assistance on an adequate scale will be forthcoming on a continuing basis to correspond with the requirements of the projects undertaken. Also, the new assistance will have to be in a form that will not increase the servicing burden on the balance of payments for a considerable period in the future;
- (vi) The utmost care will have to be exercised to avoid generating inflationary pressures that might upset internal price stability and react adversely on the balance of payments by reducing exports and increasing imports. It must be borne in mind here that the entire foreign exchange cost of the Second Plan will, on present calculations, have been met from external assistance and drawing down of reserves.

14. The lines along which resources could be raised will require a series of studies. This will entail an examination of (e) in para 2, *viz.*, the “instrumentalities.” Fiscal policy, monetary policy, questions of price stabilisation and the approach to the problem of employment, including direct utilisation of under-utilised manpower are all subsumed under this head. Decisions on (b) and (d), that is, the scale and pattern of investment are, it must be emphasised, linked to the decisions that might be taken on (c) and (e).

15. The basic questions are: at what rate can production be increased and how much of the increased production can be devoted to capital formation? The resources for development can be increased only if the community generates a surplus, and this, in the present circumstances, depends not so much on diverting resources from consumption as on increasing the total pool from which the claims of both consumption and investment are to be met. Agricultural production, especially food production is obviously, the most important element in this “pool”, and the first step has to be to work out precise targets in this regard and to specify the financial and organisational resources to be applied to this task.

16. But mere increase in production is not enough. There has to be a strategy or a plan for mobilising the increases secured and directing them towards investment. An important question in this extent is how the surpluses (as they are generated) in the rural sectors are to be drawn upon. Can a system be devised which ensures to the public sector a reasonable proportion of the increased outputs? Can land revenue be stepped up? The Taxation Commission made certain recommendations on this point, but the experience so far has not been encouraging. Or, again, can rural savings be mobilised on a big enough scale through cooperatives and the small savings

movements?

17. It is important also to stress that the Centre's capacity to assist the State financially is reaching its limits. Undoubtedly, the Centre will have to play its part in raising the resources required and in assisting the States. But the issue is whether the States will find it possible to devise a system of taxation for the rural areas which will yield a large part of the resources required. It would be useful in this context to consider whether, apart from increases in land revenue and other forms of State taxation affecting the rural sector, agricultural and non-agricultural incomes and wealth can be treated on the same basis for direct taxation to be imposed by the Centre, the proceeds being shared with the States on an agreed basis? It is recognised that with the imposition of ceilings on land, large personal incomes from agriculture will diminish. Nevertheless, it would still be an advantage if all incomes liable to income tax are treated alike, aggregated and assessed on a uniform basis. Similarly, extension of Centrally levied excises in place of State sales taxes (which offer large scope for evasion) might prove advantageous.

18. It is for examination in this connection if the responsibility for collecting—and raising further—land revenue and other local taxation can be developed on local bodies who would then be charged with the obligation of financing certain types of programmes within their jurisdiction.

19. Besides taxation, the commercial and industrial enterprises in the public sector have to make a major contribution to the financing of the Third Plan. In fact, this source will, in all probability, have to be even more important than taxation. The pricing policies of public enterprises—together with their cost structure—need to be examined in this light. The argument that higher prices for products of public enterprises will raise prices and costs is factually correct, but the point for decision is whether the necessary sacrifice from the community can be asked for. It must be stressed that once a certain order of investment is decided upon, the measure of sacrifice to be made is no longer an open question.

## VI. ORGANISATIONAL ASPECTS

20. Certain specific items bearing on organisational aspects namely, State trading in foodgrains and the development of cooperatives, are being considered under separate agenda items. They are, therefore, not dealt with here. It may be stressed, however, that possibilities of organising the rural sector effectively and eliciting the support and participation of the people and non-official workers turn on the speed with which self-government and democracy are realised at the village, block and district levels. Efforts already initiated in these directions need to be intensified and the changes secured within a definite period.

21. In this connection, the importance of village institutions, namely, village panchayats and village cooperatives acting as agencies for community development and local planning, has been emphasised by the National Development Council. This calls for large-scale training programmes for members of the panchayats and cooperatives. The aim should be that over a period of three to four years we should train some 5 million rural workers at the rate roughly of 10 a village. At the block and district levels there should be elected bodies as early as may be possible and in these every effort should be made to elicit the largest amount of non-official participation. Development programmes at the district, block and village levels should be regarded as an area of common action—in which every programme contributes towards the welfare of the mass of the people. It is through village, block and district plans that the people as a whole can be effectively associated with planning and have the opportunity of determining their needs and making their fullest contribution

towards national development.

### VII. ISSUES

22. Briefly, the main issues are :—

- (i) What should be the broad pattern of priorities in the Third Plan? In particular, how best the economy can be made “self-sustaining” within as short a period as possible? To what extent could the Third Plan promise “a national minimum” of social services in rural areas?
- (ii) At what rate can production, especially agricultural production, be increased in the course of the Third Plan?
- (iii) To what extent and through what means are the surpluses from the rural sector to be mobilised?
- (iv) What contribution can the direct mobilisation of idle manpower make to the investment effort in the Plan? Along what lines is this effort to be organised? Enforcement of customary obligations to build up community assets needs consideration;
- (v) To what extent can public enterprises be made to yield larger profits for investment?
- (vi) If, as is evident, financial resources on a substantial scale have to be raised for the Third Plan, can a beginning be made from now on? The problem of inadequate resources is already with us. It will not arise only when the Third Plan starts. The period of seven years including these last two years of the Second Plan needs to be considered as one in which the maximum effort must be made;
- (vii) What precisely are the policy implications of the fact that even with all the effort we can make to increase exports and to save on imports the foreign exchange requirements of the Third Plan will have to be met entirely from fresh borrowing abroad?
- (viii) The organisational aspects of the Plan effort and the role of local self-governing and cooperative institutions at the base merit particular attention in a plan which seeks as much to build up the people as to promote their ‘material’ welfare.

These issues, it may be stressed, involve not merely technical considerations, but essential political judgments.

20.3.59



## ANNEXURE

**Growth in Income and Investment, 1951-56**  
**(At 1952-53 prices)**

Item	1st Plan 1951-56	2nd Plan 1956-61	3rd Plan 1961-66	4th Plan 1966-71	5th Plan 1971-76
1	2	3	4	5	6
1. National income at the end of the period (Rs. crores)	10,800	13,480	17,260	21,680	27,270
2. Total net investment (Rs. crores)	3,100	6,200	9,900	14,800	20,700
3. Investment as percentage of national income at the end of the period	7.3	10.7	13.7	16.0	17.0
4. Population at the end of the period (in millions)	384	408	434	465	500
5. Incremental capital output ratio	1.8:1	2.3:1	2.6:1	3.4:1	3.7:1
6. Per capita income at the end of the period (in Rs.)	281	331	396	466	546

**MAIN ISSUES RELATING TO THE THIRD FIVE YEAR PLAN—  
A SUPPLEMENTARY NOTE**

***(Planning Commission)***

This note supplements the Planning Commission's paper on main issues relating to the Third Five Year Plan and indicates some important points for consideration by the National Development Council.

(1) The Second Five Year Plan postulated an increase in national income by 25% during 1956-61 and by 28% during 1961-66. The achievement during the Second Plan is likely to be lower than the Plan envisaged. The effort now required for reaching the target indicated in the earlier projection will be much larger than hitherto. The two years of the current Plan and five years of the next Plan should, therefore, be regarded as a single period in terms of planned effort.

(2) On account of improvement in health conditions, the rate of growth of population is higher than was assumed in the Second Plan. The Central Statistical Organisation estimate the total population in 1961 at 431 million and in 1966 at 480 million instead of the population estimates of 408 and 434 million respectively in the Second Plan projection. Thus, the per capita increase in national income will be considerably less than was expected.

(3) The issues relating to the Third Plan fall under four main heads: (a) scale and pattern of investment, especially in industry and allied-fields, (b) scale of effort for increasing agricultural production, (c) directions in which the utilisation of manpower resources may be intensified, and (d) steps, especially in the States, for mobilising internal resources.

(4) To reduce the period of dependence on external assistance, development in industry and allied fields has to be planned so as to enable the country during the next few years to produce the machinery and equipment needed to manufacture machines and the capital goods required for further industrialisation, thus making the economy technically "self-sustaining" and capable of earning additional foreign exchange resources. This will require larger savings as well as relatively more external assistance.

(5) The agricultural production for the Third Plan is of crucial importance for enlisting the entire rural manpower and for ensuring a correct balance between rural and urban incomes and providing a guarantee against inflationary pressures. Tentatively, it has been suggested that the target for food production by the end of the Third Plan, in terms of which the effort needed may be assessed, should be 110 million tons. This involves an increase of 45% over the production level at the end of the Second Plan. Agricultural production is considered to be the most vital link in the success of the Third Plan.

(6) For increasing employment in rural areas and utilising the manpower resources available, the questions for consideration are:

- (i) What are the obligations which village panchayats should be enable to enforce? Construction and maintenance of local irrigation works, excavation of field channels, contour bunding and soil conservation works have been suggested in this connection.
- (ii) One of the useful ways of utilising manpower resources is the building up of community assets and services comprising—

- (a) certain minimum social services—village school, provision of drinking water and construction of approach roads linking each village to the nearest town or market,
  - (b) minor irrigation, roads, and tanks, and
  - (c) village fuel plantations, grazing grounds, fisheries, etc. What arrangements should be made for organising local manpower for constructing these?
  - (iii) There are projects included in the plans of States which cover, a number of villages. These call for the use of unskilled and semi-skilled labour. How can village labour be best organized for such projects so as to provide fuller work opportunities to rural areas?
  - (iv) What steps should be taken towards the organisation of special works projects in areas in which there is a high incidence of under-employment? Would it be possible for the local authorities concerned to organise such projects in their areas?
- (7) Would it be possible to earmark projects undertaken by State Governments and by local authorities as special employment projects and in these to pay part of the wages in cash and the rest in saving certificates to be encashed after a certain period or in some other way?
- (8) On the question of resources, the following points may be considered :
- (i) What steps can be taken to increase resources available from the rural sector? Thus, how far can land revenue be stepped up, the increased resources being made available for local development? In this connection what additional obligations to finance programmes within their jurisdiction be placed on the local bodies in view of the larger resources made available to them?
  - (ii) Could the taxation of agricultural income be placed on a uniform basis with the taxation of income in general and the two forms of taxation aggregated and dealt with by the same agency?
  - (iii) In what directions would it be advantageous to extend Centrally levied excises in place of State taxation?
  - (iv) What specific steps should be taken to see that the maximum returns feasible are secured from irrigation and power projects, road transport undertakings and other public utilities which are operated by Government?
  - (v) In the context of State trading and the setting up of cooperatives and panchayats, would it now be desirable to collect land revenue and irrigation rates in kind rather than in cash?
  - (vi) Should schemes of compulsory savings be introduced? If so, on what lines?

#### **4. STATE TRADING IN FOODGRAINS**

***Ministry of Food & Agriculture (Department of Food)***

#### **N.D.C. DECISION**

At the last meeting of the National Development Council held on November 8 and 9, 1958, it was decided that the State should take over the wholesale trade in foodgrains. It was also decided

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that an adequate number of primary marketing societies should be set up and linked with, village cooperatives which should serve as agencies for collection and sale at assured prices at the village level. In pursuance of the suggestion of the National Development Council that the Ministry of Food and Agriculture and the Planning Commission should work out a scheme for state trading in foodgrains, a Working Group was constituted under the chairmanship of the Food Secretary and with representatives of the Ministry of Finance, the Ministry of Food and Agriculture, the Planning Commission, and the Reserve Bank and the State Bank of India, to consider the implications of the National Development Council's decision to socialise the wholesale trade in foodgrains and to work out the details of a scheme for the implementation of that decision.

2. The Report of the Working Group was submitted to the Government early in January, 1959, and in accordance with the Government's decision, copies of the Report were sent to the Chief Ministers of the States for the comments of the State Governments. The comments of the State Governments except the Governments of Kerala and Andhra were received by the end of February. The Report of the Working Group was also considered by the Planning Commission. The Government have recently given detailed consideration to the scheme for state trading prepared by the Working Group in the light of the comments received from the various State Governments and the views expressed by the Planning Commission.

### REPORT OF WORKING GROUP

3. The Working Group has recommended that the primary objective of state trading in foodgrains is to maintain price levels which are fair to the producer and to the consumer and to reduce to the minimum the spread between the prices received by the farmer and the prices paid by the consumer throughout the season and over an agricultural cycle. The Government have broadly accepted this objective.

4. The other proposals of the Working Group were intended to provide for an orderly transition toward the assumption by the State of wholesale trade in foodgrains without suddenly dislocating the existing channels of distribution or throwing excessive burden on the administrative machinery of the Central and State Governments. The proposals made by the Working Group involve the steady expansion of purchases by the Government with a view to establishing for the Government a position of strategic control over the market and the intensification of existing measures, such as the licensing of wholesale traders and imposing certain obligations on them, the system of distribution at the retail stage through fair price shops and statutory price control at the wholesale stage. The scheme prepared by the Working Group also provides for the progressive development of cooperatives so that a comprehensive network of marketing cooperatives, capable of taking over the entire marketable surplus, may be built up.

5. The Government are aware of the difficulties in the way of undertaking full scale state trading immediately, in particular of the absence of an adequate administrative organisation, the lack of sufficient storage accommodation and the want of adequate buffer stocks. The scheme, therefore, falls into two parts: (i) the ultimate pattern and (ii) the interim scheme to be worked till the establishment of full-scale state trading.

## THE ULTIMATE PATTERN

6. The ultimate pattern of state trading in foodgrains will consist of a system which provides for the collection of the farm surpluses through the service cooperatives at the village level and the channelling of the surpluses through the marketing cooperatives and the apex marketing cooperatives for distribution through retailers and through consumers' cooperatives. Effective steps will have to be taken for the development of consumers' cooperatives. The Government have decided that efforts should be directed toward the speedy realisation of the ultimate objective and that, during the interim period, more and more of the wholesale trade in foodgrains be taken over by the cooperatives as they are progressively organised and developed.

## THE INTERIM SCHEME

7. The Government will not immediately undertake the purchase of the entire marketed surplus, as that would at once cast on the Government the responsibility for feeding the consumers in the urban and semi-urban areas. They will, therefore, progressively acquire larger proportions of such surpluses with a view to controlling the market more and more effectively until full-fledged state trading is established. In the interim period, the wholesale traders will be permitted to function as licensed traders who will make purchases on their own behalf but shall pay specified minimum prices to the farmer. While the Government will have the right to acquire the whole or a portion of the stocks from the licensed traders at controlled prices, the traders will be at liberty to sell the remaining stocks to the retailers at prices not exceeding the controlled prices. They will be required to maintain proper accounts of their purchase and sale transactions and of their stocks and submit periodical returns to the State Governments.

## CERTAIN OTHER MATTERS

8. The Government have considered certain other matters in relation to state trading in foodgrains and have taken the following decisions:—

- (i) In the initial stages, state trading will be confined only to the two major cereals *viz.* rice and wheat. In order to ensure that the producers get the specified minimum prices, the Government will setup an agency for making direct purchase of foodgrains from the producers who are desirous of selling their surplus produce to the Government.
- (ii) The purchase and sale operations as a whole, would be conducted on a no-profit-no-loss basis.
- (iii) Uniform purchase prices will generally be fixed for a whole State or region. In certain States, however, there are some underdeveloped areas which are not well served by railways. The assembling markets and the mill industry being concentrated at railheads, the prices in the interior are generally determined by the prices prevailing at the assembling and milling centres at the railheads. It may become necessary to fix different prices in the case of such under-developed areas. Then again, there are certain highly deficit areas where the prices are always higher than in the surplus areas. In view of this, it may also be necessary to fix different purchase prices in the case of such highly deficit areas. Similarly, controlled prices for wholesalers may vary

from region to region within a State.

- (iv) While the fixation of controlled prices for retail transactions does not appear to be a practicable proposition in the present circumstances, attempts will be made to influence retail prices by continuing and, where necessary, enlarging the operation of fair price shops and by the speedy formation of consumers' cooperatives. If, however, a particular State Government consider it desirable to control the retail prices in an area of the State, they may do so provided they are certain that it would be possible for them to enforce such prices without causing any dislocation of, or interruption in, supplies.
- (v) The question whether the Government should undertake as an experimental measure the purchase of the entire marketed surplus of a particular foodgrain in certain selected areas will be examined in consultation with the State Governments concerned. The acquisition of the entire marketed surplus of such an area will immediately cast on the Government the responsibility for feeding the entire urban population of that area and possibly also of feeding the population of other areas which receive their supplies from such an area. As a result of such experimentation, the Government will have an idea of the difficulties that may arise in undertaking full-scale state trading and the steps which may have to be taken to meet such difficulties.
- (vi) In regard to the establishment of Corporations in the States to deal with state trading, there are two aspects which require consideration. The first is whether there would be need or place for such a Corporation in the ultimate pattern of state trading. The basic policy is that village level cooperatives and cooperative marketing societies should be developed fast, and there may eventually be an apex marketing society in each State. In this ultimate pattern there seems to be no place for a Corporation. It does not seem worth while to create such corporations even as an interim measure, for if a corporation is created and its functionaries and agents spread out, this may well create vested interests and cause delay in the development of cooperatives. The second aspect is that there may be quite serious practical difficulties in the functioning of a Corporation, for a Corporation would be outside the Government and it will not have any legal competence to enforce any control nor will its employees enjoy the status of public servants. For these reasons a decision on the question of establishing Corporations in the States has been deferred until greater experience of state trading has been gained.

### STATE TRADING IN FOODGRAINS

#### *(Planning Commission)*

This paper is being submitted for the consideration of the Cabinet in accordance with the decision taken in the meeting of the Cabinet held on January 4, 1959. Comments on the report of the Working Group received from State Governments were considered at two meetings in the Planning Commission on February 10 and 17, 1959 at which the Minister of Food & Agriculture was also present.

2. The primary aims of State trading in foodgrains are (i) to maintain price levels which would be fair to the producer and to the consumer, and (ii) to reduce to the minimum the difference between prices received by the farmer and prices paid by the consumer.



3. The proposals of the Working Group are intended to provide for an orderly transition towards the assumption by the State of wholesale trade in foodgrains without suddenly dislocating the existing channels of distribution or throwing excessive burden on the machinery of the Central and State Governments. The implementation of these proposals calls for action in two main directions. The first involves the extension and intensification of existing measures such as the licensing of wholesale traders, placing them under certain obligations, strengthening the system of distribution at the retail stage through fair price shops, and statutory control at the wholesale stage. The second part of the proposals concerns the building up of a comprehensive network of marketing cooperatives. The essence of the first set of measures is that Government should make large enough purchases to enable it to control the market effectively. These purchases are to be made (a) through licensed wholesale traders, and (b) through marketing cooperatives. It is also envisaged that in selected areas State Governments may decide, after adequate preparation, to arrange for purchases exclusively through official and cooperative agencies.

4. The Planning Commission considers that over a period marketing cooperatives should assume complete responsibility for purchasing foodgrains from the farmer. The organisation of cooperatives constitutes by far the most important aspect of the socialisation of wholesale trade in foodgrains and this should be expedited to the utmost extent possible.

5. The Working Group has suggested that rice, wheat as well as other major cereals and gram whose production is substantial or which are of special importance to the economy of the States concerned should be taken up for State trading. The Planning Commission recommends that State trading for rice and wheat should be introduced immediately. For other major cereals and gram, State trading may be taken up as the necessary organisation is developed.

6. Comments received from States have raised two sets of questions, namely, those which have a bearing on the structure of the scheme of State trading and those on which further clarification might be useful. The principal questions falling under the first category and the conclusions reached are set out briefly in this paper.

- (1) Pending formation of marketing cooperatives, should the State buy directly from producers either by creating the necessary official machinery or by appointing traders as agents?

The Working Group has drawn attention to the administrative responsibilities involved in the scheme of State trading. As a general approach the Planning Commission agrees that Government need not make purchases directly from farmers. However, in certain areas, it may be necessary or desirable for Government to buy from farmers. This can be arranged preferably through cooperatives but, if necessary, also through official agencies.

Licences issued to wholesale traders should prescribe the following obligations:

- (i) maintenance of proper accounts,
- (ii) submission of regular returns of stocks, purchases, sales and disbursements,
- (iii) obligation to purchase from producers at prices prescribed by Government,
- (iv) obligation to sell to Government at prescribed prices, and
- (v) obligation to sell to Government such proportions or quantities of produce purchased as the Government may direct.

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The Planning Commission recommends that these conditions should be included in the licence, although it is appreciated that specific orders concerning the conditions mentioned at (iii), (iv) and (v) above will have to be passed under powers conferred on Government by legislation. It is suggested further that the proportions or quantities of produce which traders are required to sell to Government should be fixed at the same time as the purchase prices for any crop are announced by Government. It may be added also that while fulfilling the obligations placed on them, wholesale traders will be responsible for making their own financial arrangements and for carrying their own risks.

- (2) Should inter-State trade be taken over for State trading and should any changes be made in the existing food zones?

Under the State trading scheme, generally speaking, States will become “zones” for purposes of all-India food administration. The question of defining the appropriate food zones, however, is a complex one and involves a careful review, in consultation with the State Governments, of the existing arrangements. The Planning Commission suggests that at this stage the present zonal system may be maintained and the problem examined by the Ministry of Food & Agriculture after taking into consideration the food situation in different parts of the country and also with reference to requirements in respect of different crops.

- (3) Should corporations be established for State trading in foodgrains in each State?

A question has been raised by certain States whether it would not be desirable to set up corporations in the States for undertaking State trading in foodgrains. The Planning Commission considers that if a State wished to set up a corporation, there should be no objection to this. It is, however, necessary to distinguish clearly between the responsibilities of a corporation and those of the Government. Thus, the Government has to take various measures to encourage the development of cooperatives. It has also to enforce controls at various points for the purchase and sale of foodgrains. In the second place, the scope of the activities of a corporation should be clearly defined. Thirdly, it should be emphasised that the setting up of a corporation in a State to undertake trading operations in foodgrains will not affect the obligations of the State in relation to food administration from the point of view of the country as a whole. It will also be necessary to ensure that where a corporation is set up it functions in a manner complementary to the growth of cooperatives.

- (4) Should there be statutory control of retail prices accompanied by licensing, inspection, etc., of retail traders?

Appropriate scales of retail prices should be fixed from time to time in all areas, so that consumers get the benefit of price control at the wholesale level. There should be adequate legal provision for control and licensing of retail traders and for supervision at strategic points in the distribution system. In each State, therefore, the Government should be ready, according to circumstances, to take such action as may be needed. In particular, the Government should ensure that it can make supplies available on an adequate scale wherever prices tend to rise.

- (5) What obligations should be placed on marketing cooperatives? Further, should marketing cooperatives have the monopoly of purchase within their areas, and, if so, under what circumstances?

The programme for establishing about 1900 marketing cooperatives, of which about 1000 have been set up so far, envisage that *mandi* cooperatives will be linked with village cooperatives

which will serve as agencies for collections and sale at assured prices at the village level. The formation of *mandi* cooperatives and of village cooperatives are simultaneous processes. At the same time, at this stage *mandi* cooperatives will also have numbers of individuals selling through them. The Planning Commission suggests that the Government should be prepared to purchase the entire quantity of foodgrains which the cooperatives can sell. The legal obligations to be placed on the cooperatives under the levy orders should be the same as those proposed for traders. Both traders and cooperatives will also be under equal obligation to sell the stocks not directly purchased by Government at prices determined by Government in advance.

Where the cooperative agency is able to take over the marketing of the entire surplus, there should be provision for giving to marketing cooperatives the monopoly of purchase within their respective areas. In this connection, the Planning Commission recommends that pilot projects should be undertaken so as to gain the necessary experience and to develop suitable criteria.

(6) Definition of a wholesale trader.

The Working Group has suggested that a wholesale trader may be defined as:—

- (a) a dealer engaged in the business of purchase or sale of foodgrains in quantities of 10 maunds or more at a time; or
- (b) a dealer who stores for sale 100 maunds or more of foodgrains at any time; or
- (c) the owner or manager of a mill or other processing unit dealing in foodgrains.

In addition to these criteria the Planning Commission suggests that the definition of a wholesale trader should also include some financial limit indicating the total business handled during the year. This may be, for instance, the total value of turnover or the exemption limit for payment of sales tax or income tax.

(7) Should any special obligations be imposed on large producers?

The larger producers should be required to furnish returns of their production and stocks and the Government should reserve power to itself to impose a levy on them. The expression 'large producer' would have to be suitably defined by the State Governments.

- (8) In some States as in Orissa, producers at the rail-head may receive much better prices than producers in the interior. How should this discrepancy be rectified under State trading?

It is suggested that in such cases in respect of the regions concerned, Government should fix prices not only for the rail-heads but also for a number of other points. With a view to ensuring that these prices are in fact paid to farmers the Government should set up machinery for direct purchases from farmers. This may take the form of cooperatives where possible or, pending the formation of cooperatives, the setting up of official purchase agencies.

7. In the light of what has been said in this paper, the following action may now be taken:—

- (1) The scheme for State trading in foodgrains prepared by the Working Group, with the modifications suggested above, may be accepted by the Government of India and State Governments should be asked to work out detailed arrangements.
- (2) Action already decided upon should be completed quickly in all States in respect of

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the current rice crop.

- (3) Action on the lines indicated in the scheme for State trading should now be initiated in respect of the coming rabi by announcing purchase prices for wheat. With a view to early implementation, State Governments should take steps to strengthen their food administration and the arrangements for food intelligence in all important marketing centres. Their attention may also be drawn to the following:—
  - (a) completion of licensing arrangements for wholesale traders at all market centres,
  - (b) issue of levy orders in respect of wheat and rice, leaving it to the State Governments to determine, in consultation with the Ministry of Food and Agriculture, the proportions or quantities to be acquired by Government, and
  - (c) arrangements for hiring of additional storage accommodation.
- (4) State Governments should be asked to gear up the existing marketing cooperatives so that they can undertake purchase operations during the coming rabi on behalf of the Government on the maximum scale feasible. This requires administrative strengthening of the cooperatives as well as adequate financial arrangements for cooperatives. The Ministry of Community Development and Cooperation may now ascertain the financial requirements of the cooperatives for the coming season and discuss arrangements for meeting these requirements with the Ministry of Finance, the Reserve Bank of India and the State Bank of India.
- (5) State Governments may consider in which areas it would be desirable to take early steps to set up official purchase agencies for buying from farmers which, after adequate preparation, may be able to assume complete responsibility.

28.2.59

## 5. COOPERATIVE POLICY

### *Ministry of Community Development & Cooperation (Department of Cooperation)*

The report of the Working Group on Cooperative Policy and the Planning Commission's conclusions on it have been circulated to the National Development Council. This note lists some of the more important points for the consideration of the Council.

- (1) The community development programme aims at the improvement of all aspects of rural life through the efforts of the people. The village institutions, namely, panchayats and cooperatives, are the primary agencies for carrying out this programme. It is through the cooperative method that the programme can succeed in ensuring both economic progress and social cohesion. The village agricultural programme is the foundation of the programme for cooperative development and of the programme of revitalising existing cooperative societies and should receive the highest priority.
- (2) In carrying out the cooperative programme the role of the community development agency, which is an agency of the State Government, has to be recognised. It should also be stressed that the primary work of the village level worker lies in the fields of agriculture, cooperation and panchayats. Other fields are mainly the concern of village institutions and therefore the village level worker comes into them indirectly rather than directly.
- (3) In implementing cooperation policy there should be a large measure of flexibility, particularly in tribal and backward areas.
- (4) Village cooperatives should be formed on the basis of the village as the primary unit but where the villages are small, they may, with the general agreement of the people concerned be brought into a large group with a population of about one thousand. There should be no rigidity and where local conditions call for relaxation suitable adjustments may be made. The intention is that the essential characteristics of a cooperative society, namely, close contact, social cohesion and mutual obligation, are ensured.
- (5) The primary functions of the village cooperative will be the provision of short and medium-term credit, supply of agricultural and other production requirements and the marketing of agricultural produce. In addition to these functions, the cooperative will help formulate and implement a plan of agricultural production for the village and undertake such educative, advisory and welfare work as the members might be willing to take up. For specific functions, cooperative societies may be organised for groups of villages (*e.g.*, for industrial workers). They may also be organised within a village on behalf of those who benefit from a particular activity (*e.g.*, cooperative farming, tube-wells, soil conservation etc.).
- (6) Two patterns of organisation are proposed. Pattern No. 1, which is for general adoption, envisages a village multi-purpose cooperative society which is first and foremost a

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service cooperative, its functions being those set out under (5) above. Before a village cooperative contemplates going beyond its minimum service, advisory and extension functions, its ability to undertake these satisfactorily should be assured. In pattern No. 2, which is recommended for tribal areas, it is envisaged that the village cooperative should be responsible for production and development, but for purposes of credit there may be a credit union covering a group of villages. The Working Group envisaged pattern No. 2 as being also available for economically backward areas and areas where the cooperative movement is chronically stagnant. The Planning Commission has suggested that the problem of revitalisation should be dealt with specifically, for each area on the basis of programmes for expanding agricultural production prepared by block teams in close consultation with the people.

- (7) It is recognised that cooperative societies will require some financial assistance from Government in the early stages of their formation; the nature and quantum of such assistance has to be determined separately.
- (8) Ordinarily it would not be desirable for the State to participate in share capital at the village society level.
- (9) It is necessary to organise unions at the block or equivalent level. These unions should be in charge of supervision of primary societies in addition to publicity, propaganda, education and organisation. They should receive contributions from the affiliated societies, central financing institutions and others and assistance from Government. They should be federated into district unions which in their turn should be federated into State unions. It is necessary to create such non-official organisations throughout the country and invest them with a large number of functions, so that the movement will really become a popular movement and be run by the people and their representatives.
- (10) For the sound development of the cooperative movement, there should be comprehensive programmes for training and education at the village, block and district levels. *At the village level*, the training arrangements should include the following:
  - (i) generally acquainting the people with their duties in connection with the running of the cooperative society,
  - (ii) training directors of the village cooperative society, and
  - (iii) training two or three young men in each village to serve as secretaries.

State Cooperative Departments should work out detailed programmes for training, using non-official agencies to the utmost extent possible. Existing arrangements for the training of officials and non-officials should be expanded.

- (11) It is necessary to simplify cooperative law and procedure. Some broad suggestions in this connection are made in the attached paper (Annexure 'A').
- (12) Taccavi for production purposes and other facilities provided by government should be channelled through cooperative organisations and immediate action to do so should be taken.

2. State Governments should review their existing programmes and frame supplementary proposals for the year 1959-60.



## ANNEXURE 'A'

## SIMPLIFICATION OF COOPERATIVE LAW AND PROCEDURE

**Ministry of Community Development and Cooperation (Department of Cooperation)**

1. The main object of cooperative legislation is to provide the general basis for ensuring the cooperative character of the institutions and leave the rest to rules and bye-laws. The substantive law should lay down broad principles and the necessary authority for guidance, regulation, audit, etc. and details will have to be filled in by the rules to be made by Government. There should also be scope left to the bye-laws of the societies.

2. Cooperation is a State subject and at present some State Governments are working under the 1912 (Central) Act which has been amended by local legislation in various respects while others have local laws amended from time to time. Conditions vary from State to State and it is thus not possible to have uniformity. The cooperative movement has developed in various directions including marketing, processing, cottage and village industries and in enterprises like sugar factories and substantial sums of money are involved. Suitable provisions should exist to meet these different activities.

3. In some State laws some essential functions are not provided for in the law and it is necessary to incorporate them in the Statutes. Similarly, experience has shown that in the interest of the soundness of the movement, the law must provide for some additional functions and powers. As against this there are certain powers which in the present context of things are unnecessary and should be deleted from the Statute Book. Lastly, there are certain provisions which should be liberalised. Keeping all these aspects in view certain suggestions are made below:

**ADDITIONAL PROVISIONS TO BE MADE IN THE LAW**

4. The law might specifically provide for the following:
- (i) Registration of Societies—conditions to be satisfied etc.
  - (ii) Settlement of disputes.
  - (iii) Supersession of inefficient managing committees. In the absence of such a provision, there is no alternative but to cancel the registration of a society—a step which is considered too drastic.
  - (iv) The authority to hear appeals. Power to the State to review and revise the orders of the Registrar and other authorities should also be given.
  - (v) Cooperative farming societies and land mortgage banks.
  - (vi) Amalgamation and division of societies with the consent of the people.
  - (vii) Membership of cooperative societies and provision for appeals in case of refusal.

## Summary Record of Discussions of the NDC Meetings

- (viii) Legal provision for the State aid to cooperative societies in the form of share capital, loans, grants and guarantees.
- (ix) In view of the large scale plans of development, considerable financial assistance from Government and the need of a majority of cooperative organisations for guidance and help, inspection by government, central banks, etc. should be provided for in the law.
- (x) The prompt execution of wards, decrees and orders concerning cooperative societies.

### LIBERALISATION OF THE EXISTING PROVISIONS

- 5.
  - (i) Agricultural credit societies may have limited or unlimited liability.
  - (ii) The law should provide for annual audit either by the Registrar through separate qualified staff or through a properly equipped non-official organisation like the State Union.
  - (iii) Each State should decide on an appellate tribunal—whether it should be an official one—Board of Revenue or Financial Commissioner - or a tribunal non-official in character.

### DELETION OF CERTAIN EXISTING PROVISIONS

- 6.
  - (i) The law in certain States has been amended to provide for compulsory amalgamation of societies. This provision is objectionable and should be removed from the Statute Book.
  - (ii) In certain States the Government nominated directors are entitled to appeal against the majority decision of the Board of Directors and societies cannot implement majority decisions until the appeals are disposed of. This should be discontinued.
  - (iii) In certain States the entire board of directors has been nominated for a period varying from 3 to 5 years. This system should be changed.
- 7. There are delays in procedure adopted. Steps should be taken to reduce them.  
Delays generally take place at the following stages:
  - (a) Organisation,
  - (b) Registration,
  - (c) Affiliation with the financing bank,
  - (d) Preparation of property statements,
  - (e) Loan application by a member,
  - (f) Sanction of loan by the financing bank,
  - (g) Disbursement of loan to a member,
  - (h) Arbitration and liquidation proceedings.

**(a) Organisation**

Delays at this stage can be reduced if the preparatory work of the supervisor is thoroughly carried out. The Forms prescribed should be simplified. A time limit of three weeks should be enough for this work.

**(b) Registration**

In many States the power of registration rests only with the Registrar and a few senior officers. For societies following the normal pattern and the standard bye-laws, there is no reason why the district cooperative officer should not be given the power. Delays also take place in consulting the Central Bank. It should be possible to complete this part of the work in three weeks. Taken as a whole, there should be a time limit of 2 months within which the first two stages ending with registration should be completed.

**(c) Affiliation with the financing bank**

Central banks take far too much time and a time limit of 15 days should be enough for this work.

**(d) Preparation of property statements**

The statements are complicated and far too many people have to deal with them. It should be possible to reduce this number. Now that short term credit is to be given on the basis of the production programme, the fixation of the maximum borrowing limit of a society need not be held up till the property statements are completed in every respect.

**(e) Loan application by a member**

A society's consolidated loan application should be dealt with by the supervisor who should send to the Central bank either direct or through the inspector. This process should not take more than 10 days.

**(f) Sanction of loan by the financing bank**

Some central banks deal with applications of individual members and this not only causes delay but also adversely affects society's sense of responsibility. This practice is objectionable and should be given up. A time limit of 15 days should be enough for this stage. It should also be possible for the central bank to sanction a part of the loan straightway, leaving the balance to be sanctioned later.

**(g) Disbursement of loan**

Central banks do not have enough branches and consequently societies have to spend a lot of time and money in coming to the central bank for the money. Wherever possible central banks should arrange with State Bank branches and Urban banks for disbursement of sanctioned loans.

**(h) Arbitration**

Delays in arbitration and liquidation proceedings are chronic. A time limit should be fixed for the arbitration work. As regards liquidation there are many legal difficulties and every effort should be made to remove them.

## Summary Record of Discussions of the NDC Meetings

9. There are considerable delays at the higher level in the department as well as in the institutions.

10. This note states broadly the changes required in the law, rules and procedure. The law must specially provide for various measures of regulation, control, supervision, etc. Much of the criticism that is directed towards the rigidity of the cooperative law or concentration of authority in the Registrar really applies to the manner in which the law is administered or procedures followed by the cooperative department. It is therefore necessary that in exercising such control there should be close association with representative non-official cooperative organisations. As an instance, a managing committee should not be superseded without consultation with the State or District Union. It will not only lead to good feeling but will also impart a sense of responsibility to the officials as well as the non-official organisations. In States where sound and efficient non-official organisations at various levels exist such consultation should be possible straightaway. Some of the powers could also be delegated to them *e.g.* supersession of a managing committee. In States where non-official organisations are either weak or do not exist progress in respect of consultation as well as in delegation of powers will be slower and will depend on how fast sound organisations can be brought into being. The ultimate objective must be to delegate as many powers as possible to such non-official organisations. Only then can the cooperative movement govern itself.

11. The various points brought out in this note require very close examination by State Governments. It is, therefore, suggested that State Governments should immediately appoint small committees of officials and non-officials to examine the whole question of the law, rules, procedure, causes of delay and allied matters and submit detailed proposals to State Governments for their consideration at an early date.

## 6. MANAGEMENT OF STATE ROAD TRANSPORT UNDERTAKINGS

### *(Planning Commission)*

It will be recalled that the schemes for nationalised road transport services in States, whether these related to the expansion of existing services or the setting up of new services, were approved for inclusion in the Second Five Year Plan on the condition that the State Governments constitute Corporations under the Road Transport Corporations Act, 1950, in which the Railways and, if possible, the private operators would participate. Accordingly the following States were advised by the Commission to set up Corporations under the Act: Assam, Bihar, Madhya Bharat, Orissa, Punjab, U.P., Hyderabad, Mysore, Saurashtra, Pepsu and Travancore-Cochin. The Ministry of Transport and Communications were associated with the Planning Commission in processing the schemes for road transport submitted by the State Governments for inclusion in the Second Five Year Plan and the Ministry of Railways were also kept informed of the stand taken by the Commission in regard to the discussions with the State Governments. A provision of Rs. 10 crores was included in the Railway Plan so as to enable the Railways to participate in the Corporations to be set up by the State Governments.

2. The policy relating to the organisation of road transport services in the form of tripartite Corporations is embodied in the Road Transport Corporations Act, 1950. The objects of the Act are two fold: Firstly, to fuse the financial interests of the State Governments and the Railways in road transport undertakings so as to ensure coordination of rail and road transport, each being put to its

best inherent use complementary to the other and, secondly to ensure the working of road transport services on commercial principles. The executive authority in the matter of road transport is vested under the Constitution in the State Governments and it is primarily their responsibility to set up Corporations under the Act.

3. As many of the State Governments were unwilling to set up Corporations, the policy decision in this regard was reviewed at an interdepartmental meeting held on the 15th May, 1956, after which the Commission addressed the State Governments as at Appendix I. The position was reviewed again in three subsequent meetings held on the 23rd July, the 6th December, 1957 and 2nd December, 1958 wherein the policy decision was reaffirmed by the Commission.

4. The latest position with regard to the progress in the implementation of the decision by the State Governments is indicated in Appendix II. It will be seen that Corporations have already been set up in Andhra and the territories of the erstwhile States of Saurashtra, and Pepsu. The Mysore and Bihar Governments have agreed to set up Corporations and are understood to be taking steps in this regard. The Madhya Pradesh and Punjab Governments have told the Commission that they are still considering the matter. The Orissa Government have said that they do not propose to set up a Corporation at present. The U.P. Government has been reluctant to fall in line with the policy, while the Governments of Assam and Kerala have informed the Commission of their decision not to set up Corporations. The Governments of Kerala and Orissa have further informed the Commission that they are making provision for expenditure on road transport programme in their budgets outside the State Plan.

5. The principal reason why the State Governments are reluctant to set up corporations is that they will lose a part of their revenue to the Railways and part to the Central Government by way of income tax which the corporations will be liable to pay. Another reason advanced by U.P. Government alone is that they do not like the formulation and implementation of policy in regard to road transport being placed in the hands of any outside interest. In this connection it is worth noting that private operators as a rule are not willing to come forward to join the corporations which, in practice, have to be bipartite organisations with the Railways and the State Governments as the two participants. The only outside interest, therefore, which will have a hand in the formulation and implementation of the road transport policy in the State will be the Railways or, in other words, the Central Government.

6. As regards the major reason adduced by the State Governments, namely, the liability of the corporations to pay income tax, the Ministry of Finance are already considering the question whether legislation can or should be passed subjecting all State undertakings of a commercial nature to income tax, irrespective of their form of management. If such legislation were passed, the State Governments would no longer have the advantage of avoiding income tax by continuing with the departmental form of management.

7. The principal reasons why the Planning Commission have, from time to time, reaffirmed their stand in regard to the formation of road transport corporations are two :—

- (i) from the long run point of view it would not be advisable to allow State Government monopolies in road transport to be in unrestricted competition with the Railways which are a Central Government monopoly, the corporation form of management being very necessary to ensure proper coordination between railways and road transport; and
- (ii) it would be worthwhile evolving a uniform pattern of organisation for the management of State Transport undertakings. This is in line with the policy adopted by the Central

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Government with regard to the reorganisation of the Electricity Departments of State Governments in the form of statutory bodies under the Electricity Supply Act.

8. In regard to the question of avoiding undue competition between the railways and road transport, a detailed study has been made in the Transport Division of the Planning Commission of the conditions obtaining in this country as also in several other countries. The conclusion drawn from this study is that although at present India is not faced with serious rail-road competition, it seems advisable to plan the future transportation system with due regard to the long-run tendencies observed from the experience of advanced countries. India is fortunately placed in a position to turn the present situation to advantage by planning a coordinated development of rail, road and other means of transport.

9. For about four years, the Commission has been endeavouring, to persuade the State Governments to implement the policy of setting up Corporations. The position now is that two States, viz., Kerala and Assam have definitely declined to do so, while the U.P. Government's attitude is tantamount to a refusal and the Orissa Government have declined to do so for the present. The Commission feel that unless road transport corporations are set up, it may prove exceedingly difficult to enforce rail-road coordination in future when the need for such coordination is bound to arise. In fact already over certain sections of the railway network, there is evidence of unregulated competition emerging, and the Ministry of Railways appear to be greatly disturbed over it.

10. With a view to inducing the State Governments to fall in line with the policy of setting up corporations, it was agreed at the meeting of the Planning Commission held on 15th May, 1956 that any expenditure incurred on extension of nationalised road transport services undertaken by the State Governments without corporations being set up, would be considered analogous to expenditure outside the Plan and would be taken account of at the time the question of Central assistance to the State Governments concerned came up for consideration. More recently, the Finance Ministry took a decision that no Central assistance would be granted for road transport undertakings (and also electricity and industrial undertakings with capital investment of less than Rs. 25 lakhs each) unless these undertakings were incorporated under one or other of the special enactments or as companies under the Indian Companies Act. It will be seen, however, from the Statement at Appendix III that several State Governments have gone ahead with their expansion programmes without setting up corporations and the Governments of U.P., Kerala and Assam have already, in the first two years of the Plan, spent a substantial part of their total plan provisions.

11. The matter was brought before the meeting of the Planning Commission on the 2nd December, 1958. One of the suggestions made at this meeting was that to the extent that States spent on Road Transport etc. outside the Plan, the Central Government should consider withholding central assistance against other schemes in the State Plans.

It was decided at the meeting that the matter be brought before the National Development Council.



## APPENDIX I

**LETTER NO. PC(III)12/RT/33/55, DATED MAY 21, 1956, FROM THE SECRETARY, PLANNING COMMISSION, TO THE GOVERNMENTS OF ASSAM, BIHAR, HYDERABAD, MADHYA BHARAT, MYSORE, ORISSA, PUNJAB, PEPSU, SAURASHTRA, TRAVANCORE-COCHIN AND UTTAR PRADESH.**

**SUBJECT.—Management of State Road Transport Undertakings**

As the State Governments are aware, the schemes for nationalised road transport, whether these related to the extension of existing services or setting up of new services, have been approved for inclusion in the Second Five Year Plan on the condition that the State Governments constitute corporations under the Road Transport Corporation Act 1950, in which the Railways and, if possible, private operators will participate. Earlier, in September, 1954, the Commission in a circular letter on the subject of road transport development under the Plan, had informed State Governments that where Government participation in the operation of road transport services was contemplated, the setting up of tripartite organisations in which the Railways and the private operators would participate, should be favored. The recommendation of the Planning Commission was in line with the Central Government policy embodied in the Road Transport Corporation Act 1950, the main idea underlying the formation of corporations being that this form of management ensured rail-road coordination.

2. At the last meeting of the Transport Advisory Council held in New Delhi in February 1956, the question of the management of State road transport undertakings was referred to in the course of discussions on the proposal to set up an *ad hoc* committee to advise on the reorganisation of transport administration in the States. The Council felt that in view of the fact that the Planning Commission had already asked the State Governments to set up corporations under the Act, the Ministry before proposing any enquiry into the question of management of State transport undertakings, should consult the Commission. Accordingly, a reference was made by the Ministry to the Commission. The Commission, after carefully reconsidering the matter in consultation with both the Ministries of Transport and Railways, has decided that the provisions approved for road transport services in the State Plans should remain subject to the condition that the State Governments constitute corporations under the Road Transport Corporation Act 1950, in which the Railways participate.

3. I am, therefore, to request you to take steps to set up a corporation under the Act as early as possible, so that there is no further delay in the implementation of the programmes approved in the Plan.

## **APPENDIX II**

### ***POSITION REGARDING SETTING UP OF ROAD TRANSPORT CORPORATIONS IN THE VARIOUS STATES***

#### **ANDHRA, PEPHU, SAURASHTRA**

Road Transport Corporations have been set up.

#### **ASSAM**

The State Government have informed the Planning Commission that they have decided not to set up a Corporation. They were informed by the Commission, after their meeting on the 2nd December, 1958 that the Commission have since reconsidered the matter and have decided that the provisions approved for Road Transport in the State Plan should remain subject to the condition that the State Governments set up Corporations under the Road Transport Corporations Act, 1950. They have further been requested not to incur any further expenditure on Road Transport until a Corporation is set up.

#### **BOMBAY**

The Road Transport services in Bombay State are managed by three Corporations (Bombay, Kutch and Saurashtra), except in a limited area which has come from the former Madhya Pradesh and Hyderabad States. (The Corporation in the former Saurashtra area was set up in the Second Plan period).

#### **KERALA**

The State Government have not agreed to set up a Corporation. The principal reason advanced by them is that they would lose a substantial amount of revenue if a Corporation is set up, departmental undertakings not being subject to income tax under the present law. The State Government have already exhausted the whole of the Plan provision and are understood to be at present incurring expenditure on road transport expansion schemes outside the Plan. Their attention was drawn to the recent policy resolution of the National Development Council, according to which non-plan expenditure should be kept to the minimum. The State Government replied saying that they had come to the conclusion that the setting up of a Corporation would not be in the best interests of the State. They, however, suggested that if the object of the Planning Commission in recommending the Corporation form of management was to ensure rail-road coordination, they would have no objection in associating a representative of the Railways on the State Transport Board. The Commission have replied, pointing out that this suggestion had earlier been considered

in the Planning Commission, who were of the view that in order to ensure the necessary coordination between the two means of transport, it was necessary for the State Governments to constitute Road Transport corporations in which the Railways have financial participation. It was further pointed out to the State Government that it is not possible for the Commission to recommend a general policy for adoption in all States and to agree to a different course of action in one State.

## **MADHYA PRADESH**

The Madhya Pradesh Government had earlier expressed their unwillingness to set up a Corporation, but on the Commission reiterating their stand in the matter, they have stated that no expenditure would be incurred on road transport services until a Corporation is set up.

## **MYSORE**

The State Government had earlier intimated that they would set up a road transport corporation by January, 1959. At the recent Annual Plan discussions with the State Government it was understood that a Corporation would be set up shortly.

## **ORISSA**

The State Government wrote to the Commission saying that the matter was still under consideration. Later, in reply to a reference from the Ministry of Finance, they stated that they did not propose to set up a corporation at present. The State Government made a budget provision of Rs. 2.25 lakhs for Road Transport outside the Annual Plan for the current year. They were informed by the Transport Division that this was contrary to the resolution of the National Development Council wherein it was recommended that the non-plan expenditure should be kept to the minimum.

## **PUNJAB**

The matter is stated to be under active consideration of the State Government. Recently, in one of their letters, the State Government stated that no decision had been taken in the matter so far, and that the action taken by the other State Governments in this regard was being ascertained. The State Government were informed of the fact that the policy decision in the matter had been reaffirmed by the Planning Commission and they were again requested to set up a Corporation.

In the former Pepsu region of the State, now merged with Punjab, a Corporation is already functioning.

It may be mentioned, in this connection, that though the Punjab Government have not yet agreed to set up a Corporation in the former Punjab region of the State, they have agreed to participate in a tripartite Corporation of road transport services on the Pathankot-Manali road, which is an inter-State route. The participants in the Corporation would be the Punjab Government, the Himachal Pradesh Administration and the Railways, and if possible, the private operators. The Commission have already agreed to the scheme for setting up a Corporation on this route.

## **RAJASTHAN**

The State Government have no provision for road transport services in the Second Plan. However, they have recently requested the Ministry of Transport that the Road Transport Corporation Act, 1950 may be enforced in the State.

## **U.P.**

The State Government have not yet agreed to set up a Corporation. They have stated that the departmentally managed U.P. Government Roadways are functioning quite efficiently. Deputy Chairman, in a letter to the U.P. Chief Minister, mentioned the basic considerations behind the Commission's recommendation, and stated that it was not possible for the Commission to recommend a general policy for adoption of all States and to agree to a different course of action in one State. The U.P. Chief Minister replied recently, saying that he had examined the matter once again, but that it had not been possible for him to alter his previous decision. He added that the Road Transport Reorganisation Committee was considering this matter and that it would be worthwhile to await the report of this Committee and then review the position in the light of its views and recommendations. Deputy Chairman replied saying that the Masani Committee was concerned with the review of the administrative set-up which exists in the States for regulation of motor transport industry, and the organisation of State Transport Authorities. The Committee was not concerned with the question of management of State transport undertakings. It was reiterated that the policy decision of the Government of India in the matter remained in force.

## **WEST BENGAL**

In view of the fact that the expansion programme in the State in the Second Plan relates mainly to city services in Calcutta, the Commission had earlier agreed that the State Government should run their services departmentally. However, in July 1958, it came to the notice of the Commission that the State Government had approached the Ministry of Railways for participation in a Corporation to be set up in the Cooch-Bihar area of the State. The Commission advised the State Government to draw up a detailed programme for expansion of road transport services in that area and sent it to the Commission for approval. The State Government have since sent their detailed programme. The Commission have advised the State Government to process the matter further in consultation with the Ministries of Railways and Transport & Communications.

## **HIMACHAL PRADESH AND MANIPUR**

These two administrations have been exempted from setting up Corporations in view of the special conditions prevailing in these areas. Exemptions to policy were recognised in the case of large towns and hilly areas.

## APPENDIX-III

Progress of Expenditure on Road Transport Development Programmes  
in the Second Five Year Plan

(Rs. lakhs)

	Plan Provision*	1956-57 Actuals	1957-58 Actuals	1958-59 R.E.	1959-60 Provision agreed in the Annual Plan
1	2	3	4	5	6
<b>States</b>					
1. Andhra Pradesh	60.66	—	29.00	20.00	9.83
2. Assam	104.50	49.52	18.64	N.A.	—
3. Bihar	118.75	—	3.82	2.00	5.00
4. Bombay	347.69	87.53	89.93	52.00	59.00
5. Kerala	66.50	26.46	40.04	38.00†	—
6. Madhya Pradesh	22.50	1.54	—	—	—
7. Madras	—	—	—	—	—
8. Mysore	113.30	7.39	57.59**	110.00**	100.00
9. Orissa	95.00	15.53	8.77	N.A.	—
10. Punjab	119.65	—	8.70	4.41‡	7.00
11. Rajasthan	—	—	—	—	—
12. Uttar Pradesh	85.50	41.94	23.58	N.A.	—
13. West Bengal	199.19	60.76	40.33	44.54	30.00
14. Jammu & Kashmir	35.15	—	—	—	—
Total—States	1368.39	290.67	320.40	270.95	210.83
<b>Union Territories</b>					
1. Andaman & Nicobar Islands	1.00	—	—	0.39	0.78
2. Delhi §	210.00	55.00	50.00	25.00	40.00
3. Himachal Pradesh	31.35	5.31	9.11	11.00	14.00
4. Lacadive Islands	—	—	—	—	—
5. Manipur	19.00	3.10	2.90	4.50	4.00
6. Tripura	—	—	—	—	—
7. NEFA	—	—	—	—	—
8. Pondicherry	—	—	—	—	—
Total Union Territories	261.35	63.41	62.01	40.89	58.78
<b>Total</b>	<b>1629.74</b>	<b>354.08</b>	<b>382.41</b>	<b>311.84</b>	<b>269.61</b>

\*The figures given in this column indicate the Provisions before the Appraisal.

†Outside the Plan.

‡For Pepsu region only.

\*\*Including expenditure incurred outside the Plan.

§The provision for Delhi is made in the Plan of the Ministry of Transport.

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SUMMARY RECORD

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*April 3, 1959 (Morning Session)*

The **Chairman**, welcoming the members to the Twelfth Session of the National Development Council, suggested that the new procedure for discussion which had been adopted at the previous session and which had proved successful, might be followed during the current session as well. He drew attention to the agenda which consisted of six items, namely, (1) Review of progress in agricultural production; (2) Review of the food situation, including price levels; (3) Main issues relating to the Third Plan; (4) State trading in foodgrains; (5) Cooperative Policy; and (6) Management of State Road Transport undertakings. Of these, the first two were only for the information of the members of the Council. He, therefore, suggested that the discussions commence from the third item, namely, the main issues relating to the Third Plan.

2. In his introductory remarks on this item, the Chairman pointed out how there was an initial difficulty which all members of the Council had to face. This was that one required to have a broad picture of the Third Five Year Plan as a whole before considering separate issues connected with it as well as developments in particular sectors of the economy. At the same time, such a broad picture would be difficult of conception unless there was some preliminary thinking on the separate issues connected with the Plan as well as levels of development envisaged in different sectors of the economy. One had, therefore, to proceed on two fronts in a sense. It was necessary to give thought to and investigate the lines of development in individual sectors, keeping in view, all the time, an overall picture of the Plan which need not, of course, be the final picture. Such a picture would emerge only after considerable and detailed study and investigation had gone into the various components of the Plan. Anyhow, the broad picture of the Plan would have to be based on certain economic objectives. Certain assumptions would also have to be made. These assumptions and general considerations would have to be subjected to amendments and changes as detailed work proceeded. For example, one of the assumptions might be that there should be a rate of growth of 6 per cent in the national output, but it was not as if this was an absolutely unchangeable figure which should inevitably come about. Examination of resources and of the feasible rates of development might warrant some change in this figure.

3. Another important factor to which much stress had not been laid in the past was the rate of population growth in India. In our country, planning was not for the country as such but for the number of people living in it, taking into account their needs in terms of food, clothing and other necessities and the like. Therefore, planning would have to take into account the actual rate of growth of population. In the past, we had proceeded on the assumption that the population would increase at around 1.5 per cent per annum. Recent studies had however shown that the growth rate was nearer 1.8 per cent or even 1.9 per cent per annum which made a tremendous difference to all our calculations.

4. In this connection, the Chairman pointed out how we carried out what might appear to be somewhat contradictory policies, though they were not really so. On the one hand, we would like to limit the rate of growth of population while on the other we were doing everything to increase the rate of growth by expanding health services and the like. Obviously, one would not give up expanding health services merely to limit population. It was, however, relevant to say that the faster the population growth the greater would be the burden on our Plans. In fact, a situation might even be envisaged



when population growth would pose over-whelming problems. Our present rate of growth of population was such that some people had tended to imagine that the major problem confronting India was population and not economic development. This was a completely wrong approach. What was needed was to have a clear idea of the implications of our rate of population growth for our developmental efforts.

5. The Chairman also pointed out how we had come to realise more completely than ever before that the key to progress on the economic front was a successful solution to the food problem. Unless we made good in agriculture, we were not likely to achieve success in any other sector. It was true that, with regard to food, we were even now depending on the monsoons and that this situation was likely to continue for some time to come; but, with the steps that had been taken in the past, we should be able to reduce our dependence on the monsoons to some extent. What was required was that we should be in a position not to be affected by the failure of the monsoons or any other calamities that might occur.

6. While it was true that, with our need to progress on so many fronts at the same time, there was not much meaning in saying what was primary and what was secondary, there was no doubt whatsoever that progress on the agricultural, and especially the food front was vital to success in other directions. Apart from this, it was necessary to give the country's economy a strong industrial base by developing the metallurgical and machine-building industries, generating sufficient power and creating the requisite transport facilities. While these were a pre-requisite to rapid advancement, it had to be borne in mind that one could not go on making demands on the people without providing for their essential needs. Today, one faced demands of all kinds—for higher salaries, higher wages and so on. But the people whose needs were the greatest seldom made any such organised demands on Government—people who had to go even without good drinking water and lacked the simplest amenities of life. It was, therefore, necessary that our Plans increasingly provided for the supply of these basic amenities to our people. It was not merely enough to tell them that, at some future date, they would be better off.

7. The Chairman then gave a brief account of what the Planning Commission had been doing in regard to the formulation of the Third Five Year Plan. He mentioned that Committees and Working Groups had been working intensively during the past few months over the approach to the Third Plan and that a considerable amount of documentation on the subject had also been prepared. The Congress too had its own Sub-Committee on Planning and had given attention to this subject. All this and the amount of interest evinced in the country in regard to our economic development witnessed to a definite ferment in the mind of thinking India on the subject. This was only right because out of this ferment positive policies would come about. The CHAIRMAN then invited members of the Council to express their views on the broad approach to the Third Plan.

8. The Finance Minister, Madras, **Shri C. Subramaniam** stated that in thinking about the Third Plan, account should be taken of what had happened so far during the Second Plan period and what progress was likely to be achieved during the remaining two years. Unless the difficulties that had confronted us during the Second Plan were resolved and steps taken to obviate such difficulties from arising in the future, we might not be able successfully to put through a bigger programme of development during the Third Plan period.

9. He drew attention to the fact that an outlay of Rs. 4800 crores during the Second Plan period had been envisaged on the basis of a certain price level. What had happened since was that this outlay had been reduced to Rs. 4500 crores. In fact, the actual outlay might turn out to be only Rs. 4250 crores. At the same time, there had been a rise in prices which meant that the physical

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targets likely to be realised would be considerably short of those originally projected. This was one of the important considerations which would be kept in the mind while framing the Third Plan.

10. He then pointed out to certain internal weaknesses in the matter of raising resources. Though, originally there had been an uncovered gap of Rs. 400 crores to be raised internally, this gap had more or less been covered by taxation and the like. Despite this, we had not been able to reach the financial target of Rs. 4800 crores. Unless we got over the internal weaknesses which prevented us from raising resources to the extent required, our planning in the future would not be successful.

11. Great attention had, therefore, to be paid to how the requisite resources could be raised from the community for purposes of investment. Such resources could come only through savings, by way of taxation etc. If whatever was produced was consumed, there could be no savings. The central problem, therefore, was how to obtain increased savings from the community and channel them into investment. For this purpose, a fairly accurate idea of the levels of production in different fields at the end of the Second Five-Year Plan period would be useful. Proceeding on the levels of production thus likely to be achieved, one had to make projections of the increases contemplated in these levels for the Third Plan period. The Plan should go on the basis of a definite increase of 5 to 6 per cent every year in the national income. The achievement of this rate of increase was again a problem. Presently, the agricultural sector accounted for more than 45 per cent of the total national income whereas industrial production accounted for only 25 to 30 per cent. Despite the large share of agricultural production in the national income, it had not been possible to raise much by way of savings from this sector. Attention would, therefore, have to be paid during the Third Plan period to raise resources from the rural sector.

12. As for increased taxation, there would certainly be considerable resistance. Therefore, it would not be possible to plan all investments only on the basis of additional taxation. What was needed was to ensure a steady increase of 5 to 6 per cent in agricultural output year by year. Out of this planned increase in production, a portion should be available for saving and investment.

13. The essence of the question of resources mobilisation was, in his view, how best to get at the resources of the rural sector. In this connection, one had to think in terms of cooperatives and panchayats. There was unfortunately an impression among the people that they should expect everything to come to them from Government. Properly activated and used, institutions like panchayats and cooperatives could assist in the mobilisation of local resources. He mentioned the Madras example in regard to elementary education. They had transferred the responsibility of running schools providing elementary education to the panchayat unions at the block level. The present grants due to each block on account of elementary education was being handed over to the union concerned as a basic grant. If the local authorities raised extra resources for elementary education, the State Government would advance them an equal amount. In backward areas, the extra local contribution need be only 40 per cent or even less Government making up the balance.

14. Thus, for meeting local requirements like elementary education, drinking water supplies and the like, by transferring the responsibility to local authorities and by promising matching grants, the community could be given an inducement to make efforts for meeting its own immediate needs. The financial burden on the State Government would also be lightened somewhat. It would, therefore, be worth examining what kind of development programmes could be entrusted to local initiative. Another advantage of this procedure would be that instead of raising taxes from a community in a particular area and generally telling it that the benefits would accrue to it on account of overall national development, the community would be enabled to see clearly for itself the tangible results which its own contribution was able to produce in its own locality.

15. Land Reforms and State trading in foodgrains could also be regarded as an avenue worth exploring in the matter of raising resources. He was giving thought to this problem and was preparing a paper on it.

16. Yet, another way of raising resources from the rural sector would be the utilisation of idle manpower. One had to give thought to how best the energies of the very large number of under-employed people in rural areas could be utilised for building up community assets. One could, for example, give power to the panchayats to levy a labour tax of 10 to 15 days work, taking the family as a unit. The kind of local development works to which this labour could be put had to be thought out in detail with reference to the situation prevailing in each State and, within each State, in different areas and regions. If, for some reason, the family was unable to contribute its tax in the form of labour it should be open to it to pay the tax in cash. Aside from the community assets programmes, there could be further utilisation of idle manpower on other development programmes in which such manpower could be put to work on a wage basis. This wage need not be a full wage but only subsistence wage.

17. In his opinion, a great deal of attention would have to be paid to prices also. Since prices had been fluctuating, thought had to be given to the question as to how far prices could be stabilised in the future. Such stabilisation of prices need not embrace the entire range of commodities and services but had to be concentrated only on essential goods such as food, clothing etc. Unless a stable price structure was evolved for these, there would be difficulties in implementing the Plan. It was in this context that, in his opinion, a national wage policy would be called for. If a particular enterprise was making a big profit it was not merely because of the efficiency of the industry or its workers but also because of its location and other advantages it enjoyed. Therefore, if enterprises made big profits, such profits should not be entirely distributed among shareholders and workers. The community as a whole had a right to share them. Labour could, of course, be paid an efficiency bonus related to production which was different from what was presently happening. In his opinion, therefore, it was necessary to have a national wage policy which would ensure that, after payment of wages etc., enterprises both in the public and private sectors would have surpluses for investment.

18. As for direct taxes, it would be worth considering whether the present exemption limit for income tax of Rs. 3000 per annum could not be reduced further. It would also have to be considered whether the rates of taxation at the lower slabs could not be increased. Similarly, the question of raising the tax on agricultural land would also have to be examined. If all these sources were properly tapped, he had no doubt in his mind that an investment programme of Rs. 9,000 or 10,000 crores would not be an impossible or difficult task in the coming Plan period.

19. In regard to foreign assistance, he felt that such assistance would largely be in the industrial sector. We would, indeed, continue to be in need of such assistance in the immediate future. But, one had to consider whether the country could be permitted to depend upon foreign assistance for all time to come. His own view was that basic industries should be built up in the country so that it would be possible to fabricate locally all the machinery required for future industrial development programmes. Our immediate aim, therefore, should be to build up sufficient capacity for local fabrication of machinery on the basis of obtaining technical know-how from abroad. In his view, there was a tendency always to go in for the latest and most up-to-date machinery. Since technology was developing at a very fast rate abroad, if we always insisted on the latest machinery, we would never be able to fabricate our own machinery. What was required, therefore, was to make a start with fabricating machinery on a small scale even if our products were not technically

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up-to-date. It had also to be borne in mind that the type of machinery which was necessary in America might not be the best suited to Indian conditions on account of the differences in manpower availabilities, scale of production etc., in the two countries.

20. He also drew attention to the problems presented by the high rate of population growth in India. Even though it might be somewhat terrifying to be told that the country's population would increase to 600 million by 1981, such increase was a challenge which had to be faced and met. The challenge really consisted in our being able to provide for the needs of the growing population by keeping them all gainfully employed. At the same time, it was necessary to have a population plan, to spread family planning facilities and to intensify maternity services all over the country.

21. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that while it was true that there should be a great deal of emphasis on raising food output, there should be no unnecessary over-production. For example, if one went by the figures in a report by the Working Group on Agriculture, 410 million people would require 75 or 76 million tons of foodgrains per annum on the basis of 15 ounces per head per day. Assuming that the population would increase at a certain rate and food consumption would also increase on account of general economic development, one might well find that 90 million tons per annum would be sufficient to meet the food requirements of the country by the end of the Third Plan period. If despite this, actual production was stepped up to 110 million tons, the problem would arise as to what should be done with the surplus of 20 million tons. This surplus would not add to the resources of the country unless the people bought it or the surplus was exported.

22. While he appreciated the Finance Minister, Madras's suggestion regarding the handing over of certain responsibilities in matters like elementary education to local authorities and giving them powers to raise resources locally to be matched by a grant from the State Government, his difficulty was that, in case these local authorities were unable or unwilling to raise their part of the resources, the liability of the State Government to provide facilities like elementary education, water supply etc. would any-how remain. In his view, therefore, this matter would have to be enquired into very thoroughly at least in so far as West Bengal was concerned.

23. As for the other questions raised, he stated that he was one of those who believed that the country must go forward with its Plans. It was his feeling that with some amount of hard work and with the good wishes of the people it would be possible for Government to carry out a fairly big Plan. It was possible that the physical targets that one had in mind and the resources that one had expected to raise, might not always come up to expectations as various things might happen preventing the attainment of objectives. But he was one of those who believed that it was better to try and fail rather than not try at all.

24. He stated that in the matter of resources, he agreed with the various possible approaches mentioned by the Finance Minister, Madras in regard to their mobilisation. There was no doubt in his mind that there would have to be some increase in taxation.

25. Despite his being attracted by Shri Subramaniam's proposals in regard to price stabilisation and a national wage policy, he was not sure whether such steps were capable of being implemented. All he would say was that when an industry paid more wages than Government or a University or a Public Corporation, it was because an employee in an industry got some return in some shape or from which he did not get from public employers, like Universities or Corporations. For example, if a worker worked harder in a factory he got bonus but one would not think of giving bonuses to a government servant or a University professor however hard they might work. It was, therefore, not

possible to have standard wages for similar work in all sectors. However, this was a subject worth exploring.

26. The Chairman then referred to the food target. In setting down this target, he said, account would have to be taken of the estimated rise in population and the *per capita* consumption. Further, as conditions improved the *per capita* consumption might itself rise somewhat. An allowance would also have to be made for bad seasons.

27. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that there was some difference of opinion as to the *per capita* requirements. It was not merely a question of food being produced in excess of total requirements.

28. The Chairman agreed that it was important to have as precise an idea as possible of the actual requirements. If the food target was unnecessarily high, one would be diverting some capital into agriculture which could be more usefully employed in other sectors. It was, therefore, very important that a reasonable figure should be taken, allowing for bad harvests etc. According to some American experts, the desirable target for foodgrains would be 110 million tons or so at the end of the Third Five Year Plan.

29. The Finance Minister, Bombay, **Dr. Jivraj Mehta** said he was not quite clear about the figures quoted by the Chief Minister, West Bengal. In his view, 76 million tons would be an underestimate.

30. The Chairman stated that the lowest food target for the end of the Third Plan period mentioned to him was 95 million tons and the highest 110 million tons.

31. **Professor Mahalanobis** said that he would like to make the statistical position clear. He drew attention to the fact that during the four years 1953-54 to 1956-57, the country could not absorb more than 16 seers of foodgrains per head per month. At this rate of consumption, his view was that with population growing to 479 million by 1965-66 an output of 85 million tons of foodgrains would be sufficient. This included a provision of 12½ per cent for seed. If in addition, one allowed an extra 4 or to 5 million tons on account of increased consumption of foodgrains resulting from rising incomes and another 4 to 5 million tons as a buffer stock to meet any shortfalls in production on account of bad weather etc., the total would come to 95 million tons. In the case of buffer stocks, it was also relevant to mention that it had to be built up only once and did not need to be produced year after year.

32. While this was the figure arrived at on the basis of official data available from the Food and Agriculture Ministry, the National Sample Survey figures told a different story. According to these figures, the requirements would be some 20 per cent higher. But it had to be understood that one set of figures was based on production and the other on consumption. There was no possible way of reconciling the two.

33. The Council then decided that the *per capita* consumption figures should be carefully gone into and the target for foodgrains discussed separately in detail.

34. The Planning Minister, Assam, **Shri K.P. Tripathi** stated that the Finance Minister, Madras's suggestions regarding wages and incomes had very far-reaching consequences. In effect what he had suggested was a wage freeze and an income freeze. So far as income was concerned, the Chief Minister, West Bengal had already said that it might not be wise to have an income freeze at this stage. So far as the wage freeze was concerned, he had given some thought to this idea. In his



view, it was not possible for any political party to pursue such a policy.

(At this stage, the Chairman took leave of the Council saying that he had to absent himself for a short while).

35. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that in the Second Five Year Plan, the expectation was that national income would go up by 25 per cent. If this rate of growth was not achieved, the effort during the Third Plan period would have to be much greater. It would, therefore, be necessary to take into account the last two years of the Second Plan along with the five years of the Third Plan for calculations in this regard.

36. On an enquiry by the Finance Minister, Madras, **Shri C. Subramaniam**, Professor Mahalanobis stated that the estimates of the increase in national income over the first three years of the Second Plan period would work out on a per capita basis to 2 per cent. However, since national income figures were influenced by estimates of agricultural production, these figures could not be treated as exact.

37. On enquiries by several other members, Professor Mahalanobis said that he would try to give actual figures of the percentage increase in national income over the last few years in the afternoon. He stated, however, that it was necessary to improve national income statistics in order to have a clearer view of the progress made. He also pointed out that a 6 per cent growth of national income would mean an increase of only approximately 4 per cent in *per capita* incomes.

38. The Finance Minister, Madras, **Shri C. Subramaniam** stated that he would not be in a position to offer an opinion as to whether a rise of 28 per cent in national income would be feasible over the next Plan period unless the actual achievement during the first three years of the Second Plan were known, and what the estimate for the fourth year was.

39. Deputy Chairman observed that if we had normal seasons, there would be an increase of 20 per cent in the national income by the end of the Second Five Year Plan. In the next seven years, therefore, there would have to be greater effort *i.e.* during the last two years of the current Plan and the five years of the Third Plan. The Home Minister, Pandit Pant stated that we would have to raise the national income by 7½ per cent or so during each of the coming two years so that the increase during the Second Plan period as a whole was 25 per cent.

40. On the question being raised that due to fluctuations in food production, it might not be possible to attain the target of 25 per cent increase in national income, Professor Mahalanobis stated that a good deal of investment had taken place in both the public and the private sectors which had not yet borne fruit. This was an aspect which had to be kept in mind. Many of these would begin to bring in returns very soon. Since 1948-49, *per capita* incomes had gone up by 25 per cent by 1957-58. The actual increase in national income during the first two years of the Second Plan had been very small. It was probable that the increase during the third year would also be small. All the same, it might be possible to improve upon this in the fourth and fifth years.

41. The Prime Minister, Jammu and Kashmir, **Bakshi Ghulam Mohammad** stated that the discussion that had taken place so far had not been able to throw any light on the actual rate of increase in national income so far achieved during the first three years of the Second Plan. He also stated that it was necessary to have State-wise figures for increase in national income as well. The Centre had sufficient resources both in terms of organisation and personnel for undertaking studies in regard to national income while the States were not so well placed. At the same time, for planning in the States also, it was necessary to have some idea of the actual growth of national



income. He would, therefore, request the Planning Commission to bring out State-wise figures of national income and to make them available to the States.

42. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** stated that it was very relevant to consider national income figures State-wise. Madhya Pradesh was, for example, a very poor State with a population of 9 million, 70 per cent of which consisted of Adivasis and Harijans. There were not many industries in that State. There was thus considerable variation in *per capita* incomes as between State and State. If one could have a paper on the subject on an All-India and State-wise basis, it would be useful. It was very important to bear in mind the differences between States and not to generalise on the basis of the country as a whole.

43. At this point, Professor Mahalanobis explained that, though some tentative estimates were being prepared by the State Statistical Bureaus as well as the Central Statistical Organisation in regard to national income by States, there was one very important difficulty in attempting a State-wise break-up of national income figures. When one spoke of the national income of India, because the national boundaries were there and one had an exact idea of the amount of money flowing into and flowing out of the country, there was no difficulty in computing the total national income. On the other hand, there being no such boundaries as between States, it was difficult to define what the State's national income was. This was because an income accruing to a State might not actually be earned there but flow to it from other States. He requested members to bear in mind this conceptual difficulty.

44. Then ensued a general discussion on the growth in national income during the Second Plan period sector by sector. It was noted that the growth in national income was reduced considerably by the poor agricultural season in 1957-58. However, in the organised industrial sector significant advances had been made. Again, many of the development programmes which had been initiated in the early years of the Plan were yet to bear fruit.

45. Deputy Chairman explained that in the last two years of the current Plan, the remaining 50 per cent of the Plan outlay would be spent and that there was no reason to be unduly pessimistic about the results.

46. The meeting then adjourned until 3 P.M.

**April 3, 1959 (Afternoon Session)**

47. The Chairman observed that the main issues relating to the Third Five Year Plan covered such a wide field that it might be better to return to this subject after discussing two other items on the agenda which required immediate consideration, namely, State trading in food-grains and cooperative policy.

48. The Minister for Food and Agriculture, **Shri Ajit Prasad Jain** in his opening remarks said that in working out the scheme of State trading in foodgrains an attempt had been made to bring about maximum agreement between the State Governments, the Planning Commission and the Union Ministry of Food and Agriculture. According to the agreed scheme, the ultimate pattern of State trading would consist of a system providing for the collection of farm surpluses through service cooperatives at the village level and channelling them through marketing cooperatives and apex marketing cooperatives for distribution to retailers and through consumers' cooperatives. Effective steps would have to be taken in the future to develop the formation of consumers' cooperatives. In the interim period, more and more of the wholesale trade in food-grains would be taken over by cooperatives as they were organised and developed. He also explained that Government would not immediately undertake purchasing the entire market surplus but only acquire progressively larger proportions of the surplus with a view to controlling the market. The wholesalers who would be permitted in the interim period to function as licensed traders would make purchases on their own behalf but would be required to pay specified minimum prices to the farmer. They would also be required to maintain proper accounts of their purchases and submit periodical returns to State Governments.

49. In the initial stages, State trading would be confined only to rice and wheat. The purchase and sale operations as a whole would be conducted on a no-profit no-loss basis. Uniform purchase prices would generally be fixed for a whole State or region. However, different prices might be fixed in different areas having regard to transport difficulties and the like. It was not contemplated to fix or control retail prices but attempts would be made to influence retail prices wherever necessary through fair price shops. Finally, with regard to the establishment of corporations in the States to deal with State trading, it had to be borne in mind that, in the ultimate pattern of State trading, there might be no place for corporations as the entire foodgrains trade would be in the hands of cooperatives. Secondly, even in the interim period a corporation was considered necessary, there would be certain difficulties such as the corporation being outside Government and, therefore, not having any legal competence to enforce controls. For these reasons, the Minister for Food and Agriculture explained that a decision on the question of establishing corporations in the States had been deferred for the time being.

50. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** stated that, as at present in force, prices for foodgrains were fixed for delivery at rail-heads and the cost of transport was being deducted from the growers by purchasing agencies which, in his view, resulted in great injustice to the farmer. Further the *mandis* themselves were at some considerable distance from the farm and this led to cheating of farmers by *dalals* and the like. In his view, arrangements would have to be made for collecting the surpluses available with farmers from their villages at prices settled or announced

in advance by Government.

51. The Minister for Food and Agriculture pointed out that the Central Government was already subsidising transport of foodgrains to the extent of 50 per cent in the case of Madhya Pradesh. With regard to the purchase of grains in the village itself, such purchase would be facilitated by the establishment of service and marketing cooperatives.

52. The Development Minister, Orissa, **Shri Radhanath Rath** said that his State was very inadequately served by the railway transport system and that the prices fixed had not taken into account this difficulty.

53. The Minister for Food and Agriculture, **Shri Ajit Prasad Jain** stated that a lump sum grant of Rs. 2½ lakhs had been made to the Orissa Government of subsidising transport of foodgrains.

54. The Home Minister, Madras, **Shri Bhaktavatsalam** agreed that it would not be possible to have full-fledged State trading immediately and that it would have to be a gradual process of evolution. There was need, however, to define clearly what would be the ultimate pattern of State trading. In his view, in the ultimate pattern, the retail trade would also have to be controlled; otherwise, State trading would not be successful. Secondly, each State would have to be treated as a separate zone for purposes of State trading in foodgrains. In the State of Madras, they had taken all the requisite steps for initiating State trading. They had fixed prices, licensed wholesale traders and adopted a policy of procurement in consultation with the Central Government at the controlled price through their agency which was the Marketing Cooperative Society at the district level. But they had encountered certain difficulties in regard to prices and procurement. This was because at present the four Southern States of Mysore, Madras, Andhra and Kerala were treated as a single food zone. This had resulted in rice not moving from Andhra into Madras City and Kerala buying in Madras at higher than controlled prices. It was with the greatest difficulty that the Madras Government had been able to procure 40,000 tons of rice so far.

55. The Finance Minister, Madras, **Shri Subramaniam** stated that the present zonal arrangement had only produced conflict and heart-burning. Kerala denied getting any rice from Madras and Madras denied getting rice from Andhra and nobody knew where the Andhra rice went. In his view, therefore, there was immediate need to do away with the present zonal arrangement.

56. The Chief Minister, Madhya Pradesh, **Dr. Kailash Nath Katju** was also of the view that the zonal arrangement should be abolished.

57. The Chief Minister, Kerala, **Shri E. M. S. Namboodiripad** stated that the assumption that the wholesalers would be selling at controlled prices might not be justified. For example, prices of foodgrains were controlled for the Southern Zone nearly 18 months ago but these prices had remained on paper. At a stage when Kerala was unable to buy any rice, the Food and Agriculture Ministry had tacitly agreed to the Kerala Government purchasing rice from Andhra at higher than controlled prices. In his view, there was no guarantee that this experience would not be repeated in the interim scheme. Whether under the zonal system or under the interim scheme or whatever it is, a highly deficit State like Kerala was interested in getting supplies of foodgrains at prices which producing States considered fair. But what had happened was that whenever Kerala went into the market, the prices were pushed up by Rs. 5 to Rs. 6 per maund which, he thought, was not quite fair. While States like Orissa were actually receiving transport subsidies and the like, a deficit State like Kerala had to pay much more than it could afford to pay for supply of its foodgrains requirements from the surplus States.

58. The Industries Minister, Punjab, **Pt. Mohan Lal** expressed the view that the constitution and

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functioning of the food zones required reconsideration not only in the ultimate pattern of State trading but also in the interim. In the ultimate pattern, the zonal system would have no meaning, as all transactions would be through cooperatives, which, being agencies of individual States, could not be expected to function as zonal entities. It was, therefore, best to consider each State as a zone. As for the flow of foodgrains from surplus to deficit States, the movement should be regulated at the State level. In the case of the Punjab, due to unregulated exports to a very large market like Delhi, they had begun to feel that only the creation of a reserve of at least 25 per cent of the marketable surplus would help them to control the food market. He was also of the view that State trading should be extended to a few more cereals such as bajra and maize, as also to pulses, particularly gram. In his opinion, there should be no objection to the State making a profit on trading in foodgrains. The present was psychologically the best moment for making small profit and thereby raising resources. The consumer had to pay such high prices in the recent past that he would not mind the Government making a small margin after controlling prices.

59. The Chairman observed that whatever policy might be presently applicable to foodgrains, the general idea that the State should undertake all operations on a no-profit no-loss basis would be completely wrong. The State should, in fact, aim at making a reasonable profit in all these operations for mobilisation of resources. As for the zonal system, there were arguments in favour as well as against. It would be just as well for the States concerned to discuss this further with the Union Ministry of Food and Agriculture.

60. There was some discussion in regard to the term "minimum price". The Council was of the view that a minimum price need not necessarily be a fair price and that what was really intended was that the price paid to the farmer should cover the entire cost of production and also contain a margin offering him an incentive to produce more.

61. The Chief Minister, West Bengal, **Dr. B.C. Roy** stated that in his opinion State trading would have to be extended to other commodities as well. He also felt that State trading would have to become more or less a universal policy in the future.

62. The Chairman referred to the discussion that had taken place on fixing and controlling prices. If prices could indeed be controlled even at the retail level, it could be done. The approach at the Centre had been that fixation of wholesale prices would provide Government with basic control of the food situation and that the rest could be dealt with locally.

63. The meeting then adjourned.

*April 4, 1959 (Morning Session)*

64. **Deputy Chairman** explained the main points listed in the paper on 'Cooperative Policy' circulated by the Ministry of Community Development and Cooperation. He emphasised that village institutions, namely, the panchayats and the cooperatives were the prime agencies for carrying out community development programmes. Village cooperatives were to be regarded as agents for carrying out the village agricultural production programme which should be built up from below. He pointed out that the whole aim of the cooperative movement was social change in the direction of close contact, cohesion and mutual obligation in the community.

65. He also drew attention to the recent Gaitskell Commission Report which had stated that "the cooperative movement would be fulfilling a real social purpose only when the cooperative society is looked upon as an integral part of local community life and not as a distant, remote organisation controlled by strangers from London or Manchester but as a local society with local aims, local loyalties and local men and women on its board". This was the conception of the primary cooperative society that was sought to be brought out in the paper under consideration.

66. He drew attention to the need for revitalising existing cooperative societies as also for implementing comprehensive programmes for training and education at the village, block and district levels. In such training programmes, the use of non-official agencies should be utilised to the utmost extent possible.

67. Cooperatives were to be formed on the basis of the village as the primary unit but where villages were too small they could be grouped together to cover a population of about a thousand for the purpose of forming cooperatives. There would, however, be no rigidity about this and suitable adjustments could be made by the State authorities in the light of local conditions.

68. He also explained the functions of the village cooperative as also the two patterns of cooperative development proposed. The note had also pointed out that it would not be desirable for the State to participate in the share capital of the village cooperative and that cooperative law and procedure required a certain amount of simplification.

69. Summing up, Deputy Chairman stated that the main point was the need for bringing into existence non-official organisations throughout the country and devolving as much power and responsibility on them as possible. He also added that it was hoped that, eventually, the village cooperative would take up cooperative farming as the general form of management of agricultural land. This programme would be based entirely on non-official initiative and talent and there would be no element of compulsion.

70. The Chairman stated that the main aim was to bring about institutional changes and that for this purpose training was essential. The States would have to undertake training programmes in cooperation which should be started forthwith. States could, for example, arrange to have special courses in agricultural colleges and other institutions to give the requisite training.

71. The Planning Minister, Assam, **Shri K. P. Tripathi** stated that he was in agreement with the two patterns of development envisaged in the note. The difficulty in tribal areas in Assam was that

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it was difficult to find personnel who could attend to work relating to cooperation. Further, it seemed to him that the cooperative movement was not much to the liking of the tribals. Therefore, even if people were willing to go and work in tribal areas, they could make no headway unless the tribals were also in favour of cooperation. He, therefore, thought that the cooperative policy proposed would be difficult of implementation in the hilly areas of Assam peopled by tribals.

72. Chairman stated that hilly and tribal areas would have to be dealt with differently. It would, of course, be completely wrong to lay down a rigid pattern applicable to all parts of the country. Even in the case of community development programmes, there had been difficulties in hilly and tribal areas because such programmes had no relation to the life in these areas. Therefore, methods would have to be evolved in consultation with the tribal people to have them gradually trained. Nothing was to be imposed on them from outside. He did not think that cooperation and the tribal way of life did not go together. On the other hand, tribal people were in a sense much more cooperative than people living in market economies.

73. The Finance Minister, Madras, **Shri C. Subramaniam** stated that, at the last meeting of the National Development Council, it had been decided that the pattern of development of cooperatives would be on the basis of one society for one village. In his view, it was not necessary to lay down any rigid pattern in this manner, especially in view of the fact that certain States had already made considerable progress in cooperation. Of the 15,838 villages in Madras State, no less than 13,341 had already been covered by cooperatives. Of these cooperatives, quite a number were the so-called large-sized societies. These large societies had, however, certain advantages. Firstly, the paid-up share capital was higher. The average deposit per member was higher. In actual working also, large-sized societies had greater strength.

74. He wondered whether the new policy would mean that further development of large-sized cooperatives would have to be stopped. As far as Madras was concerned, they had only 2500 villages left for covering with cooperatives and these villages were mainly in backward areas. He would, therefore, appeal to the Council that all that was necessary was to insist that the society should be compact and that there should be cohesion and understanding in the area covered by the cooperatives. It should be left to the State Government to determine what should be the size of a viable cooperative society.

75. Deputy Chairman referred to paragraph 4 of the note from the Ministry of Community Development and Cooperation in which it had been specifically stated that there would be no rigidity and that where local conditions called for relaxation suitable changes might be made.

76. Deputy Chairman enquired in this connection why the Madras Government had passed a law taking over power compulsorily to amalgamate cooperative societies into one of the requisite size.

77. The Finance Minister, Madras, **Shri C. Subramaniam** stated that there were hundreds of societies which were existing just in name and were not functioning. As soon as they were amalgamated into larger societies they were activated.

78. The Finance Minister, Bombay, **Dr. Jivraj Mehta** stated that in Bombay State the total number of villages was 54,000 of which 44,000 or 80 per cent had already been covered by cooperative societies. Of the 21,135 cooperative societies in existence roughly 5 per cent were large-sized societies. The advantage that the Bombay Government found in multi-purpose societies was that capital formation was easier in their case. This was because Government took a share in the capital which, in turn, attracted depositors. The credit of the society thus improved. In his view,



therefore, the multi-purpose or large-scale societies had done really well.

79. Member (Agriculture), **Shri Shriman Narayan** also drew attention to the flexibility in development of cooperatives which had been provided for under the proposed policy. He emphasised that there should be no special money incentive attached to the cooperative as this was tending to make them bigger. Working expenses to the tune of Rs. 3000 or so were given for three years to larger societies—a facility denied to the small society. If this special money incentive were thus given to encourage cooperatives to grow into large units, the spirit of cooperation would be stifled.

80. Deputy Chairman stated that the Community Development Ministry as well as the Planning Commission had accepted the principle of State participation at the Central Bank level for financing the cooperative movement. There was no reason why there should be State participation in the share capital of every single primary unit.

81. Minister for Cooperation, Bombay, **Shri T. S. Bharde** stated that the willingness of banks to advance loans to cooperative societies depended on their financial strength. It was, therefore, not enough if the State merely participated in the share capital of the Central Bank because that bank would again take into account the financial position of the primary society before deciding to loan funds to it. Further, the weaker the society the greater its dependence on Government officials. Therefore, elimination of Government interference would automatically be secured by strengthening the village primary society.

82. This required augmenting the resources of the primary society which could be secured only through share capital contribution on the part of Government.

83. Deputy Chairman observed that the real strength of the cooperative society lay in what it produced in the village or rather what its members produced. It was, therefore, in the production programme that the real strength of the cooperative society lay. Consequently, the best manner in which Government could assist was in strengthening the production programme through minor and major irrigation schemes, agricultural improvements, seed farms and the like.

84. Ultimately, it was from the additional agricultural production that savings would have to come for financing further development. This was the ideal that had to be placed before the cooperative movement. While the realisation of this ideal might take time, some interim arrangements would be necessary for financing agricultural production programmes in villages. It was necessary that Central Banks should extend credit to primary societies on the basis of the latter's production programmes. In order to enable the Central Banks to afford such assistance to primary societies, it had been agreed that State Governments should be assisted to take up shares in Central Banks. What was needed, therefore, was for State Governments and the Reserve Bank to meet and evolve a more rational way than at present of finding credits for financing production programmes by village cooperative societies.

85. The Finance Minister, Bombay, **Dr. Jivraj Mehta** reiterated that the larger the share capital of a cooperative society, the bigger the quantum of credit that it would be able to extend to agriculturists.

86. The Development Minister, Orissa, **Shri Radhanath Rath** said that he accepted the basic principle that cooperation must emanate from the people and that it should find expression in the formulation and execution of agricultural production programmes in villages. In Orissa, which had a population of 15 million, there were no less than 48,000 villages. The average population per village was, therefore, only 300. There were villages with a population of even 50 to 70. In these circumstances, they had been able to cover 28 per cent of the villages and 26 per cent of the

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agricultural population by small sized cooperative societies numbering about 6,000. Despite these societies having been in existence for more than 50 years, their total membership was only about 2.2 lakhs. However, it was only a few years back that the Orissa Government had initiated the formation of Grain Gola Cooperative Societies. In the short space of 6 or 7 years they had been able to organise nearly 2,000 of these societies covering 70 per cent of the villages. These Grain Golas distributed fertilisers, improved seeds, and green manure; did marketing, purchased foodgrains on behalf of the Ministry of Food and Agriculture and had been very successfully functioning. The State Government had provided them with a credit of Rs. 70 lakhs and there had also been cash participation to the extent of Rs. 500 per Gola. Speaking from the experience of these Grain Golas, we would say that large-sized cooperative societies had been more successful. Further, their success was also, in some measure, due to the financial assistance extended by the State Government. He was, therefore, of the view that cooperative societies would have to be financially assisted by State Governments. Such financial assistance would also instil confidence in lending institutions such as Central Banks.

87. Deputy Chairman pointed out that participation by the State Governments in the share capital of Central Banks had already been agreed to.

88. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** said that if banks could be persuaded to advance funds on the basis of production programmes, all difficulties would be removed.

89. When the Development Minister, Orissa, **Shri Radhanath Rath** again referred to the need for the State to assist cooperative societies financially in the initial stages of their formation, Deputy Chairman drew attention to paragraph 7 of the agenda paper in which it was recognised that cooperative societies would require a measure of financial assistance from Government in the early stages of their formation. The Planning Commission's point of view was that the State Government should assist cooperatives by financing production programmes. Great emphasis was laid on the food production programme of the village in which every family should have its share. Once that was done, it was his belief that the assistance needed by cooperative societies would be fully met. Anyhow, the question of advancing funds to cooperative societies was a matter which could be discussed with the Reserve Bank.

90. The Finance Minister, Madras, **Shri C. Subramaniam** observed that irrespective of the share capital of a cooperative society, assistance would have to be given to it for implementing its production programme. If the State Government directly subscribed to the share capital, for every Rs. 10 invested Rs. 100 could be obtained by way of loan from the Reserve Bank. It was, therefore, cheaper for the State Government to participate in the share capital. In any case, until sufficient funds were found for assisting cooperative development in backward areas and for financing production programmes, the existing arrangements should not be disturbed.

91. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** stated that it was absolutely necessary to ask all villagers to become members of cooperative societies and for this purpose the societies would have to extend credit. This again would be possible only if State Governments subscribed to the share capital of these societies. Any interference with the existing system might bring about a breakdown of cooperative activity.

92. The Finance Minister, Madras, **Shri C. Subramaniam** stated that he was encouraged by what was stated in paragraph 7 of the agenda paper and discouraged by paragraph 8. Until satisfactory arrangements were made for financing production programmes, some interim solution would have to be found. The State Governments would not insist on subscribing to the

share capital of cooperative societies if the estimated sum of Rs. 110 crores for financing agricultural production programmes could be found by other means.

93. Deputy Chairman stated that the intention was to have further discussion on this point with the Reserve Bank and the State Governments. What had to be ensured was that the availability of credit should keep pace with the production programmes. Until then, the present system would continue and there would be no disturbance.

94. The Finance Minister, Madras, **Shri C. Subramaniam** then referred to the target of covering all villages by cooperative societies by the end of the current Plan. A decision had to be taken on the areas yet to be covered. He desired that the State Governments should be given the discretion to organise village or service cooperatives covering two or three villages according to local conditions.

95. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that until village societies were able to draw up production programmes and acquire a certain amount of influence in the local area, State Governments would have to render them some assistance.

96. Deputy Chairman observed that the village society should prepare production programmes for the whole village and that such programmes should be fully supported with credit. The fact of the matter was that, at present in primary societies there was neither production programme nor credit. Once the production programme in the village was there, the State Governments and the Reserve Bank would be able to render assistance.

97. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that, apart from the question of financial assistance for implementing production programmes, there was the question of supplies of good seeds, fertilisers and allied materials.

98. Deputy Chairman observed that during the next two or three years the entire country would be covered by community development blocks. The first function of the block authorities was to see how the agricultural programme for the area was going to be implemented. The block authorities would have to take stock of the acreage of land irrigated, covered by good seeds, green manures and fertilisers and the village level workers would have to concern themselves principally with the production programmes. Ever since the Planning Commission came into existence, it had been requesting State Governments to frame village production programmes and let it know what difficulties there were. Since the village production programme was basic to all improvement, he would suggest that every State should take up four or five blocks in four or five different regions and develop them in a comprehensive manner. Gradually other areas could be brought into the scheme.

99. The Planning Minister, Assam, **Shri K. P. Tripathi** stated that his experience in Assam was that cooperative societies did not have any production programmes and that they had little or no initiative. Therefore, they had created an intermediary agency called the Village Management Committee. All villages had been covered by these committees which determined the production programme. In his view, only this kind of agency could remove the principal drawback which was lack of initiative.

100. The Chairman pointed out how the basic approach of Government had been the improvement of the village. Inevitably, the tendency both at the Centre and in the States had been to do things from the top. The whole purpose of the community development movement was to go to the village and work in the village. In some measure this had been done. Of course, the cooperative movement in the village had not gathered as much momentum as was desirable because of lack of initiative from below. What was, therefore, necessary was to draw out initiative from below.

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101. It was indeed necessary to lay down specific targets for each village—in fact for each farmer or agriculturist to the extent possible. While there had been considerable discussion on two points made out in the agenda paper, namely, the size of the cooperative and financial assistance, there had, on the whole, been a considerable measure of agreement with the broad approach.

102. In view of the broad measure of agreement, slight variations in the emphasis here and there might be allowed depending upon personal judgement of a particular situation. He had noticed that, in the recent past, there had been a tendency in favour of large scale cooperative societies because they provided certain facilities. Large scale cooperatives had, therefore, been favoured and this had been greatly helped by the policies pursued by the Reserve Bank. The basic question that had to be asked was whether a large-sized cooperative society would further the ideal of close contact, cohesion and mutual obligation. While we were aiming at higher outputs, in the final analysis, the aim of the cooperative movement was to produce men and women with initiative and of the right type. It was here that the problem of the size of the cooperative society came in. If we went on encouraging the formation of large-sized cooperatives we would not get anywhere near our ideals.

103. Again, it had often been declared that our objective was joint farming. He, for his part, could not conceive of joint farming by large scale societies. At the same time, it was true that in a country like India, it was difficult to lay down any rigid rule and apply it uniformly over the whole country. There had always to be flexibility. If conditions warranted—and State Governments were the best judges of the conditions—there could, of course, be large-sized societies. However, in the name of flexibility and realism, one should not take such steps as would result in undermining the basic policy that was desired to be pursued in the matter of cooperation. As for existing large scale societies, there was no intention of having them broken up. The recommendations were mainly in regard to future action.

104. As regards State participation in the share capital of village societies, it was, of course, necessary to help these societies. The only question was whether it was good to give such assistance in the shape of share capital. This was a matter which had been discussed at some length in the Council. He would, therefore, recommend that the question should be considered and discussed by the Planning Commission, the Central Finance Ministry and the Reserve Bank.

105. There was also the question of grouping village cooperative societies into Unions which would fill in all the lacunae in the small societies.

106. The Finance Minister, Madras, **Shri C. Subramaniam** referred to the discussions in Congress on cooperation in which it had been agreed that there should be primary societies at the village level and both the credit and marketing functions should be discharged by Unions of societies.

107. The Chairman observed that there was some difference between the concept of Cooperative Unions as brought out in the Congress resolutions and that in the agenda paper. He thought that this should be examined further and the question of unions of cooperatives and the functions they were to discharge considered more closely.

108. When invited to make some observations on cooperative policy, the Chief Minister, Kerala, **Shri E. M. S. Namboodiripad** stated that as far as panchayats were concerned, the Kerala Assembly had come to the conclusion that the minimum population for a panchayat should be 10,000. This would mean 8 to 10 square miles of area. It was his view that there should be one credit society in the panchayat area below which there would be joint farming and service cooperatives. Thus, in Kerala there would be 1500 primary credit societies covering 4670 revenue villages.

109. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** stated that cooperative societies would require trained people to help them to look after their affairs. As for the village level worker, he could not possibly be expected to look after cooperative work in as many as 10 villages which he was presently covering. In his view, therefore, village cooperative societies should be given managerial assistance for the first five years or so. The societies would not be able to afford to pay for such services and, therefore, Government might have to meet the expenditure.

110. The Prime Minister, Jammu & Kashmir, **Bakshi Ghulam Mohammad** stated that the discussions had shown that there was some difference of opinion on the size of cooperatives and the question of financial assistance to them. He thought that it might be better to set up a sub-committee of the Council to discuss these points more closely and arrive at some agreed conclusions.

111. Deputy Chairman stated that the expenditure on village level workers was around Rs. 6 or 7 crores a year. When the country had its full complement of village level workers by the end of the Second Five Year Plan, the Centre's share of the expenditure on them would be of the order of Rs. 4 crores. There was no escaping the fact that the primary work of the panchayats and cooperatives should be carried out on a part time basis by intelligent young men in the village who should be given adequate training for the purpose. The cooperative society could then sanction an honorarium of 1 per cent or half per cent of its total transactions at its annual meetings as payment to the trained young-men. The village level worker who would normally have four to five village cooperatives in his charge should be in a position to look after the accounts and other transactions. The idea of having paid staff at the primary level would have to be given up on grounds of cost alone, though in tribal areas such assistance would have to be extended.

112. Further, it was expected that by the end of the Third Five Year Plan, there would be schools in every village and in many of the villages there would be elementary teachers and young men who could be trained to do the simple work of acting as secretaries to primary societies. The agenda paper laid stress in paragraph 10 on imparting training to young men in each village to function as secretaries of primary societies.

113. The Development Minister, Orissa, **Shri Radhanath Rath** stated that village level workers had become multi-purpose workers. They were dissipating their energies in too many directions and were not able to fulfil all their duties efficiently.

114. The Deputy Chairman pointed out that it had been stressed that the primary work of the village level worker would lie in the field of agriculture, cooperation and panchayats. Other fields would be mainly the concern of village institutions and, therefore, the village level worker would come into them indirectly rather than directly. It was for the State Governments to insist that village level workers were used only for the purposes for which they were meant.

115. The Chairman stated that the Prime Minister, Jammu and Kashmir had been repeatedly suggesting that a sub-committee of the Council be formed to consider some of the points that had been raised during discussion. As for the question of financial assistance to cooperatives he would suggest that, in the first instance, the Planning Commission and the Central Finance Ministry should discuss the matter with the Reserve Bank and communicate the outcome of the discussions to the State Governments. Thereafter, if need be, there could be a meeting with the Finance Ministers and Chief Ministers of States.

116. As for the other question of the size of cooperatives, it was agreed that a sub-committee of the Council consisting of the Chief Minister, West Bengal, the Chief Minister, Madhya Pradesh, the

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Prime Minister, J & K, the Chief Minister, Rajasthan, the Finance Minister, Bombay, Minister for Cooperation, Bombay, Finance Minister, Madras, Minister of Cooperation, Rajasthan and the Development Minister, Orissa should be formed and that it should meet at 9-30 A.M. on Sunday the 5th April, 1959 in the Planning Commission.



*April 4, 1959 (Afternoon Session)*

117. The Chairman suggested that discussion might be resumed on item No. 3 on the agenda relating to the main issues connected with the Third Five Year Plan. He suggested that paragraph 6 of the supplementary note on the item relating to provision of increased employment in rural areas and utilisation of manpower resources available there be considered. In this connection, it has been suggested in the note that the performance of certain functions such as construction and maintenance of local irrigation works such as tanks and wells, excavation of field channels, contour bunding and soil conservation which were of the nature of customary obligations on the part of panchayats might be enforced. Originally, these panchayats had customary obligations in regard to these works. Similarly, in the zamindari days, there were certain customary obligations. The point for decision was whether there should not be legal enforcement of these obligations.

118. The Chairman referred to what had been done in Madras in regard to the additional resources that had been made available to panchayats and the additional obligations they had been required to shoulder.

119. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the main thing they had done in the Panchayat Act was to hand over the responsibility of primary education to the panchayats. Whatever expenditure was being incurred by the State Government under this head was being granted to the panchayats as a basic grant. They had the responsibility of opening new schools as well as expanding existing ones. In order to undertake expansion of education, they had to raise funds locally against which a matching grant of equal value would be provided by the State Government. In backward areas, of course, the State Government's contribution would be 60 per cent and not 50 per cent. The responsibility for supervising the utilisation of the grant would be that of the panchayat union. Dispensaries were another institution which had been handed over to the panchayat unions and panchayats. Similar was the case in regard to sanitation, village lighting and village communications. The panchayats would raise resources by levying a cess on land revenue as well as a tax on house property and a small-professional tax.

120. There was general agreement in the Council that customary obligations of panchayats and other local bodies should be enforced by legislation. The Council generally agreed that the responsibility for certain existing services should be transferred to local authorities with the requisite financial provisions and that resources for further development should be raised by the latter on a matching basis.

121. The Chief Minister, Madhya Pradesh, **Dr. K.N. Katju** referred to the advantages of local development on a matching basis insofar as mobilisation of rural manpower and the creation of popular enthusiasm for development activities were concerned. If funds collected from a local area were spent in that very area on tangible development schemes suitably supplemented by local resources and labour, the cooperation of the people would be coming forth in ample measure.

122. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** stated that similar was the experience in Rajasthan as well. There had been considerable response from rural areas in regard to primary school buildings, drinking water facilities, minor irrigation works and local communications. He was

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of the view that there was considerable scope for a greatly expanded programme of local development on a matching basis referred to by the Finance Minister, Madras.

123. The question of organising village labour for many projects included in the State Plans as well as the undertaking of special works projects in areas having a high incidence of under-employment and payment of part of the wages in regard to the latter in cash and the rest in savings certificates encashable after a specified period of years was also taken up for discussion. No firm conclusions emerged but it was generally agreed that the possibilities of adopting this course should be further investigated.

124. The Deputy Chairman explained that the idea behind organisation of local development works was to give as much employment as possible to the idle manpower in villages and, at the same time, build up community assets. Schemes for works not calling for a high degree of technical knowledge such as roads, minor irrigation, school building, provision of drinking water etc. should be worked out for each village. The village itself should mobilise its manpower for carrying out these schemes. An inducement for having these schemes implemented would be payment by Government of something like half the cost of the work programme.

125. The possibility of raising further resources from the rural sector was then discussed. The suggestions discussed were the levy of a graduated rate of land tax related to the size of the holding, surcharges on acreage devoted to the cultivation of commercial crops and a surcharge on land revenue. It was agreed that these suggestions should be examined in detail.

126. As for the suggestion that land revenue and irrigation cesses might be collected in kind instead of in cash, the consensus of opinion in the Council was that the implementation of this proposal would present many difficulties.

127. The Council agreed in principle that it would be desirable to place agricultural income tax and the tax on income in general on a uniform basis, income in these categories being aggregated. It was decided that details of the proposal should be worked out having regard to the existing system of land taxation, including payment of land revenue and other dues as also the provisions of the Constitution.

128. The Council also decided that the scope for enlarging the system of Centrally levied excises to replace sales taxes in the States should be examined further.

129. There was also general agreement on the question that the maximum returns feasible should accrue to the State from public undertakings such as irrigation and power projects, road transport services and other public utilities. It was agreed that detailed studies regarding this question should be undertaken by the Central and State Governments and suitable proposals worked out.

130. The question of instituting a system of compulsory savings was discussed. In order to spread the savings habit as wide as possible, the Council thought that the possibility of extending schemes for insurance in rural areas such as life insurance, crop insurance, cattle insurance etc. should be investigated. In regard to other forms of compulsory savings, the CHAIRMAN stated that in reply to a circular issued by the Planning Commission, only eight States had sent in their views. Of these, Andhra Pradesh, Bombay, Madras and Rajasthan were in favour of compulsory savings while Punjab and Mysore were against. The Uttar Pradesh did not support the idea of compulsion in regard to savings except in the case of people drawing salaries or pensions. Orissa though it had not sent any comments or suggestions on the subject, had proposed the introduction, on a national

basis, of a small savings provident fund.

131. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** stated that he was not in favour of compulsion in regard to savings. He thought that by persuasion his Government would be able to collect sufficient savings.

132. Chairman suggested that the principle of compulsory savings might be accepted and that State Governments might pass a law enabling them to do propaganda in favour of compulsory savings. After some discussion, the Council accepted the desirability of expanding the scope of all forms of savings including provident funds, life insurance etc. and making them more universal. In working out the details of savings schemes, it was decided that special attention should be given to the advantages which local areas and the individuals or groups contributing savings might derive from the schemes. It was agreed that the results of these investigations would be placed before the National Development Council.

133. The Council then took up for consideration item No. 6 on the agenda relating to the management of State road transport undertakings.

134. The Minister of State for Transport and Communications, **Shri Raj Bahadur** stated that the policy decision with regard to the setting up of Corporations under the Road Transport Corporations Act, 1950 to manage the nationalised road transport undertakings in the States had been taken in consultation with the Planning Commission some time back. So far, Andhra Pradesh and the erstwhile States of Saurashtra and PEPSU had set up Corporations, whereas in Bombay a Corporation existed already. Bihar, Mysore and West Bengal (for the Cooch-Bihar area only) had agreed to set up corporations. Madhya Pradesh, Madras and Rajasthan had no expansion programmes for road transport and had not, therefore, been called upon to set up corporations. Assam and Kerala had decided not to set up Corporations while U.P. was reluctant to do so. In Punjab the matter was still under consideration.

135. The main reason why the Central Government felt that State road transport services should be run in the form of corporations was that the rendering of such services was a commercial activity and consequently could best be undertaken on commercial lines and subject to rules and regulations. Secondly, the Centre was also called upon to finance programmes of nationalisation of road transport services by the States. Departmental running meant that income tax would not be leviable on the profits of these undertakings. From the long run point of view, the Centre felt that it would not be proper to allow State Government road transport monopolies to offer unrestricted competition to the Railways which was a Central Government undertaking. The corporation form of State road transport management was further necessary for ensuring proper coordination between rail and road transport services. There was also the point that the private sector in road transport was complaining that, while it had to pay income tax, departmentally run State transport services did not pay any. Even in regard to management of road transport labour, smoother relations could be ensured by setting up corporations.

136. The Member (Industry), **Shri T. N. Singh** stated that the two principal reasons why it was felt that departmentally run road transport services should be converted into corporations were the need to avoid unrestricted competition between road services and rail transport and the desirability of having a uniform form of management of State road transport undertakings in the country as a whole. If the States so desired, they could keep private parties out of the corporations in which case they would be tripartite bodies with the State Governments and Railways as the two participants.

137. The Chief Minister, Uttar Pradesh, **Dr. Sampuranand** stated that he was not convinced by

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he reasons given by the Minister of State for Transport and Communications and by Member (Industry). He could not understand why there should not be wholesome competition to some extent between road and rail transport. In fact, if it was feared that there would be unrestricted competition, there were other methods of avoiding it. A case in point was transport on the Delhi-Shahadara route. The matter had been amicably settled by discussion between the Railway Board and the Uttar Pradesh Government and adverse competition to the Shahdara-Saharanpur Light Railway avoided. Further, he did not think that it would be feasible to have a uniform pattern of management of road transport services all over the country. Setting up of corporations would mean that the Central Government would have a share in the profits and such profits would get distributed creating difficulties.

138. If running State enterprises through corporations would result in greater efficiency, he wondered why the Central Government did not set an example by converting the Railways and Posts and Telegraphs into corporations. As far as the UP road services were concerned, there had been no complaints by users about their efficiency. He had also heard that the Central Government was contemplating legislation whereby State undertakings would be made liable to pay income-tax. If the States were taxed in this manner, they would have to be compensated by other payments. He wondered, therefore, whether it was desirable to tax them only to compensate them in other ways.

139. The Minister for Finance, **Shri Morarji Desai** stated that some State Government had set up corporation which would pay income-tax to the Centre. These taxes were shared by all the State Governments. Considerations of equity, therefore, demanded that commercial undertakings such as road transport services in States should be converted into corporations and all of them made liable to pay income-tax.

140. The Deputy Chairman stated that the objective of rail-road coordination could be realised more smoothly through the corporation form of management. The Railways would have only a small share in these corporations and would be represented by one of their officers who could take up various issues relating to coordination that might arise day to day. Under the Road Transport Corporations Act, 1958, the Railways were entitled merely to interest on the capital invested by them and, therefore, Railway participation in State road transport undertakings could not be objected to on the ground that State Governments would have to hand over part of the profits to the Railways.

141. The Finance Minister, Madras, **Shri C. Subramaniam** drew attention to paragraph 11 of the agenda paper. The suggestion had been made in that paragraph that to the extent the States spent on road transport outside the Plan, the Central Government should consider withholding Central assistance against other schemes in the State Plans. He thought that such a proposal was uncalled for. The Central Government should not frighten States and withholding of Central Assistance would not be the proper approach in dealing with this problem.

142. The Chairman stated that he was in complete agreement with what the Finance Minister, Madras, had stated in regard to the withholding of Central Assistance. As for the broad question under consideration, his view was that departmental working was very slow. He was firmly convinced that in regard to commercial activities undertaken by the State, the corporation form of management was far superior to departmental operation.

In practice, there were many difficulties which stood in the way of Government departments running commercial services efficiently. Procedural and other delays were only one of them. A degree of autonomy was also necessary for commercial undertakings to run efficiently. He

considered these to be the major arguments in favour of setting up corporations to run road transport services. He was clearly of the view that it would be wrong to expand departmental organisations in future to manage the expanding commercial activities of the State.

143. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** stated that experience in the Punjab was that both the corporation form of management as well as departmental working were equally efficient. This, in his opinion, was attributable to the fact that both types of State undertakings in his State had to function in competition with private operators. In order to avoid unwholesome competition with the Railways, the State Government had recently increased the taxes on passenger fares. If necessary, a further increase in the fares would be effected to reduce this competition. The existing arrangements in the Punjab were thus very satisfactory in that revenues were earned for the State and competition to the Railways avoided to the extent possible. As the Road transport department was a revenue earning department, they in the Punjab had ensured that its operations were not impeded by bureaucratic or other delays. In the circumstances, he would say that there was no need for any hurry to convert State road transport undertakings into corporations and that the Punjab should be permitted to continue with its present arrangements for a few years.

144. The Finance Minister, Bombay, **Dr. Jivraj Mehta** stated that if State road transport corporations were made liable to pay income tax, then those States which had set up corporations stood to lose *vis-a-vis* those running road transport services departmentally. He requested that this discrimination should not be there and that the levy of income tax on road transport corporations should be deferred until a decision had been reached on the broad question of conversion of State road transport undertakings into corporations in all States. His Government had already separately requested the Centre that the road transport corporations in Bombay should not be subject to income tax.

145. The Chairman stated that since the Minister for Railways, Shri Jagjivan Ram was unable to be present at this meeting and he had some views to present to the Council on this matter, it might be preferable to hold over detailed discussions to a later occasion.

146. The meeting then adjourned.

**SUMMARY RECORD OF THE MEETING OF THE SUB-COMMITTEE  
ON COOPERATIVE POLICY, APRIL 5, 1959**

**PRESENT**

<b>PLANNING COMMISSION</b>	<b>STATES</b>	<b>UNION MINISTERS</b>
Deputy Chairman	Chief Minister, West Bengal	Minister of Home Affairs
Minister of Planning		
Member (International Trade and Development)	Chief Minister, Madhya Pradesh	Dy. Minister, Community Development and Cooperation
Member (Natural Resources)	Prime Minister, Jammu & Kashmir	
Member (Agriculture)		
Member (Industry)	Chief Minister, Rajasthan	
Dy. Minister (Planning)	Finance Minister, Bombay	
	Minister of Cooperation, Bombay	
	Finance Minister, Madras	
	Minister of Cooperation, Rajasthan	
	Development Minister, Orissa.	

The Sub-Committee of the National Development Council on Cooperative Policy considered the questions which had been thrown up in the Council's discussions on April 4. In the course of the preliminary discussion, the following points were made:—

- (1) Deputy Chairman said that the programme for large-sized credit societies during the Second Five Year Plan envisaged about 10,400 societies with a total coverage of about 50,000 villages and the formation and revitalisation of small cooperative societies. For the latter, no limits had been set, the targets being determined from year to year. For the programme of large-sized societies financial provisions were needed. These set limits to the scope of the programme during the Second Plan.
- (2) Finance Minister, Madras, said that in Madras and elsewhere certain targets had been reached and the object now was to cover all villages within the next two years.
- (3) Member (IT&D) said that cooperation should be a voluntary movement undertaking certain functions and should not be conceived of in territorial terms. His personal view was that if the State were to take shares in cooperative societies, these would not have much social value.
- (4) Minister of Home Affairs referred to the general principles underlying the resolution of



the National Development Council in November 1958 and said that in the application of these there should be no undue rigidity.

2. *Pattern number Two.*—The general view expressed by the Chief Ministers and Ministers of States present was that pattern number Two could be adopted by State Governments on the lines recommended by the Working Group on Cooperative Policy in Para 8:8 of the report (extract below):

“..... .Pattern number Two is put forward, not for general application, but for adoption in those instances in which Pattern number One may not be immediately suitable. There are tracts which are specially backward in the economic sense or are sparsely populated. In these areas it may not be possible to organise in the near future village societies which can adequately handle credit and other activities.”

3. *Assistance for primary cooperatives*—

- (1) The general view was expressed that some measure of assistance for small cooperatives in the initial stages was necessary.
- (2) It was agreed that the primary duties of village level workers should relate to agriculture, cooperation and panchayats, and village level workers and other extension workers should provide the requisite guidance to secretaries of cooperative societies.
- (3) It was agreed that funds for the training of officials and non-officials would be provided separately.

4. *State Participation in share capital in primary societies at the village level.*— Different aspects of this question were discussed. In the course of the discussion, the following were the principal views expressed on behalf of the States:—

- (1) Finance Minister, Madras, suggested that ordinarily it would be desirable for the State to participate in share capital at the village society level.
- (2) Chief Minister, West Bengal, favoured the holding by the State of a small number of shares at the village society level. This would inspire confidence in the safety of the funds of the society and larger deposits would be attracted.
- (3) The Finance Minister and the Minister for Cooperation, Bombay, felt that participation by the State in share capital for a temporary period on the pattern of the present large-sized societies (50:50) would be desirable. They suggested that no officials should be nominated to the managing committee of the cooperative, but there might be suitable non-officials.
- (4) The Chief Minister, Madhya Pradesh, felt that in his State, while the share capital contributed by the people would be small, the demand for advances would be considerable. State participation in share capital would help attract deposits and assistance of this nature need not lead to interference in the day-to-day work of the cooperative societies.
- (5) Chief Minister, Rajasthan emphasised the importance of strengthening the human factor and said that he was not in favour of State participation in share capital at the village society level.

## Summary Record of Discussions of the NDC Meetings

- (6) Development Minister, Orissa, said that in the grain golas which were set up in this State, State participation in share capital already existed. He favoured the principle of participation in share capital at the village society level.

Deputy Chairman stated that the views expressed would be considered carefully.

5. *Provision of credit for production plans.*—It was agreed that discussions on the subject should be held with the Reserve Bank of India and with the States.

6. *Simplification of Cooperative Law and Procedure.*—it was agreed that State Governments would consider the suggestions made in the paper submitted to the National Development Council by the Department of Cooperation and that the State Departments of Cooperation should be addressed on the subject.

5.4.59

## SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

### I. MAIN ISSUES RELATING TO THE THIRD FIVE YEAR PLAN

(1) The Second Five Year Plan envisaged an increase in national income at the rate of 5 per cent per annum. The actual achievement during the Second plan period is likely to be lower than that envisaged in the Plan. The population growth is estimated to be at a higher rate than was assumed earlier. The increase in agricultural production has also been inadequate. Therefore, a much larger effort is now required. During the Third Plan, there should be an increase in national income of 5 to 6 per cent per annum.

(2) Agricultural production and specially the production of foodgrains is most vital for the success of the Third Plan and intensive efforts on a national scale should be organised. The National Development Council noted that the programmes of agricultural production were being examined and implications assessed in terms of the following tentative targets for the Third Plan: foodgrains 110 million tons, cotton 8 million bales, jute 6.5 million bales, sugarcane 9 million tons (in terms of raw sugar) and oilseeds 9 million tons.

(3) As one of the principal objective in the preparation of the Third Plan, the National Development Council stressed the importance of producing machinery and equipment needed to manufacture machines and capital goods required for further industrialisation, thus making the economy 'self-sustaining'.

(4) The Council placed special emphasis on measures to harness the un-utilised energies of the people in rural areas, more specially in the following directions:

- (i) There should be legislation to enable panchayats to enforce customary obligations on the community or the beneficiaries, such as, maintenance of local irrigation works, maintenance and excavation of field channels, contour bunding, soil conservation works, etc.
- (ii) The Third Plan should aim at the provision of certain minimum amenities for rural areas, namely, (a) adequate supply of wholesome drinking water, (b) village schools and (c) roads linking each village to the nearest main road or railway station. This should be secured through local development works schemes to which the people contribute. These will help generate necessary enthusiasm in rural areas.
- (iii) Programmes for local development, especially for agricultural production, should be drawn up and coordinated for villages and development blocks and should be linked with resources that could be mobilised locally in addition to such resources as are made available by the State Governments.
- (iv) It should be the objective of Government policy and of day to day administration to assist the building up of community assets which would belong to the village as a

## Summary Record of Discussions of the NDC Meetings

whole. The policies of State Government should, therefore, endeavour to facilitate the building up of community properties which would belong to the people as a whole such as village tanks, fisheries, plantations, grazing grounds, etc. Through grant of credit facilities, both on individual and community basis, special efforts should be made to strengthen the area of community operation in rural life.

- (v) All projects included in the Plan which call for the use of unskilled and semi-skilled labour should be carried out to the extent possible in each village and area by the community concerned, so that the employment provided and its benefits should accrue to the rural population. In areas where there is a high incidence of unemployment, special works projects should be organised by the local authorities and the State Governments. In all these projects, wages at village rates may be paid and the possibility of paying a portion of the wages through savings certificates or other schemes of deferred payment should be explored.
- (5) The Council considered the question of mobilising larger resources within the rural sector and suggested that the following possibilities should be investigated by the Planning Commission and the States:
- (i) transferring responsibility for certain existing services to local authorities with the requisite financial provisions, resources for further development being raised by local authorities on a matching basis, as has been recently done in the Madras State.
  - (ii) measures for (a) increase of land revenue, (b) progressive surcharges on land revenue and (c) levy of special cesses or surcharges on lands growing commercial crops.
  - (iii) extending schemes for insurance in rural areas, *e.g.* life insurance, crop insurance, cattle insurance, etc.
- (6) The Council considered whether land revenue and irrigation cesses should be collected in kind instead of in cash. The concensus of opinion was that the proposal would present many difficulties.
- (7) It was agreed in principle that it would be desirable to place agricultural income tax and the taxation of income in general on a uniform basis, income in these categories being aggregated. The details of the proposal should be worked out having regard to the existing system of land taxation, including payment of land revenue and other dues, and the provisions of the Constitution.
- (8) It was suggested that the scope for enlarging the system of Centrally-levied excises in place of sales taxes should be studied further.
- (9) It was agreed in principle that the maximum economic returns should be secured from irrigation and power projects, road transport undertakings and other enterprises which were operated by the Central or State Governments directly or through corporations and companies. In this connection, detailed studies should be undertaken by the Central and State Governments and suitable proposals worked out.
- (10) The Council accepted the desirability of extending the scope of provident funds, life insurance and other forms of savings, including examination of the directions in which the scheme could be made universal. In working out details, special attention should be given to the advantages which local areas and the individuals or groups contributing might derive from the

schemes. The results of the studies should be placed before the National Development Council.

## **II. STATE TRADING IN FOODGRAINS**

(1) The scheme for State trading in foodgrains outlined in the paper submitted to the Council by the Ministry of Food and Agriculture (Department of Food) was generally approved.

(2) The question of revising the existing zonal arrangements for foodgrains was raised and it was agreed that in respect of the southern zone, consultations should be held between the Chief Ministers of Andhra Pradesh, Mysore and Kerala, the Finance and Food Ministers of Madras and the Union Minister of Food & Agriculture with a view to suggesting the changes needed in the present arrangements.

(3) It was agreed that in the initial stages State trading should be limited to rice and wheat and suggestions for State trading in other foodgrains could be considered separately.

(4) In Food Department's paper, reference had been made to steps for ensuring that producers obtained the specified minimum prices. In the course of the discussion, it was explained that what was contemplated was that in each State certain specified purchase prices would be fixed for buying from farmers after taking into consideration all the relevant factors.

(5) While generally uniform purchase prices would be fixed for a whole State or a region, to meet the case of under-developed areas with poor means of communications, it might be necessary to fix different prices. It might also be necessary to prescribe different purchase prices in the case of certain highly deficit areas where the prices are always higher than in the surplus areas.

(6) The Council considered whether control of retail prices should be undertaken. It was felt that normally control of wholesale trade by the State along with fair price shops and measures for setting up consumers' cooperatives would provide State Governments with a good base for keeping retail prices under control. The Council agreed that wherever State Governments thought it desirable to control retail prices, they could take such further action as might be necessary, provided they made certain that it would be possible for them to enforce such prices without causing dislocation or interruption in supplies.

(7) The Council agreed that the State trading scheme should be introduced in every State without delay.

## **III. COOPERATIVE POLICY**

(1) The Council considered the paper prepared by the Ministry of Community Development and Cooperation (Department of Cooperation) on the subject. The council agreed that the village agricultural programme constituted the foundation of the programme for cooperative development and of the programme for revitalising existing cooperative societies.

(2) It was agreed that the primary work of the village level worker should be in the fields of agriculture, cooperation and panchayats. Other fields were mainly the concern of village institutions and the village level worker came into them indirectly rather than directly.

(3) In implementing cooperative policy there should be, flexibility particularly in tribal and backward areas. It was also essential to keep in view the fundamental objectives of cooperation at the village

## Summary Record of Discussions of the NDC Meetings

level more especially, the objective of joint cooperative farming on a village basis.

(4) Village cooperatives should be formed on the basis of the village as the primary unit but, where the villages were small, they might with the general agreement of the people concerned be brought into groups with a population of about 1,000. There should be no rigidity and where local conditions called for relaxation suitable adjustments might be made. In making these adjustments the essential characteristics of a cooperative society, namely, close contact, social cohesion and mutual obligation should always be ensured. Given the acceptance of the basic approach, there could be small variations and it would be for the States to judge as to how the main principle was to be applied, under what circumstances slightly larger cooperatives might be established and other necessary changes made.

(5) The Council referred to a Sub-Committee consisting of the Chief Ministers of West Bengal, Madhya Pradesh and Rajasthan, the Prime Minister of Jammu & Kashmir, the Finance Ministers of Bombay and Madras, the Development Minister of Orissa and the Members of the Planning Commission, certain questions which had been thrown up during the course of the discussion, *e.g.* production of adequate credit for the village agricultural production programme, the scope for pattern No. 2 recommended by the Working Group on Cooperative Policy and the question of State participation in share capital in village cooperative societies.

### IV. MANAGEMENT OF STATE ROAD TRANSPORT UNDERTAKINGS

With a view to securing more effective rail-road coordination and ensuring the working of road transport undertakings on commercial principles, the Planning Commission had suggested that State Governments should establish Corporations for their road transport undertakings. After a short discussion, the Council agreed to defer further consideration to a later meeting at which the Minister of Railways could also be present.



## PARTICIPANTS

## PLANNING COMMISSION

1. Shri Jawaharlal Nehru, Chairman
2. Shri V.T. Krishnamachari, Deputy Chairman
3. Shri Gulazarilal Nanda, Minister of Planning
4. Shri Morarji Desai, Member (Finance)
5. Shri C.M. Trivedi, Member (Natural Resources)
6. Shri V.K. Krishna Menon, Member (International Trade and Development)
7. Shri Shriman Narayan, Member (Agriculture)
8. Shri T.N. Singh, Member (Industry)
9. Prof. P.C. Mahalanobis
10. Shri S.N. Mishra, Deputy Minister of Planning
11. Shri L.N. Mishra, Parliamentary Secretary to the Minister of Planning
12. Shri Vishnu Sahay, Secretary.

## STATES

- |                   |         |  |
|-------------------|---------|--|
| 1. Andhra Pradesh | .. .. . | <ol style="list-style-type: none"> <li>1. Shri N. Sanjeeva Reddy,<br/>Chief Minister</li> <li>2. Shri K. Brahmananda Reddy,<br/>Minister of Finance</li> </ol>   |
| 2. Assam          | .. .. . | <ol style="list-style-type: none"> <li>1. Shri F.A. Ahmed,<br/>Minister of Finance</li> <li>2. Shri K.P. Tripathi,<br/>Minister of Planning</li> </ol>   |
| 3. Bihar          | .. .. . | <ol style="list-style-type: none"> <li>1. Dr. Srikrishna Sinha,<br/>Chief Minister</li> <li>2. Shri Ambika Saran Singh,<br/>Dy. Finance Minister</li> <li>3. Shri L.P. Sahai,<br/>Dy. Industries Minister</li> </ol> |

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4. Bombay	..	..	..	1. Dr. Jivraj Mehta, Minister of Finance
				2. Shri S.K. Wankhede, Minister of Planning
				3. Shri T.S. Bharde, Minister of Cooperation
				4. Shri V.P. Naik, Minister of Agriculture
5. Jammu & Kashmir	..	..	..	Bakshi Ghulam Mohammad Prime Minister
6. Kerala	..	..	..	1. Shri E.M.S. Namboodiripad, Chief Minister,
				2. Shri K.C. George, Minister of Food
7. Madhya Pradesh	..	..	..	1. Dr. K.N. Katju, Chief Minister
				2. Shri M.L. Gangwal, Minister of Finance
				3. Shri S.L. Tiwari, Minister of Public Works
8. Madras	..	..	..	1. Shri C. Subramaniam, Minister of Finance
				2. Shri M. Bhaktavatsalam, Home Minister
9. Mysore	..	..	..	1. Shri B.D. Jatti, Chief Minister
				2. Shri K.F. Patil, Minister of Agriculture
10. Orissa	..	..	..	Shri Radhanath Rath, Minister of Development
11. Punjab	..	..	..	1. Sardar Partap Singh Kairon, Chief Minister

				2. Dr. Gopi Chand Bhargava, Minister of Finance
				3. Shri Mohan Lal, Minister of Industries
12. Rajasthan	..	..	..	1. Shri Mohanlal Sukhadia, Chief Minister
				2. Shri N.R. Mirdha, Minister of Agriculture
13. Uttar Pradesh	..	..	..	Dr. sampurananad Chief Minister
14. West Bengal	..	..	..	1. Dr. B.C. Roy, Chief Minister
				2. Shri T.K. Ghosh Minister of Development

**UNION MINISTERS**

1. Shri Govind Ballabh Pant, Minister of Home Affairs
2. Shri Lal Bahadur Shastri, Minister of Commerce & Industry
3. Sardar Swaran Singh, Minister of Steel, Mines & Fuel
4. Shri Ajit Prasad Jain, Minister of Food & Agriculture
5. Shri S.K. Patil, Minister of Transport and Communications
6. Hafiz Mohammed Ibrahim, Minister of Irrigation & Power
7. Dr. P.S. Deshmukh, Minister of Agriculture
8. Shri Raj Bahadur, Minister of State for Transport & Communications
9. Shri B.R. Bhagat, Dy. Minister of Finance
10. Shri A.M. Thomas, Dy. Minister of Food
11. Shri B.S. Murthy, Dy. Minister of Community Development



**THIRTEENTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : SEPTEMBER 5 & 6, 1959**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

# SUMMARY RECORDS OF THE THIRTEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

## AGENDA PAPERS

### FOOD SITUATION AND POLICY

#### *(Planning Commission and Ministry of Food and Agriculture)*

The object of this paper is to present for the consideration of the National Development Council the main facts concerning the food situation as it has developed and the alternative approaches in food policy between which a choice has to be made in relation to the coming kharif and subsequent seasons. The paper is divided into two parts, one dealing with the food situation and the second with food policy.

### I—FOOD SITUATION

#### Production

2. The total production of foodgrains rose from 54 million tons before the First Five Year Plan to 65.8 million tons at the end of the Plan. In 1958-59, the total food production was 73.3 million tons. Thus, over a period of 8 years the average increase in production was 4.5 per cent. per annum. During this period, there were setbacks in 4 years (1950-51, 1951-52, 1955-56 and 1957-58) and large increases in 3 years (1952-53, 1953-54 and 1958-59). It is a well-known feature of agricultural production that growth in output from year to year is uneven, but the trend in recent years has been definitely upward. During the period 1951-59 population has increased by 41 million according to estimates based on the 1951 census and by 53 million according to recent projections of the Central Statistical Organisation.

3. Statement I shows the production of foodgrains (cereals and pulses) in individual States over the four years 1955-56 to 1958-59. During this period, significant increases in production have been recorded in Andhra Pradesh, Madras, Rajasthan, Madhya Pradesh, Bombay, Punjab, Uttar Pradesh and Bihar. The production has remained more or less at the same level in Kerala, Orissa and Assam and there appears to have been a little setback in Mysore and West Bengal.

4. In 1958-59, the production of rice amounted to 29.7 million tons compared to 24.9 and 28.3 million tons in the two preceding years. In 1958-59, the autumn crop accounted for about 13.2 million tons, and the winter crop for 16 million tons, the balance being from the summer crop. The production of wheat amounted to 9.7 million tons as against 7.7 and 9.3 million tons in the two earlier years. Except in West Bengal, in all other States the rice output was greater than in the preceding years. Wheat output increased in all the wheat producing States.

#### Imports

5. When the Second Five Year Plan was drawn up, provision was made for a total import during the plan period of 6 million tons. In the first three years of the plan, imports have amounted to



## Summary Record of Discussions of the NDC Meetings

9.2 million tons—2.13 million tons in 1956-57, 3.64 million tons in 1957-58 and 3.42 million tons in 1958-59. During the current year the actual imports so far amount to about 1.5 million tons against about 2.4 million tons due under contracts already entered into. Another agreement for the import of 3 million tons of wheat from U.S.A. under PL 480 is about to be finalised. The programme of shipments has not yet been determined.

### Procurement and Stocks

6. Upto the third week of August 1959, the total purchases of rice amounted to 10.11 lakh tons and of paddy to 3.42 lakh tons. Of these, purchases on Central Government account amount respectively to 6.8 lakh tons and 59,000 tons. Purchases of wheat amounted to a little less than 2 lakh tons. In the beginning of August, stocks with Government amounted to 17.64 lakh tons (rice 7.26 lakh tons, wheat 9.97 lakh tons and coarse grains 40,000 tons).

### Availability per Capita and per Adult

7. The total foodgrains available are calculated on the basis of internal production after deducting 12.5 per cent. for cattle feed, seed requirements and wastage, and adding net imports and the net increase or decrease in stocks. It is customary to reckon 86 per cent. of the population as being its equivalent in adult units. The following Table shows the net availability per capita and per adult with reference to (a) the population estimated on the basis of the census of 1951, and (b) population according to the new projections which have been recently worked out. It will be seen that 1959 is a year of very high availability both for cereals and for all foodgrains taken together.

#### *Net Availability in ounces per Day*

Year	Population (millions)	<u>All foodgrains</u>		<u>Cereals</u>	
		per capita	per adult	per capita	per adult
1953	A 372.3	14.1	16.4	12.0	14.0
	B 373.0	14.1	16.4	12.0	13.9
1954	A 377.13	15.8	18.4	13.4	15.6
	B 379.0	15.7	18.3	13.3	15.5
1955	A 382.39	15.4	17.9	13.0	15.1
	B 385.1	15.3	17.7	12.9	15.0
1956	A 387.35	15.1	17.6	12.7	14.8
	B 391.4	14.9	17.4	12.6	14.6
1957*	A 392.44	15.7	18.3	13.2	15.4
	B 399.1	15.5	18.0	13.0	15.1
1958*	A 397.54	14.4	16.7	12.3	14.3
	B 407.0	14.0	16.3	12.0	13.9
1959*	A 402.75	16.5	19.2	13.9	16.2
	B 415.0	16.0	18.6	13.5	15.7

A. Population estimates based on the Census of 1951.

B. Population estimates according to the new projections of the Central Statistical Organisation.

\*Provisional—Subject to revision.

The problem at present may thus refer not so much to total availability of foodgrains as to the availability of particular food-grains in different areas and at different times and at prices which consumers are able to afford.

### Price Trends

8. The increase in prices of cereals and pulses in the early months of 1956-57 represented a measure of recovery from the markedly lower levels which had prevailed earlier, but the subsequent increases were part of the general upward pressure of prices. Wholesale prices rose by 16.8 per cent. between April 1956 and July, 1959. During this period the increases which have taken place in the prices of foodgrains are shown in the Table below: (Base 1952-53=100).

	April 1956	July 1959	Percentage Increase
Food articles	95.9	121.0	26.2
Cereals	89	107.0	20.2
Pulses	74	95.7	29.3
Rice	92	109.3	18.8
Wheat	79	94.6	19.8
Jowar	111	119.5	7.7

9. The following Table compares - (i) the percentage increase during each of the past three years over the immediately preceding year, and (ii) the percentage increase at the end of March in one year as compared to the same date of the previous year.

***Variation in Prices 1955-56 to 1958-59***

Percentage Increase/ Decrease	All Comm- odities	Food Articles	Cereals	Rice	Wheat	Industrial raw materials	Manuf- actures
1956-57 over 1955-56	5.95	7.50	12.50	24.36	22.22	5.60	2.82
1957-58 over 1956-57	0.95	1.67	(-3.03)	8.24	—	(-3.34)	1.42
1958-59 over 1957-58	5.28	8.99	5.21	—	19.32	2.66	0.93
March, 1956 over March, 1955	8.04	11.94	22.86	19.44	19.72	12.55	1.78
March, 1957 over March, 1956	7.60	10.24	15.12	12.79	11.76	7.22	3.21
March, 1958 over March, 1957	0.47	1.07	(-3.03)	3.09	(-11.58)	(-5.11)	1.41
March, 1959 over March, 1958	5.27	8.99	5.21	(-8.00)	35.71	4.40	0.46

It will be seen that the general price level rose by about 6 per cent. in the first year of the Plan, about 1 per cent. in the second year and over 5 per cent., in the third year. Food prices rose

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by 7.5 per cent. in the first year, less than 2 per cent. in the second year and 9 per cent. in the third year. In 1956-57 both rice and wheat prices rose sharply. In 1957-58 wheat prices remained steady, but rice prices rose by 8 per cent. In 1958-59, rice prices went up sharply in the summer but declined later when the winter crop came in. Wheat prices rose, to very high levels early in 1959, but declined when the new crop was harvested.

10. Statement II sets out the index number of wholesale prices for all commodities, for food articles taken together and separately for cereals, pulses, rice, wheat and jowar.

11. Statement III furnishes information regarding the month-end wholesale prices of rice and wheat at important centres. It shows the variations in prices in different States. Detailed analysis of these variations is by no means easy since many complex economic, regional and other factors are involved.

### Marketable Surplus

12. In the normal course, with the large increase in output in 1958-59, there should have been a substantial increase in the marketable surplus. For several months, however, arrivals in foodgrain markets have not been satisfactory. The main facts of the present situation have been elicited in two enquiries into market arrivals of rice and wheat which have been recently carried out. The more elaborate of these enquiries was undertaken at the instance of the Ministry of Food and Agriculture by five Agro-Economic Research and Farm Management Centres, and included a study of 21 markets and in each case of a selection of villages served by the market. The second enquiry, which has been carried out by the field staff of the Programme Evaluation Organisation of the Planning Commission, provides information in respect of 11 markets. The findings of both enquiries are broadly the same and summaries of the conclusions reached have been circulated separately. These are:—

- (i) While the smaller producers appear to have sold their surpluses in the market, large and medium producers have tended to withhold stocks in expectation of being able to realise higher prices in later months. Some of the larger producers have also been buying up from the small producers. There is evidence that large and middle farmers in particular have now greater capacity to withhold produce from the market. This is due to steady income derived by producers generally from cash crops, high levels of foodgrain prices in recent years, and larger credits from Government and Co-operatives.
- (ii) The diminution of market arrivals has been more pronounced in deficit or marginally placed States where market prices have been considerably higher than the Government purchase prices. In surplus States separately cordoned off, *e.g.*, Madhya Pradesh, Orissa and Punjab, the market prices have tended to remain at the level of Government purchase prices (where these were fixed) and there has been no serious interruption of flow to the market, though the actual sales have been less.
- (iii) Following the announcement of the decision to undertake State trading in foodgrains at the wholesale level and action to obtain a proportion of the traders' purchases at a price prescribed by Government, there has been a tendency amongst the producers and traders to enter into transactions outside the normal market or point of sale, assembly or despatch.

- (iv) Wherever inter-State disparity in prices provided temptation, smuggling has been reported.
13. In considering policy certain basic requirements have to be taken into consideration:
- (i) Whatever the schemes of food distribution, it is essential that the rural surpluses should become available in an uninterrupted manner for consumption within the economy.
  - (ii) To the extent to which the Government considers it necessary to enforce certain regulatory measures, these must be made effective.
  - (iii) While the prices paid to the producer must be fair and reasonable, as rural conditions improve and larger resources are devoted to rural development, there is a limit beyond which the incentive of prices alone may succeed in bringing out the entire marketable surplus. Whatever the level of prices, those who have the capacity, to withhold the produce from the market will attempt to do so as long as they have reason to expect that this will be profitable. The problem of drawing out all the marketable surpluses is, therefore, both economic and organisational, in that it calls for political decisions as well as effective administrative action.
  - (iv) While a proportion of producers may gain through large and sudden increases in food prices, the interest of the rural community as a whole is served best by
    - (a) assuring a stable level of prices which will ensure a fair deal to the producer and to the consumer,
    - (b) reducing to the minimum the spread between the prices received by the farmer and the prices paid by the consumer throughout the season, and
    - (c) maintaining at reasonable levels prices of commodities which the farmer has to buy.
  - (v) If the surplus in any area was overwhelmingly large, the normal market mechanism might succeed in bringing it out. In practice the surpluses are relatively small and even these are uneven from year to year. For these reasons and because of the expectations on the part of farmers of price increases during lean periods, in the ordinary course the agency of the market is unable to draw out the available surpluses soon after harvest. The surveys illustrate how in the matter of food for drawing out the marketable surpluses the time factor is not less crucial than the actual quantities which may be made available. To the extent to which future developments may accentuate the tendencies revealed by the recent surveys, the problem of drawing out the marketable surplus becomes a major issue in food policy irrespective of the method of distribution which may be decided upon.

### **Factors affecting Future Prospects**

14. The immediate prospects in the food situation will be influenced largely by the size of the kharif crop. If the crop is good, it will be possible to tide over the next few months relatively easily. If it proves otherwise, the present difficulties will be intensified.
15. On a more long-term view, however, the following factors have to be given due consideration:

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- (i) The ultimate solution of the food problem has to be sought through such a substantial increase in production as would provide a safe margin for the economy. With this object, in the Second Plan considerable resources were provided for agriculture. For the Third Plan, a very high priority is being assigned to agriculture and the targets proposed, if realised, should place the food economy on a sound footing, and enable us to depend on our own production to meet all the needs.
- (ii) On account of improvements in health and medical facilities, there has already been a marked decline in the death rate. It is estimated that the rate of growth of population is now about 1.9 per cent. per annum, as against 1.25 per cent on which the projections in the Second Plan were based. The following Table compares the estimates of increase in population made by the Census Commissioner in 1951 with those which have been recently worked out:—

(In millions)

	Census Commissioner's estimates	C.S.O. Projections
1951	362	362
1961	410	431
1971	460	528

These increases in population have to be considered in their bearing on the numbers for which different States would have to provide. Statement IV gives population figures for individual States according to the two sets of estimates. The impact of the higher rate of growth already affects the commitments which States have to undertake in connection with the distribution of food. It will be seen that in 1959 there is a gap of 12 million between the two estimates; in 1960 this will increase to about 15 million.

- (iii) The increase in urban population is another important factor to be reckoned in future. It is estimated that the proportion of the urban population to the total population which was 17.3 per cent. in 1951 would have risen to about 19 per cent. in 1956 and might rise to nearly 21 per cent. in 1961 and to nearly 23 per cent. in 1966. Thus, the total urban population of 62 million in 1951 would have increased to 74.4 million in 1956 and to 104 million in 1966. These are the best estimates at present possible, but it may well be that on account of the large-scale industrialisation now in progress the growth of urban population may be even greater.
- (iv) The total investment in the economy has been increasing from year to year. Public investment amounted to Rs. 641 crores in 1956-57, to Rs. 863 crores in 1957-58 and to Rs. 1,064 crores in 1958-59. During 1959-60, the planned investment is Rs. 1,092 crores. Deficit financing in the four years 1956-60 is of the order of Rs. 1,200 crores. Investment in the private sector also, according to investigations undertaken by the Reserve Bank of India, has been running at about Rs. 700 crores per year compared to an average of about Rs. 500 crores estimated when the Second Plan was drawn up. In the nature of things, the tempo of development will continue to increase and some degree of deficit financing becomes inevitable. In this connection, account has to be taken of the likely scale of development under the Third Five Year Plan.

In considering the appropriate food policy for a large growing and increasingly complex economy, it is necessary to take account of the current facts, the likely prospects for the next kharif, imports that may be available under PL 480, as well as those basic and continuing factors which will greatly influence the economic situation generally and the food situation in particular over the next few years.

## **II—FOOD POLICY**

### **Retrospect 1956-59**

16. After the decontrol in 1953-54 there was no major change in food policy until June 1957. Foodgrains production in 1956-57 touched 68.7 million tons, but the seasonal decline in prices was small and short-lived. With a view to checking speculative demand pressures and promoting a measure of self-sufficiency by combining deficit and surplus States, three wheat zones were formed in June 1957. In July, the southern rice zone was constituted and Orissa was cordoned off for export purposes. The Essential Commodities Act, 1955 was amended and Government took powers to requisition from private parties at an average of the prices prevailing in the three months immediately preceding the date of application of the relevant provisions in the law to a particular commodity in a particular area. Arrangements for larger imports were also made and the issues from Central Government depots were stepped up. In the view of the Ministry of Food and Agriculture, these measures had a salutary effect on prices.

17. With the rise in the prices of foodgrains in 1958, following the poor crop of 1957-58, many State Governments asked for the imposition of bans on export of foodgrains from their areas. In December 1957, export of rice from Madhya Pradesh and Eastern Uttar Pradesh was prohibited followed by a similar prohibition for the entire State of U.P. in August 1958.

In December 1957, Bihar was cordoned off, followed by West Bengal in January 1958. Largely influenced by the decision in favour of State trading in November 1958, in February 1959 the western wheat zone comprising Bombay, Madhya Pradesh and Rajasthan was split up.

18. In view of the decision in favour of State trading, most of the State Governments undertook purchase operations for the 1958-59 crop season. In respect of rice, the Central Government, which had started making purchases in the previous season in the States of Andhra Pradesh and Punjab, extended its operations to Madhya Pradesh and Orissa. In the deficit or marginally placed States of Madras, Uttar Pradesh, West Bengal, Bihar and Assam, State Governments started procurement generally under a system of levy on licensed dealers or millers at maximum controlled prices supported by movement restrictions. In the case of wheat, Uttar Pradesh began procurement from 1958-59 crop under a system of levy from traders at statutorily controlled prices; in the Punjab, the State Government introduced the share system of purchases without fixing any purchase price as a statutory maximum. The State Government has not interfered with the normal process of price formation in the market, its action being confined to reserving to itself the right of prior purchase of any lot at or below certain specified prices. In Madhya Pradesh and Rajasthan also purchases have not been made at statutorily controlled prices and, considering the size of the surpluses this year, the quantities purchased have been very small.

19. One effect of these partial procurement arrangements, both in respect of rice and wheat, has been the shrinkage in market arrivals, particularly in States which are deficit or in a marginal position. The controlled prices at which Government has been making purchases have appeared to a section of cultivators as a floor, while the actual market prices have tended to be higher than



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the controlled rates in most areas and sales in the market have slowed down. In surplus States, such as Madhya Pradesh and Orissa, market prices have tended to remain within the range of controlled prices and there has apparently been no serious interruption with the flow of market supplies. In these areas, however, procurement by Government has generally fallen short of the targets of purchase. (Purchases of rice and wheat by Government are shown in Statements V and VI).

### Inter-State disparity in Prices

20. One aspect of the present inter-State ban on movement and purchases by Government, seems to be that the rise in prices in deficit areas has tended to be proportionately more than the decline in prices in the corresponding surplus areas. This may be illustrated by the trends in wheat prices in Madhya Pradesh and Bombay after the imposition of the ban on movement of wheat from Madhya Pradesh in February, 1959. The average prices of wheat in the States of Madhya Pradesh and Bombay in June 1959 when movement between the two States was banned, and the prices in the corresponding months of 1958, 1957 and 1956 when movement between these two States was free, are shown below:—

#### *Average prices of Wheat in Madhya Pradesh and Bombay*

(Rs. per maund)

Month	Madhya Pradesh	Bombay
June 1956	14.22	15.06
June 1957	13.88	18.82
June 1958	16.62	17.77
June 1959	14.43	21.08
Percentage increase (+) or decrease (–) in 1959		
From 1958	(–) 13.2	(+) 18.6
From 1957	(+) 4.0	(+) 12.0
From 1956	(+) 0.1	(+) 40.0

Thus, the imposition of ban on movement from Madhya Pradesh did not lead to a fall in prices in Madhya Pradesh over the corresponding months of the previous three years to the same extent as it led to a rise in prices in Bombay over the corresponding months of 1958, 1957 and 1956. This was so despite the fact that production of wheat in both Madhya Pradesh and Bombay was higher in 1959 than in the earlier two years. There was increasing disparity in prices between the two States.

The above result is also borne out by the trends in prices of rice in Orissa and West Bengal before and after the imposition of restriction on movement of rice from Orissa. The ban on movement of rice and paddy from Orissa was imposed by the State Government in March 1957, except under permit. Subsequently in June 1957 the Government of India imposed total ban on export, except on Government account. The average prices of rice in Orissa and West Bengal in the month of June during the last four years are given below : —

***Average prices of Rice in Orissa and West Bengal***

(Rs. per maund)

Month	Orissa	West Bengal
June 1956	18.08	20.58
June 1957	16.15	22.76
June 1958	17.25	25.92
June 1959	15.68	25.87
Month	Orissa	West Bengal
Percentage increase (+) or decrease (–) from 1956		
In 1957	(–) 10.6	(+) 10.6
In 1958	(–) 4.6	(+) 25.9
In 1959	(–) 13.3	(+) 25.7

It will be seen from the above table also that the imposition of the ban did not result in a fall in prices in Orissa to the same extent as it led to a rise in prices in West Bengal. It increased the disparity in prices between these two States with the same results as in Madhya Pradesh and Bombay.

21. Recent developments in the food situation point to certain deficiencies in the present form of movement and price control. It would appear that for an effective food policy which could be pursued systematically over a period, a choice has to be made between three possible lines of policy. These are:—

- (1) Free market economy on an all-India basis;
- (2) Creation of more or less self-sufficient zones comprising two or more contiguous States; and
- (3) Individual States as separate zones with State trading and a basic national plan for procurement and distribution.

**Free market economy on an All-India basis**

22. A free market economy implies that there will be no restriction on movement of foodgrains and no statutory control on prices. There will thus be no direct interference with private trade and Government purchases will be made on the basis of voluntary offers and at market prices. Under this system the Central Government will not be directly and wholly responsible for meeting the needs of deficit States, although it will be impossible in practice to avoid the overall responsibility. The Centre's direct commitments will ordinarily be limited to pockets where special difficulties arise due to lack of communications or on account of temporary factors. Until production increases sufficiently, imports will have to be continued; particularly as it may be necessary to maintain fair price shops in cities and towns, so that their demands do not unduly disturb the market.

23. It might be argued that the competition between large numbers of traders would keep down trading margins to the minimum and food-grains would move from surplus to deficit areas in response to higher prices in the latter, leading eventually to some kind of equilibrium. On the other

hand, it might be suggested that a policy on these lines has not in the past proved successful. In a situation in which the planned investment is likely to be stepped up, prices might rise continuously with only short breaks at or about the harvest time, except possibly in bumper years.

### Self-sufficient zones

24. Proposals to join contiguous surplus and deficit States so as to form more or less self-sufficient zones represent an intermediate course between a free market economy on an all-India basis on the one hand and States functioning as separate zones with State trading and a basic national plan for procurement and distribution on the other. They are an extension of the policy adopted for rice in the South and for wheat in the wheat zones which were introduced two years ago and later replaced by separate State zones. The pattern of zones would necessarily have to be determined in consultation with State Governments. In practice, while it would be difficult to form exactly self-sufficient zones, they might reduce the responsibility of Government for meeting the requirements of the marginally deficit zones to relatively small proportions. In the surplus zones or zones which become surplus in bumper years, there might be some scope for procurement. On the whole, however, it might be assumed that under this system there would be a reduction both in the demands made on the Government and the quantities which Government might be expected to procure.

25. The advantages which might be claimed for the pattern of self-sufficient zones are the following:

- (i) Prices throughout the zone would be fairly uniform and the present disparity in prices between contiguous States would diminish.
- (ii) Deficit States would feel assured of supplies as they would not have to be dependent on the success of the procurement operations in the surplus States.
- (iii) There would be no complaints in surplus State of low prices affecting market arrivals and possibly future production, as a result of separate cordoning of such States.
- (iv) There would be less of smuggling as the surplus will find a ready market at reasonable prices in the deficit areas within the zone.
- (v) Government commitments would be smaller than in a system in which States function as separate zones.
- (vi) The possibility of individual States considering their own interest alone as paramount would be lessened.

26. The disadvantages urged against the pattern of self-sufficient zones are:

- (i) The proposal goes against the policy of State trading and may well lead to its being given up altogether as a practical objective.
- (ii) In the surplus States prices will rise with consequent dissatisfaction among non-producer consumers both in urban and rural areas in surplus States. Much hardship may result to them from the rise in prices in these States when they are linked with States which have large urban concentrations and greater purchasing power, particularly if no special measures are taken to isolate the big cities (like Calcutta, Bombay, Delhi, etc.).

- (iii) While deficit States might perhaps gain to some extent under this system, the constitution of self-sufficient zones comprising more than one State, even supported by supplies from the Centre, might prove difficult to maintain in face of opposition.
- (iv) Considerable anxiety has been expressed in Madras and Andhra Pradesh regarding the rise in prices on account of purchases by merchants from the deficit States in the zone, mainly Kerala. Both State Governments are of the view that unless the States become separate zones, it would not be possible for them to check the rise in prices. (It has been suggested, however, that in 1958 despite purchases by Kerala and Mysore in Madras and Andhra Pradesh, prices in the latter States did not rise and that one of the reasons why prices have gone up in the South during 1959 might be the internal purchases made by the Government of Madras.)

### **State as Zones with State Trading and a Basic Plan**

27. The third system to be considered is the constitution of States as separate zones with State trading and a basic national plan for procurement and distribution. In November 1958, the National Development Council adopted the policy of State Trading in Foodgrains. In April 1959, the details of this policy were placed before Parliament and the National Development Council and in May the Ministry of Food and Agriculture issued instructions to State Governments. It has been recognised all along that the implementation of the policy of State trading was not possible without treating States as separate zones. The State trading scheme falls into two parts, the ultimate pattern, and the interim scheme to be worked until full-scale State trading is established.

Under the ultimate pattern, the farm surpluses are to be collected through service cooperatives at the village level and channelled through marketing co-operatives and apex marketing co-operatives for distribution to retailers and to consumers' cooperatives. The Government declared that efforts would be directed towards the speedy realisation of the ultimate objective and that, during the interim period, more and more of the wholesale trade in foodgrains would be taken over by cooperatives as they were progressively organised and developed.

In the interim period Government did not propose to undertake the purchase of the entire marketed surpluses, the intention being to acquire progressively larger proportions of such surpluses with a view to controlling the market more and more effectively until full-fledged State trading was established. In the interim period wholesale traders would be permitted to function as licensed traders who would make purchases on their own behalf, but would pay specified minimum prices to the farmer. While Government would have the right to acquire the whole or a portion of the stock from the licensed traders at controlled prices, the traders would be at liberty to sell the remaining stocks to retailers at prices not exceeding the controlled prices.

28. For making the scheme of State trading successful, the main conditions are:

- (i) effective food administration in the States so as to ensure that supplies come into the hands of Government;
- (ii) acceptance by surplus States of the obligation to make supplies available for export to deficit States in accordance with an agreed national plan of distribution;
- (iii) close and continuous cooperation between the Central Government and the States, the food problem being tackled as a common and urgent national responsibility; and

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- (iv) availability of stocks of foodgrains with Government, to the extent absolutely necessary, through imports.

29. State trading in foodgrains represented a key decision of Government in relation not only to the food policy and the price policy, but also in relation to the entire programme of planned economic development. For this reason it was considered that food policy and the administrative and other arrangements needed for implementing it should be built up on a long-term basis. It is for consideration, what measures would be needed if the difficulties which have arisen are to be resolved through making State trading more effective. In this connection, a view has to be taken whether the following measures are feasible and can be carried out:

- (i) The Central and State Government should take immediate steps to strengthen the arrangements for procurement both from trade and from the producers;
- (ii) In surplus areas at least the system of monopoly procurement should be introduced, so that there is no competitive buying of foodgrains from the farmer.
- (iii) In certain areas there may, in addition, be a levy on large and middle producers.
- (iv) In cities with large populations, distribution has to be taken over by Government and suitable systems of 'rationing' should be organised. In this connection, consumers' cooperatives should also be organised as they could play a very useful part as agencies for distribution.
- (v) A basic plan for food distribution has to be worked out jointly by the Centre and the States, the main elements of which would be what surplus each State should provide, how the surplus should be procured and to which area the surplus should be assigned.

The actual steps needed would have to be determined by the requirements of the situation from time to time, but broad judgments of policy are involved at the present stage.

30. The measures mentioned above involve a large measure of control and regulation. There are two groups of considerations which have to be taken into account. The first relate to the consequences of treating States as zones without taking all the steps needed to make State trading effective. These are:

- (i) Statutory price control by itself, whether at the wholesale or at the retail stage or both, has generally failed. Wherever it has been attempted, except in heavily surplus States when cordoned off, market prices have ruled much higher than control prices and virtually the maximum control prices become floor prices. When statutory control prices prove in-effective, Government purchases, whether by levy or requisition, at these prices have been much less in quantity than previously expected.
- (ii) When States are constituted as separate zones, under the conditions of a free market economy, surplus States are able to feed their people at relatively low prices, but prices in the deficit States tend to be much higher, leading consequently to dissatisfaction in these States and to a demand upon the Centre to accept responsibility for meeting their entire deficit. Wherever the quantities required can be found by the Centre, it is impossible to meet the demands of the deficit States qualitatively, so that the prices of varieties which consumers prefer go up.
- (iii) In periods of scarcity, when they should be sharing difficulties with all States, surplus States may desire to retain more of the surplus to meet their own needs, thus leaving

the deficit States in a much more difficult situation.

31. While the considerations above are important in any event, a second set of considerations have also to be taken into account in deciding upon measures to make State trading more effective. These are:

- (i) These proposals involve a large measure of control and regulation which call for wide support and understanding from the public and may be unpopular.
- (ii) Government's commitments for distribution will increase substantially.
- (iii) Monopoly procurement will place a heavy burden on the Administration.
- (iv) There will be complaints of abuses and in regard to quality of foodgrains supplied.
- (v) For State trading arrangements to be effective, a basic national plan for procurement and distribution, to whose implementation all concerned are, fully committed, is of the greatest importance. Experience shows that when it is left to surplus States to determine what quantities they are able to spare for export, supplies to deficit States diminish unless arrangements for procurement are really effective. If the season is at all poor, the supplies become uncertain.

On the other hand, it may be urged that the basic factors to which attention has been drawn in paragraphs 13 and 15 are of such importance that the food problem cannot be satisfactorily dealt with except in terms of a food policy which can be sustained over a period, does not rely excessively on crop prospects from season to season, is consistent with the rapid development of the national economy and is capable of meeting at reasonable levels of prices the demands arising from growth in population and urbanisation. It is suggested that without such a policy in respect of food, it will be extremely difficult to assure a stable level of prices which will be fair to the producer and to the consumer and will maintain a correct relationship between the relative prices of different agricultural commodities and also between agricultural products on the one hand and industrial goods on the other. It is emphasised that the maintenance of a stable level of prices is essential to the success of planning. It is not possible to differentiate between the internal and the external value of the currency and the foreign exchange problem is itself intimately related to the maintenance of the internal purchasing power of the rupee.

32. Whichever line of policy is adopted, until the total agricultural production increases sufficiently to place the supply of food beyond doubt, inevitably difficulties have to be faced and there will be stresses and strains. These can be minimised if all concerned accept their full share of responsibility. In considering food policy, both the current situation and requirements and the imperative needs of the future have to be balanced, since the food problem is intimately connected with the larger economic problems of the country and its plans of rapid development. Whichever course is adopted, difficult decisions are involved and solutions have to be found for basic problems.

33. There are two other questions to which reference may be made in this paper. Whichever course of policy is adopted, the demands of big cities like Calcutta, Bombay, Kanpur and Madras will continue to create difficulties. There may be distinct advantage, therefore, in keeping them cordoned off. The details of arrangements for cordoning would need careful consideration, depending upon the general decisions taken. The second question concerns the determination of procurement prices for the coming kharif crop.



STATEMENT I

Production of Foodgrains—1955-56 to 1958-59—by States and all-India

(In thousand tons)

States	Rice	Wheat	Total Cereals	Total Cereals and Pulses
I. Southern Zone				
Andhra Pradesh				
1955-56	3050	7	5262	5536
1956-57	3141	5	5255	5543
1957-58	3294	4	5401	5665
1958-59	3616	4	5924	6198
Madras				
1955-56	2964	1	4436	4538
1956-57	3103	1	4662	4766
1957-58	3234	1	4761	4865
1958-59	3298	1	4833	4938
Mysore				
1955-56	1050	64	3245	3783
1956-57	949	71	2653	2947
1957-58	1031	73	3099	3399
1958-59	1110	76	3209	3508
Kerala				
1955-56	861	(a)	871	887
1956-57	873	(a)	884	901
1957-58	874	—	885	903
1958-59	881	—	892	910
II. Rajasthan—Madhya Pradesh—Bombay				
Rajasthan				
1955-56	86	907	3121	4175
1956-57	86	1315	3213	4774
1957-58	72	827	3047	3940
1958-59	84	1032	3588	5071
Madhya Pradesh				
1955-56	2873	1541	5967	7617
1956-57	3273	1704	6806	8483
1957-58	2097	1105	5155	6316
1958-59	3264	1897	7256	8899

States	Rice	Wheat	Total Cereals	Total Cereals and Pulses
Bombay				
1955-56	1411	668	6191	7255
1956-57	1485	583	6634	7714
1957-58	1376	508	6734	7677
1958-59	1709	725	7920	8936
III. Punjab—Delhi—Himachal Pradesh				
Punjab				
1955-56	212	1822	3026	4785
1956-57	277	2114	3524	5623
1957-58	296	2035	3540	5436
1958-59	316	2275	3632	6079
Himachal Pradesh				
1955-56	39	87	232	241
1956-57	39	95	242	250
1957-58	43	94	240	249
1958-59	41	93	221	231
Delhi				
1955-56	(a)	16	33	36
1956-57	(a)	12	27	31
1957-58	(a)	17	33	36
1958-59	(a)	17	30	35
IV. Orissa—West Bengal				
Orissa				
1955-56	2090	3	2182	2463
1956-57	2269	3	2362	2632
1957-58	1701	3	1754	2018
1958-59	2036	3	2091	2355
West Bengal				
1955-56	4146	47	4581	4973
1956-57	4573	27	4694	4977
1957-58	4307	19	4392	4647
1958-59	4053	24	4154	4522
V. Other States				
Uttar Pradesh				
1955-56	2547	3041	9012	11886
1956-57	2286	3115	9226	12433
1957-58	2330	2706	8530	11230
1958-59	2976	3047	9619	12848

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States	Rice	Wheat	Total Cereals	Total Cereals and Pulses
Bihar				
1955-56	3361	357	4361	5184
1956-57	3728	182	4604	5188
1957-58	2288	270	3219	3883
1958-59	4202	398	5457	6470
Jammu and Kashmir				
1955-56	213	80	472	474
1956-57	214	86	463	466
1957-58	162	78	373	376
1958-59	236	101	559	562
Assam				
1955-56	1666	1	1676	1706
1956-57	1707	1	1717	1747
1957-58	1599	1	1610	1640
1958-59	1650	1	1661	1692
Others				
1955-56	255	—	255	255
1956-57	279	—	279	279
1957-58	231	—	231	231
1958-59	249	—	249	249
VI. All-India				
1955-56	27122	8622	54923	65794
1956-57	28282	9314	57245	68748
1957-58	24885	7741	53004	62511
1958-59	29721	9694	61295	73503

## STATEMENT II

## Index Numbers of Wholesale Prices

(1952-53 = 100)

Average of months/ Average of Weeks/ ended Saturdays/ Week ended Saturday	All com- modities	Food Articles	Cereals	Pulses	Rice	Wheat	Jower
1	2	3	4	5	6	7	8
1953-54	101.2	100.1	89	72	100	93	100
1954-55	89.6	82.1	68	49	82	75	77
1955-56	99.2	94.6	88	77	78	72	67
<b>1956-57</b>	<b>105.1</b>	<b>101.7</b>	<b>99</b>	<b>83</b>	<b>97</b>	<b>88</b>	<b>123</b>
April, 1956	100.0	95.9	89	74	92	79	111
May, 1956	100.9	96.6	90	73	93	79	112
June, 1956	102.1	99.0	95	75	95	82	120
July, 1956	103.4	101.0	95	78	97	85	121
August, 1956	106.4	105.0	99	81	100	88	125
September, 1956	106.8	103.6	99	81	101	87	127
October, 1956	106.6	104.0	98	79	100	87	133
November, 1956	108.6	106.9	100	84	99	92	136
December, 1956	107.9	104.8	97	87	94	94	127
January, 1957	107.2	103.2	95	86	93	94	119
February, 1957	106.9	104.1	100	87	98	97	119
March, 1957	105.5	102.3	99	84	97	95	119
<b>1957-58</b>	<b>106.1</b>	<b>103.4</b>	<b>96</b>	<b>80</b>	<b>105</b>	<b>88</b>	<b>114</b>
April, 1957	106.5	104.3	101	84	—	—	—
May, 1957	110.3	108.6	104	85	106	90	126
June, 1957	110.8	109.6	103	86	107	89	128
July, 1957	112.4	112.1	106	89	108	89	128
August, 1957	110.9	110.5	105	85	111	89	122
September, 1957	108.7	107.1	102	82	108	87	112
October, 1957	108.9	107.0	102	83	107	88	113
November, 1957	108.6	106.7	101	82	107	87	115
December, 1957	106.3	102.9	97	80	102	86	109
January, 1958	105.6	102.2	96	79	101	86	103
February, 1958	105.0	101.5	95	76	99	84	92
March, 1958	106.1	103.4	96	80	100	84	94
<b>1958-59</b>	<b>111.7</b>	<b>112.7</b>	<b>101</b>	<b>109</b>	<b>105</b>	<b>105</b>	<b>105</b>
April, 1958	107.6	105.7	98	83	103	85	94
May, 1958	109.0	108.7	101	84	106	86	92
June, 1958	113.3	116.1	107	94	111	93	100

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### Statement II—contd.

1	2	3	4	5	6	7	8
July, 1958	115.9	119.8	112	103	115	97	106
August, 1958	116.3	121.4	116	105	118	101	109
September, 1958	116.1	120.6	113	105	118	105	108
October, 1958	116.0	121.0	113	113	115	109	107
November, 1958	112.5	115.1	107	112	108	112	105
December, 1958	110.8	112.2	104	110	98	114	104
January, 1959	113.7	116.2	107	123	92	125	107
February, 1959	112.0	113.7	103	114	92	124	112
March, 1959	111.7	112.7	101	109	92	114	110
April, 1959	111.5	112.1	98	90	95	100	108
May, 1959	114.6	116.9	100	97	98	92	112
June, 1959	115.6	118.7	101.8	96.1	103.1	92.9	115.7
July, 1959	116.8	121.0	107.0	95.7	109.3	94.6	119.5
August 8, 1959	117.4	122.7	110.7	93.6	114.5	97.0	122.0

STATEMENT III

Month-end Wholesale prices of Rice

(Rs. per maund)

State/Centre	Variety	Year	January	April	July	October
1	2	3	4	5	6	7
<b>Andhra Pradesh</b>						
Kakinada.	2nd Sort	1956	14.75	16.50	18.50	19.50
		1957	18.50	10.00	21.00	19.00
		1958	17.00	17.00	19.37	21.00
		1959	17.00	19.50	21.50	21.25 (22-8-59)
			(Akkalu)	(Akkulu)	(Akkulu)	
Nellore.	2nd Sort	1956	13.50	N.Q.	16.75	19.00
		1957	19.50	19.69	N.Q.	17.00
		1958	17.00	17.00	17.00	17.50
		1959	N.R.	23.00	23.50	23.50 (24-8-59)
			(1st Sort)	(1st Sort)	(1st Sort)	
<b>Assam</b>						
Haikandi.	Sali	1956	15.00	19.50	—	23.75
		1957	17.25	21.50	22.50	20.00
		1958	17.50	19.25	22.75	20.75
		1959	18.25	19.50	27.25	22.00 (22-8-59)
Badati.	Sali	1956	16.00	21.00	21.50	22.50
		1957	21.50	22.50	25.00	25.00
		1958	19.00	22.00	23.00	24.00
		1959	18.00	18.10	20.00	20.00 (22-8-59)
			(Arwa)	(Arwa)	(Arwa)	
<b>Bihar</b>						
Jayanagar.	Coarse	1956	15.00	18.00	17.00	19.00
		1957	18.00	21.50	23.50	24.37
		1958	20.50	25.30	26.75	23.00
		1959	19.00	20.75	22.00	22.25 (24-8-59)
Ranchi.	Coarse	1956	14.50	17.00	19.00	17.75
		1957	17.50	19.00	21.75	23.00
		1958	20.00	22.50	25.75	20.62
		1959	18.25	20.44	23.50	21.75 (22-8-59)



## Summary Record of Discussions of the NDC Meetings

(Rs. per maund)

State/Centre	Variety	Year	January	April	July	October
1	2	3	4	5	6	7
<b>Bombay</b>						
Chiplun.	Coarse	1956	17.00	19.00	22.00	19.00
		1957	19.00	20.50	23.00	20.00
		1958	22.00	22.00	26.50	24.00
		1959	22.00	24.00	30.00	30.00 (24-8-59)
Kalyan.	Jada	1956	14.50	20.00	17.37	19.00
		1957	18.00	18.75	22.00	21.25
		1958	20.00	22.00	27.00	26.00
		1959	21.00	24.00	27.00	26.00 (22-8-59)
			(Inferior)	(Inferior)	(Inferior)	
<b>Kerala</b>						
Kozhikode.	2nd Sort	1956	14.50	16.50	21.50	20.50
		1957	18.25	10.00	20.75	18.50
		1958	10.00	19.00	19.00	20.00
		1959	19.50	20.50	24.00	22.25 (24-8-59)
Trivandrum.	Samba	1956	16.75	18.81	21.31	16.50
		1957	19.25	18.50	18.25	18.00
		1958	17.75	19.00	20.75	18.00
		1959	20.07	22.32	23.07	22.06 (22-8-59)
			(Pasanki)	(Pasanki)	(Pasanki)	
<b>Madhya Pradesh</b>						
Raipur.	Curmatia	1956	12.25	15.50	17.00	17.50
		1957	17.00	18.50	21.00	20.75
		1958	16.00	15.50	17.50	15.00
		1959	11.00	14.75	16.00	16.00 (22-8-59)
			(Raw)	(Raw)	(Raw)	
Jagdalpur.	Coarse (H.P.)	1956	9.75	14.50	15.50	14.00
		1957	13.25	14.37	17.00	17.25
		1958	12.00	14.25	16.25	14.50
		1959	13.00	14.00	13.50	13.25 (21-8-59)
<b>Madras</b>						
Kumbakonam.	2nd Sort	1956	14.25	16.50	20.50	20.50
		1957	17.00	18.75	18.70	18.25
		1958	18.56	17.75	20.12	22.75
		1959	19.00	—	22.75	22.31 (24-8-59)
			(Kattaisamba)	(Kattaisamba)		
Madras.	2nd Sort	1956	13.75	17.44	18.81	19.87
		1957	18.62	18.50	17.99	17.78
		1958	19.27	19.00	21.00	23.25
		1959	18.25	—	23.87	22.87 (24-8-59)
			(Sirumani)	(Sirumani)		

**Thirteenth NDC Meeting**

(Rs. per maund)

State/Centre	Variety	Year	January	April	July	October
1	2	3	4	5	6	7
<b>Mysore</b>						
Shimoga.	Big	1956	10.59	14.12	15.31	16.00
		1957	14.31	16.00	18.31	16.50
		1958	16.16	17.50	19.60	19.34
		1959	17.00	—	18.66	18.66 (24-8-59)
Nandgad.	Coarse	1956	13.00	16.00	16.00	16.00
		1957	17.00	18.50	20.00	18.00
		1958	15.50	18.00	18.00	16.00
		1959	15.50	16.50	18.00	18.66 (24-8-59)
<b>Orissa</b>						
Balasore.	Common	1956	15.00	17.00	18.00	18.00
		1957	15.00	16.00	16.00	14.50
		1958	15.50	14.50	17.50	18.00
		1959	14.00	16.25	17.00	18.00 (21-8-59)
Cuttack.	Coarse	1956	13.31	16.56	19.50	18.50
		1957	15.75	15.00	16.75	17.00
		1958	15.12	15.12	18.29	16.56
		1959	12.19	12.68	15.62	15.62 (24-8-59)
<b>U.P.</b>						
Nowgarh.	III	1956	15.00	17.75	19.00	17.50
		1957	18.62	20.00	23.75	23.00
		1958	23.00	23.50	25.50	23.12
		1959	23.00 (Ranbhog)	17.12R (IV Sela)	17.50R (IV Sela)	17.37 (IV Sela) (22-8-59)
Saharanpur.	IV A	1956	15.00	16.50	17.50	17.50
		1957	17.75	20.00	23.00	22.25
		1958	21.50	23.00	26.00	22.00
		1959	24.00 (Ramjawani Arwa)	26.12 (Ramjawani Arwa)	21.25 (Gadra Arwa)	22.00 R (Gadra Arwa) (24-8-59)
<b>West Bengal</b>						
Calcutta.	Coarse	1956	15.75	19.25	19.50	19.25
		1957	19.75	21.50	22.00	22.00
		1958	24.00	22.75	26.50	26.00
		1959	17.00C	18.25C (Medium)	30.37 (Medium)	28.00 (Medium) (24-8-59)
		20.80 (Retail)	21.60 (Retail)			

## Summary Record of Discussions of the NDC Meetings

(Rs. per maund)

State/Centre	Variety	Year	January	April	July	October
1	2	3	4	5	6	7
Contai.	Coarse	1956	14.25	17.75	19.50	19.75
		1957	17.00	18.00	19.00	20.00
		1958	19.50	19.50	21.00	24.75
		1959	16.50C	16.50C	29.00	26.26 (24-8-59)
			19.18 (Retail)	19.87 (Retail)		
Sadar. (Cooch-Bihar)	Coarse	1956	17.50	18.50	19.50	22.00
		1957	19.00	22.44	24.00	23.50
		1958	26.00	27.50	28.00	32.50
		1959	17.75C	17.75C	26.50	26.00 (22-8-59)
			18.80 (Retail)	20.00 (Retail)		

R—Relates to transactions less than ten maunds.

C—Controlled rates.

N.Q.—Not Quoted.

*Month-end wholesale prices of wheat*

(Rs. per maund)

State/Centre	Variety	Year	January	April	July	October
1	2	3	4	5	6	7
<b>Bihar</b>						
Khagaria.	Red	1956	14.50	13.00	15.37	15.50
		1957	16.00	15.00	18.00	17.00
		1958	14.00	17.00	18.25	20.00 (White)
		1959	25.00	19.00	18.00	20.00 (White)
			(White)	(White)	(White)	(22-8-59)
<b>Bombay</b>						
Dhanduka.	Red	1956	15.00	15.50	15.00	16.00
		1957	17.00	17.00	18.00	16.50
		1958	16.00	18.00	16.00	22.00
		1959	27.00	18.00	20.50	19.00
						(24-8-59)
Rajkot.	Red	1956	16.50	15.00	16.05	16.87
		1957	19.25	17.50	18.31	18.19
		1958	16.80	16.00	18.80	21.56
		1959	24.75	20.12	20.82	20.70 (24-8-59)
<b>Madhya Pradesh</b>						
Sagar.	Coarse (Pissi)	1956	14.50	14.75	15.25	14.87
		1957	16.44	13.31	12.00	13.50
		1958	13.50	14.37	18.37	22.75
		1959	26.00	14.00	14.75	14.87 (24-8-59)
Bhopal.	Coarse (Pissi)	1956	17.06	12.31	15.69	15.00
		1957	15.50	14.62	14.75	12.62
		1958	13.00	14.31	18.50	22.50
		1959	25.50	13.17	15.00	15.62 (24-8-59)
<b>Punjab</b>						
Moga.	591	1956	15.00	14.25	15.50	16.62
		1957	18.06	17.50	17.50	15.94
		1958	15.00	14.00	15.31	16.94
		1959	22.25	17.87	15.75	15.75 (24-8-59)
Abohar.	Coarse	1956	14.00	13.50	15.25	15.25
		1957	16.19	15.56	14.75	14.25
		1958	13.75	12.75	14.62	16.00
		1959	19.25	17.02	14.42	14.62
						(dara) (24.8.59)
<b>Rajasthan</b>						
Kotah.	Red	1956	14.00	—	16.00	16.00
		1957	15.00	14.25	15.75	12.75
		1958	10.75	12.50	15.50	20.50
		1959	18.25	15.50	16.50	16.75 (24-8-59)

## Summary Record of Discussions of the NDC Meetings

(Rs. per maund)

State/Centre	Variety	Year	January	April	July	October
1	2	3	4	5	6	7
<b>U.P.</b>						
Hapur.	Average quality	1956	16.62	13.00	14.31	15.00
		1957	16.12	15.50	18.00	15.75
		1958	15.37	14.81	20.00	24.50
		1959	26.75	17.50	19.00R	19.75R (24-8-59)
Chandausi.	FAQ	1956	14.00	12.87	15.00	15.25
		1957	17.25	15.19	16.12	15.44
		1958	15.50	14.75	19.50	22.87
		1959	26.00	15.87	17.94R	16.50R
				(Mixed)	(Mixed)	(24-8-59) (White)
<b>Delhi</b>						
Delhi.	Dara	1956	14.75	13.00	14.50	15.50
		1957	16.00	17.00	15.50	14.50
		1958	14.50	14.25	15.25	16.50
		1959	21.25	16.00	14.50	15.00 (24-8-59)

R—Relates to transaction of less than 10 maunds.

**STATEMENT IV**

**Population by States : Estimates based on 1951 Census**

(In Millions)

States	Census				C.S.O. Projections		
	1951	1956	1959	1960	1956	1959	1960
1. Andhra	31.26	33.52	34.88	35.35	33.81	35.85	36.53
2. Assam	9.04	9.92	10.46	10.65	9.88	10.53	10.74
3. Bihar	38.78	40.86	42.08	42.49	41.38	43.55	44.27
4. Bombay	48.27	52.96	55.81	56.79	53.11	56.85	58.09
5. Kerala	13.55	15.11	16.07	16.40	15.17	16.36	16.76
6. Madhya Pradesh	26.07	27.25	27.94	28.17	27.64	28.97	29.41
7. Madras	29.97	32.25	33.60	34.06	32.58	34.62	35.30
8. Mysore	19.40	21.32	22.48	22.88	21.54	23.04	23.54
9. Orissa	14.65	15.12	15.41	15.51	15.36	16.06	16.29
10. Punjab	16.14	16.93	17.39	17.55	17.76	18.98	19.39
11. Rajasthan	15.97	17.22	17.97	18.22	17.56	18.80	19.21
12. Uttar Pradesh	63.22	67.08	69.36	70.14	67.82	71.68	72.97
13. West Bengal	26.30	28.10	29.16	29.53	27.64	28.87	29.28
14. Jammu & Kashmir	4.41	4.63	4.75	4.80	4.78	5.10	5.20
<b>TOTAL STATES</b>	<b>357.03</b>	<b>382.27</b>	<b>397.36</b>	<b>402.54</b>	<b>386.03</b>	<b>409.26</b>	<b>417.01</b>
Others	4.59	5.08	5.39	5.51	5.37	5.78	5.91
<b>Grand Total</b>	<b>361.62</b>	<b>387.35</b>	<b>402.75</b>	<b>408.05</b>	<b>391.40</b>	<b>415.04</b>	<b>422.92</b>



## STATEMENT V

### Government purchases of rice including Paddy in terms of rice

(In Thousand Tons)

S. No.	State	1956-57 (Dec. to Nov.)			1957-58 (Dec. to Nov.)			1958-59 (December)		
		By Central Govt.	By State Govt.	Total	By Central Govt.	By State Govt.	Total	By Central Govt.	By State Govt.*	Total
1	2	3	4	5	6	7	8	9	10	11
1.	All India	104	36	140	296	194	490	721	518	1,239
2.	Andhra Pradesh	68	—	68	182 (a) 12 (b)	—	194	96 upto (16-8-59)	—	96
3.	Assam	—	—	—	—	22	22	—	47	47
4.	Bihar	—	—	—	—	—	—	—	20	20
5.	Madhya Pradesh	—	—	—	—	3	3	386 (16-8-59)	63	449
6.	Orissa	36	12	48	2	54	56	155 (17-8-59)	10	165
7.	Punjab†	—	—	—	100 (c)	—	100	84 (13-8-59)	—	84
8.	Madras	—	—	—	—	—	—	—	108	108
9.	Mysore	—	—	—	—	13	13	—	29	29
10.	Kerala‡	—	7	7	—	21	21	—	49	49
11.	Uttar Pradesh	—	—	—	—	—	—	—	92	92
12.	West Bengal	—	9	9	—	77	77	—	71	71
13.	Jammu and Kashmir	—	5	5	—	1	1	—	28	28
14.	Tripura	—	—	—	—	1	1	—	}	1
15.	Manipur	—	3	3	—	2	2	—		
16.	Rajasthan	—	—	—	—	—	—	—		

\*Information as available on 22-8-59.

†Purchases from Nov. to Oct.

‡Includes purchases made from Andhra Pradesh.

(a) Includes purchases of about 10 thousand tons not materialised during the year 1957-58.

(b) Purchased during December 1957 out of 1956-57 crop.

(c) Includes purchases of about 9 thousand tons not materialised during the year 1957-58.

**STATEMENT VI****Government purchases of Wheat\* during the year 1959**

(In thousand tons)

S.No.	State	By State Govt.
1.	All India	187
2.	Madhya Pradesh	39 (upto 3-8-59)
3.	Punjab	114 (upto 15-7-59)
4.	Uttar Pradesh	25 (upto 18-8-59)
5.	Rajasthan	9 (upto 12-8-59)

\*During the years 1956 to 1958, Central and State Govts. did not make purchases of wheat.

**METHODS OF PROCUREMENT FOLLOWED IN THE DIFFERENT STATES  
DURING 1947—1953 AND QUANTITIES PROCURED**

*(Planning Commission)*

During the period 1947—1953 procurement of foodgrains was in force in the different States. The method adopted varied from State to State. Broadly speaking the systems adopted were the following: —

- (1) The intensive procurement system.
- (2) A system of levy on the producers.
- (3) A system of monopoly purchase.
- (4) A levy-cum-monopoly system.
- (5) A system of levy on the traders.

The statement below shows the methods of procurement followed in the different States and the quantities procured.

**1. Composite Madras State**

The intensive procurement system was adopted in the State.

Under this system the surplus of each producer was assessed. The yield from each field was estimated and after deducting from the estimated yield the producer's own requirements for consumption, seed, wages of labourers, etc., the balance was procured direct from him through procurement agents appointed by the Government. The quantities of rice procured year after year from 1947 to 1952 are as follows:—

(‘000 tons)

Year	Quantities
1947	1566
1948	1011
1949	1328
1950	1027
1951	963
1952	648

Local procurement was suspended in Madras from the beginning of June 1952.

Quantities of other grains procured were negligible in comparison with the procurement of rice.

## 2. Bombay

In Bombay the levy method was followed. This differed from the Madras system to the extent that it did not aim at taking away the *entire* surplus of a producer. It aimed at taking by compulsion, at fixed prices, from the producer direct, the substantial surplus available with him. The production in each field was, however, not taken into account but the surplus was estimated according to a series of formulae. The balance of the surplus left to the producer was collected by monopoly system, the Government becoming the sole purchaser of such additional quantities of foodgrains as a producer may wish to sell. Under this system except for transactions in quantities not exceeding 3 lbs. at a time between villagers, all sales of grains to anyone other than the Government were prohibited. This was the monopoly in Government hands.

The quantities procured were as follows:—

('000 tons)

Year	Quantities			Total
	Rice	Wheat	Others	
1947	129	17	224	370
1948	12	1	3	16
1949	197	32	327	556
1950	170	115	288	573
1951	147	97	133	377
1952	151	55	180	386
1953	207	59	12	278

## 3. Madhya Pradesh

The trader levy system was followed in this State. Under this system, there was no procurement from the producer. Traders were licensed. There was no interference with the normal marketing process but Government took a fixed proportion of the supplies passing through each trader's hands at a fixed price. The trader was allowed to do as he wished with the balance. In regard to prices, there was a free market at all stages. Government endeavoured at influencing the price-level by buying a proportion of each trader's turn-over at a fixed price and by undertaking distribution through fair price shops.

The quantities procured were as follows:—

('000 tons)

Year	Quantities			Total
	Rice	Wheat	Others	
1947	329	1	24	354
1948	240	4	17	261

## Summary Record of Discussions of the NDC Meetings

1949	247	6	1	254
1950	211	20	1	232
1951	145	16	31	192
1952	257	17	76	350
1953	284	8	19	382

### 4. Punjab

In the Punjab, monopoly procurement system was in force. The Government permitted practically no transaction or movement of grain as between the villages but allowed freedom within the village itself. Anything which came out of the village had to be sold to the Government or to a Government agent at a fixed price.

The quantities procured were as indicated below:—

('000 tons)

Year	Quantities			Total
	Rice	Wheat	Others	
1947	6	47	14	67
1948	6	46	15	67
1949	43	213	53	309
1950	73	337	13	423
1951	81	235	18	334
1952	56	260	31	347
1953	105	30	1	136

### 5. Uttar Pradesh

Two main systems of procurement were followed. For the Kharif grains a monopoly procurement system was adopted and for the Rabi grains a levy system was followed up to the year 1949-50. From 1950-51 the levy system for Rabi grains was also given up and monopoly procurement system was adopted. Under the former, the monopoly purchase was enforced by section 3 of the U.P. Foodgrains Control Order, 1949. Sales of controlled foodgrains were restricted to recognised markets, purchasing centres and regulated towns. Dealers in these foodgrains were required to take a licence and no one could buy or sell foodgrains in excess of 20 maunds except under a licence. There were some minor exemptions from these restrictions. At these centres, Government purchased stocks at a fixed procurement price through agents. In addition, all rice mills had to sell their production of rice to Government at a fixed procurement price. Movement bans were also imposed on homogenous surplus rice producing tracts and procurement confined to them. Transactions which did not come within the purview of the above order, i.e. the open market transactions, were not subject to any price control.

In respect of Rabi grains, levy scheme continued up to 1949-50. Under this scheme movement restrictions were imposed only during the procurement season. Each cultivator was required to

surrender to Government at controlled rate at certain purchasing centres a quantity of Rabi grains related to the value of the rent paid by him and his irrigation dues. A distinction was made between smaller and larger holdings. From 1950-51, monopoly procurement system was applied to Rabi grains also which was substantially the same as for Kharif grains.

The quantities procured were as follows:—

('000 tons)

Year	Quantities			Total
	Rice	Wheat	Others	
1947	88	229	84	401
1948	34	—	1	35
1949	132	154	28	314
1950	154	297	72	523
1951	115	198	129	442
1952	41	291	154	486
1953	57	—	10	67

## 6. Bihar

In respect of rice the four surplus districts were cordoned off and a monopoly on the primary wholesale markets instituted. All stocks at the purchasing centres, which covered important markets could only be sold to Government with the exception that any person, whether a retailer or a consumer, could purchase up to 3 maunds at a time from the market arrivals. It may be noted that the monopoly was not extended to all markets but confined to certain specific centres and that there was no price control. The Government purchases were naturally made at fixed rates; even in the purchasing centres of Government, the consumer's demand was allowed to operate. Virtually, therefore, there was no monopoly.

In regard to wheat there was a theoretical monopoly in four districts on the same basis as the rice monopoly but procurement was negligible. After some time a levy was introduced on Atta Mills. There was, however, practically no wheat procurement. In regard to gram a system of levy on all quantities exported by traders from the two surplus districts was adopted. Outside movement from these districts was allowed only on permits.

The quantities procured were as follows:—

('000 tons)

Year	Quantities		Total
	Rice	Wheat	
1947	97	3	100
1948	53	—	53



## Summary Record of Discussions of the NDC Meetings

1949	48	—	48
1950	39	1	40
1951	36	—	36
1952	24	—	24
1953	24	—	24

### 7. West Bengal

The Government purchased grain in three ways, all of which could be used simultaneously. The first method of procurement, which had yielded the largest results, was through rice mills. There was a complete Government monopoly on the produce of rice of all mills throughout the State. The rice-mills were bound to deliver grain to the Government at a fixed price. The only exception to this rule were the small husking-mill machines in small towns and villages. The second method of procurement was direct procurement through agents. Paddy was procured at particular centres, usually not served by rice-mills. They received commission on the quantities procured by them. The third method of procurement was that of requisitioning. It was used as and when required.

The quantities of rice procured were as follows:—

(‘000 tons)

Year	Quantities
1947	447
1948	463
1949	437
1950	473
1951	432
1952	318
1953	230

### 8. Assam

In Assam the monopoly system of procurement was adopted. All persons other than producers dealing in rice or paddy in quantities exceeding 10 maunds in a single transaction were required to take out licences. The licensees were not permitted to sell paddy or rice to any one except to Government or to a licensed mill in the case of paddy. Licensed millers were similarly required to sell the rice produced by them only to Government. In order to strengthen the system of monopoly, certain restrictions on the movement from particular areas to others were also imposed. In actual practice, however, the system was worked very loosely and leakages and exceptions were frequently the rule.

The quantities of rice procured were as follows:—

('000 tons)

Year	Quantities
1947	119
1948	106
1949	173
1950	150
1951	69
1952	72
1953	143

**9. Orissa**

The system of procurement was based on a monopoly. No person could purchase or sell rice or paddy in wholesale quantities (defined as 10 maunds or more per day) except to an authorised agent of the Government.

The quantities of rice procured were as follows:-

('000 tons)

Year	Quantities
1947	132
1948	177
1949	168
1950	121
1951	89
1952	181
1953	308

**10. Hyderabad**

The procurement system adopted was similar to that in force in Bombay.

The quantities procured were as follows:—

('000 tons)

Year	Quantities			Total
	Rice	Wheat	Others	
1947	50	1	97	148
1948	96	2	143	241

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1949	80	3	56	139
1950	72	7	75	154
1951	62	7	90	159
1952	57	5	120	182
1953	31	—	38	69

#### 11. Mysore

The method adopted was the intensive procurement by levy on producer similar to the one in Madras.

The quantities procured were as follows:—

(‘000 tons)

Year	Quantities		Total
	Rice	Others	
1947	87	49	136
1948	77	10	87
1949	83	41	124
1950	96	45	141
1951	91	44	135
1952	80	16	96
1953	61	—	61

#### 12. Travancore-Cochin

The intensive procurement system by levy on producer was followed.

The quantities of rice procured were as follows:—

(‘000 tons)

Year	Quantities
1947	83
1948	70
1949	73
1950	69
1951	64
1952	53
1953	27

**13. Saurashtra**

Land revenue was collected in kind. In addition a levy was imposed. The quantities to be surrendered depended on the extent of the holding. Further, Government endeavoured to purchase whatever it could on a voluntary basis; in the case of these purchases a bonus was paid over and above the procurement price. The quantities procured were not significant except in 1950 and 1951.

**14. Madhya Bharat**

A small quantity of rice was procured in one or two surplus Tehsils by banning the movement from those Tehsils and setting up a monopoly at selected marketing centres as well as on all mills. For jowar and wheat a levy system was adopted. In addition, at specified purchasing centres, only Government could buy. In 1947 and 1948 the quantities procured were negligible. The maximum quantity procured was in 1950, viz. 158,000 tons of different kinds of grains.

**15. Rajasthan**

A system of levy on the cultivators or on Jagirdars was adopted. A certain quantity of foodgrains at the rate of so much per acre had to be delivered to the Government. The levy depended on the soil classification but the rate of levy was not graded to the extent of the holding. The quantities procured were negligible except in the 3 years 1949, 1950 and 1951. The maximum quantity procured were in 1949, viz. 127,000 tons.

**16. Pepsu**

A statutory price control was enforced, but there was no restriction on trade or on movement of foodgrains except in a few deficit districts. Government procured grain by tender and also through grain dealers' associations and in small quantities by direct purchase from the producers at fixed prices. The maximum quantities procured were in 1953, viz. 153,000 tons.

17. Quantities procured in Ajmer, Bhopal and other part 'C' States were negligible.

18. The quantities of foodgrains procured throughout the country during 1947 to 1953 were as follows:—

('000 tons)

Year	Quantities			Total
	Rice	Wheat	Others	
1947	3146	315	618	4079
1948	2367	60	223	2650
1949	3074	557	747	4378
1950	2707	1115	795	4617
1951	2376	787	603	3766
1952	1987	780	655	3422
1953	1688	209	164	2061

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### MAIN CONCLUSIONS OF THE REPORTS ON THE ENQUIRY INTO THE PACE AND PATTERN OF MARKET ARRIVALS OF RICE AND WHEAT IN THE 1958-59 CROP SEASON, CONDUCTED BY AGRO-ECONOMIC RESEARCH AND FARM MANAGEMENT CENTRES IN JULY 1959.

1. Towards the middle of July 1959, the Agro-Economic Research Centres located at the Delhi School of Economics, Delhi; Visvabharati University, Santiniketan; University of Madras, Madras; Rafi Ahmed Kidwai Agricultural Institute, Sehore, Madhya Pradesh; and the Farm Management Centres located at Andhra University, Waltair (Andhra Pradesh) were requested to conduct a quick enquiry into the pace and pattern of the flow of rice and wheat from rural areas into the markets and the subsequent disposal of supplies by wholesale traders/millers in the 1958-59 crop season (April-March for wheat and October to September for rice). The enquiry was also intended to assess the factors responsible for any changes in the behaviour of the producers, traders and consumers in the current crop season from their behaviour in the previous crop season. Owing to the limitation of time imposed by the necessity to complete the survey in about three weeks, it had to be confined to only a few markets in different parts of the country. The survey was organised both at the market centres and in the villages (generally 6 to 8) selected from the hinterland of each market centre. In each village, a number of producers, including small, medium and substantial, were interviewed. Some investigations were also made in a few small or feeder markets situated in the neighbourhood of main market centres. The information collected from growers in the villages and the trading community in the main and feeder markets was supplemented by that collected from State Government officers, Railways, Cooperative Departments, banks, traders' associations, market committees, etc.

2. The following main markets were covered by the different Agro-Economic Research/Farm Management Centres:—

Agro-Economic Research/Farm Management Centre	State	Commodity	Markets
Delhi	U.P.	Wheat	Hapur and Chandausi
	Punjab	Wheat	Moga, Bhatinda and the smaller markets of Kot-Kapura, Jaitu and Barnala.
Santiniketan	W. Bengal	Rice	Bolpur and Burdwan
	Orissa	Rice	Balasore
	Bihar	Rice and Wheat	Begusarai and Monghyr.
Sehore	Madhya Pradesh	Wheat	Itarsi
Madras	„	Rice	Raipur
	Madras	Rice	Tanjore, Tirunelveli and Coimbatore
Waltair	Andhra Pradesh	Rice	Tadepalligudem, Bhimavaram, Nellore and Warrangal.

As was foreseen at the time of starting the survey, the investigation staff encountered, in varying degrees in different places, concealment and suppression of facts both by producers and traders/millers. However, efforts have been made to obtain as reliable a picture of the current position as possible on the basis of independent judgement. It would be appreciated that in the short time that was available, it could not have been possible to conduct any full-scale statistical enquiry. The selection of markets, villages and cultivators had necessarily to be purposive (for details *vide* Annexure).

3. A commodity-wise analysis of the main findings of the Survey is given below:—

## **WHEAT**

### ***Disposal of Produce by the Growers***

4. The information collected from various sources in villages and market towns indicate that producers in U.P., Punjab and Madhya Pradesh have, despite larger output, sold much smaller quantities in the current season than they did in the previous season. This feature of the producer's behaviour has been noticed particularly in U.P. Stocks withheld by the producers in the current harvest season are much larger than in the previous season and this is confirmed by the data supplied by the producers themselves. Although the data on quantities furnished by them have been considerably under-stated, and the reasons for holding stocks have often been stated to be the requirements for seed and consumption, there is no doubt that the stocks withheld by them are fairly large. A major portion of the stocks is in the hands of medium and big cultivators and not with small producers. There has been a tendency on the part of growers in some areas of Madhya Pradesh to pay wages in wheat instead of the usual practice of payment in gram. This change has been induced by high prices of gram relatively to those of wheat.

### **Market Arrivals and Stocks**

5. *Pace of arrivals.*—The volume of market arrivals of wheat in the post-harvest, months of the current year has been much smaller than in the corresponding months of the previous year in the States of U.P. and Punjab. In Madhya Pradesh, the situation differs from market to market, but in the area covered by the survey, market arrivals in the current crop season *have* been less than in the corresponding period of the previous year. In the Punjab markets, wheat arrivals have been reported to be approximately as much as 10 to 40 per cent less during the period April to mid-July, 1959 than in the corresponding period of last year. In U.P., arrivals have been only a small fraction of the normal. The pace of arrivals in both Punjab and U.P. was slow in all the markets from the very beginning of the post-harvest period this year. However, in Punjab, arrivals have been continuous over the entire post-harvest period and have actually increased in volume from week to week upto mid-July. In fact, during the more recent weeks, arrivals in all the Punjab markets were higher this year than in the corresponding period of last year. In Madhya Pradesh too, current season's arrivals compared with those in the corresponding period of the previous season were lower up to May but larger thereafter when the Government purchase policy based largely on voluntary offers by traders was made known. On the other hand, in U.P., arrivals were significant only upto the 5th May, 1959—the date on which the Food and Civil Supplies authorities of the State Government raided the various markets under the provisions of the U.P. Wheat Procurement (Levy) Order and the U.P. Wheat- Price Control Order. After this, wheat arrivals diminished considerably and at many markets



became just negligible. In U.P. markets a tendency was noticed for arrivals to be in small quantities to which price control did not apply. No estimates of such arrivals are available, but it seemed clear that they were not substantial and were just enough to meet the requirements of current consumption in local markets.

6. *Stocks in the markets.*—In U.P., no significant stocks seem to have been built up by the wholesale traders, as the arrivals in the market from early May have been very poor and sufficient at best only to meet the demands of local consumers. The small stocks built up by them before the enforcement of the Levy Order, when arrivals were significant, were also quickly disposed of by the traders after handing over 50 per cent. of these stocks to Government as required under the Levy Order. In Punjab, some stocks have been built up by wholesale traders, mainly after the State Government had stopped its own purchases of wheat and when the arrivals increased considerably. Prior to that, a large part of the arrivals in the market had been procured by Government and the supplies left over after State purchases were purchased by the traders for purposes of quick distribution over the areas within the wheat zone. In Madhya Pradesh also, traders do not appear to have much of stock with them. They consider it more profitable to trade in and hold stocks of, commodities like Gur, gram and oilseeds which have good market in other States and are also free from Government control. Thus in U.P. as well as in Punjab, stocks of wheat are largely with the growers. In Punjab, to some extent, wholesalers apart from the Government are also in possession of stocks. Some stocks are also lying with retailers in towns and the local consumers in the market towns and in villages. The consumers, with their unpleasant experience of last year's high prices, are reported to have provided for their consumption requirements for a longer period this year. The retailers are reported to be holding larger stocks for meeting the current demand of the consumers. The magnitude of these stocks is, however, difficult to estimate.

### Causes of Low Arrivals

7. *Producer's role.*—Arrivals in the current season have been affected partly by changes in the market behaviour of growers. Their experience of last year's high prices as well as the relatively lower prices prevailing in the current season have induced the grower to currently withhold stocks of wheat from the market in expectation of realizing higher prices in the later months, or to ensure themselves against the risk of having to re-purchase wheat for consumption or seed requirement at higher prices later in the year. Uncertainty about the prospects of the coming kharif crop, since it depends so much upon the timeliness and adequacy of rainfall, has also affected the quantities that they would like to retain, at least until September or October. In U.P., operation of price control and State levy has led the producers to sell in small quantities directly to retailers or consumers who are willing to offer higher prices than those fixed for wholesale transactions.

The prices fixed by the U.P. Government on the 5th May, 1959 are regarded by the producer as unfair to him, because the open market prices immediately before that date were generally higher than the controlled rates. It is, however, difficult to say whether the producer's changed market behaviour has been largely determined by his experience of high prices last year or by the fixation of what, in his judgment is an uneconomic price in the current season. In any case, the producer is certain that he can sell his produce at any time to Government at the fixed price. Therefore, he thinks that it may be worth his while to hold on to his produce for some time and look for better prices at some future date. The relative cheapness of wheat in comparison with such crops as gram, peas and other pulses and oilseeds, also appears to have induced the cultivator in U.P., Madhya Pradesh and Punjab to sell more of these commodities at the prevailing high prices

and to keep back his wheat in anticipation of higher prices later. This seems to account for the increase in market arrivals of these crops. In Madhya Pradesh, as already stated, the producer has tended to make wage payments in wheat rather than in gram.

The price consciousness of the producer has been combined with his capacity to withhold his produce. The outturn of crops other than wheat has also been very good in the current year in all these wheat-producing States. Larger output of these crops together with their high prices has enabled the producer to realise enough cash income to meet his immediate needs and in certain areas of Madhya Pradesh, even the cash needs for a number of months ahead. He is, therefore, not under the compelling necessity to part with his wheat harvest immediately. Moreover, the producer has had better access to cash resources including co-operative credit and Government loans and grants this year than in the previous year. It was found for example that the increase in the extent of credit supplied by the co-operatives in some villages near Chandausi and Hapur has been as much as 60 per cent.

8. **Trader's role.**—Traders do not appear to have been directly responsible for low arrivals of wheat. They do not seem to have dissuaded the cultivators from bringing their produce to the market either secretly or by open propaganda. Only an indirect part can be said to have been played by a section of *kachha arhatiyas* of U.P. markets who have secretly arranged for the disposal of wheat to consumers or to retailers, thus indirectly assisting the cultivator to market his produce at higher prices by circumventing the levy and price control. But as already mentioned the magnitude of such transactions has not been large. There was also no substantial evidence of traders doing the risky business of purchasing wheat from the producers at higher than Government price and stocking the produce within the villages on an extensive scale. Finding less scope in wheat trade, the wholesaler seems to have shifted his investment resources to other crops, in respect of which market arrivals have increased and there is freedom from Government control. There does not seem to be any incentive for him for an organised attempt to defeat the purpose of Government trading and controls.

9. **Role of Government policy.**—In Punjab, neither price control nor compulsory levy is in force. Government has not interfered with the normal process of price formation. All that it has been done is to reserve to itself the right of prior purchase at fixed prices. The market price of wheat is determined in the normal course of bidding at the mandi. Pressure was, however, brought on the traders by such means as threat of cancellation of trade licences, to prevent them from bidding high. Since the Government made its purchases through a syndicate of wholesale traders who worked as commission agents for the Government, it was not difficult to prevent the bids from rising very high. On the whole, the Government policy did not result in any dissatisfaction or opposition and seems to have had no significant effect on the flow of market arrivals, while it helped in Government procurement and in curbing speculative stock-building by the traders. In U.P., on the other hand, the fixation of maximum prices at levels lower than that ruling in the open market at that time or afterwards, and the imposition of a 50 per cent. levy on wholesalers including *kachha arhatiyas* has affected the flow of supplies in the ways already explained. The scheme did prevent speculative stock-holding by traders, but there has instead been larger withholding of stocks by the producer. In Madhya Pradesh, in the absence of clarification of Government policy till the middle of May, there were apprehensions about possible introduction of compulsory methods of procurement such as levy, and this affected the flow of supplies in the months of March and April in the current year.

### Current Situation

10. *Urban supplies.*—In Punjab, supplies of wheat for current urban consumption have been available in the market, though on a somewhat reduced scale, and stocks have been built up by traders as well as by the Government. In Madhya Pradesh, too, urban supplies for current consumption appear to be adequate. In U.P., the supplies for current consumption in local markets in surplus areas have been maintained through unrecorded arrivals sold on a retail basis, while supplies in towns of the deficit areas have been sustained by the release of the 50 per cent of the stocks of traders, which have been allowed to be transported from surplus areas under the permit system.

However, the main problem is the maintenance of adequate supplies in the lean period. In Punjab, where the traders have been allowed to carry on their normal trade and have also been able to build up some stocks after the stoppage of Government purchases, the shortage of wheat supplies would, in view of reduced arrivals, be felt in the lean period, unless producers see their way to release the withheld stocks or are made to do so. As for U.P., the continued maintenance of adequate supplies in the deficit areas of U.P. is doubtful except through Government agency, because arrivals in surplus areas in June and July have been virtually negligible for being moved to deficit areas. Although it is reported that a large number of consumers, in U.P. as well as in Punjab, have provided for their whole year's consumption in the local market towns, it is doubtful whether the majority of the working population have been in a position to make such provision. The very fact that the offtake from Government fair price shops during the harvest months in the markets surveyed has been normal suggests that the stock-building by consumers was not so widespread as has been imagined.

In Madhya Pradesh, where arrivals in recent weeks are already tending to be larger than in the corresponding weeks of the previous year, it is expected that nearly two-thirds of the stocks held by the producers would be received in the market by October/November, when the producer requires cash to carry on his sowing operations of rabi crops and to meet the daily needs and festival expenditure during Deepavali. Urban supplies are expected to remain adequate. The remaining one-third of the producers' stocks may be expected after November, depending upon the nature and prospects of the kharif crops.

11. *Prices.*—In Punjab, prices of wheat during the period of government purchases as well as after that have remained steady although towards the end of July as a result of the onset of the monsoon and the consequent decline of arrivals, they have gone up a little. The decline in arrivals of wheat and Government purchases in this State has, however, helped to maintain prices somewhat higher than what would have been if the market were left entirely free. The price position in Madhya Pradesh also has been satisfactory. In U.P., the open market prices have been tending to rise and the gap between controlled and open market prices has tended to widen. In view of inadequate market supplies and higher market prices, the pressure on Government fair price shops has continued unabated, in most parts of the State.

The overall impact of the support to wheat prices provided by Government purchases and low market arrivals has been some rise in the prices of all agricultural commodities sustained by speculative stock-building of traders who have diverted their operations from wheat to other commodities.

### RICE

#### Disposal of Produce by the Growers

12. In case of rice, the position regarding the disposal of produce by the growers in the current

season varies from State to State. In West Bengal, there was a considerable fall in the production of rice in 1958-59 season over that in the previous year, as a result of which producers had a smaller surplus in the current year. Lower production was reflected in reduced sales and less consumption by them, the extent of decline in sales being more than the decline in consumption. In some areas, lower production was also reflected in less stocks in possession of the farmers. But in other areas, there was evidence of withholding of stocks by medium and large producers with a view to selling in the later part of the season. On the whole, the data collected did not show the existence of stocks at a very high level in the villages. Low level of production in two successive years seems to have depleted stocks at the village level to some extent.

In Orissa, the pattern of disposals by producers in the current season shows a striking change from that in the previous season in the direction opposite to that noticed in West Bengal. In the current season with the increase in production, the volume of sales has shown a large increase over that of the previous year. This, however, does not mean that all the saleable stocks with the producers have been marketed. Large producers are still holding back a substantial volume of stocks from the market.

Available evidence in Madhya Pradesh also reveals a substantial increase in the volume of sales by the growers in the current season over that in the previous season. Stocks with the farmers in the current season are also higher than in the previous season. The increase in both sales and stocks has been made possible by larger production. Big producers are believed to be holding substantially larger stocks than in the previous year.

In Bihar, the rice production in 1958-59 recovered phenomenally from the low level of 1957-58. The sales of paddy by the farmers in the period, January to March, 1959 were at a higher level than in the corresponding period of last year, but went down considerably in the next quarter as a result of withholding of stocks by the medium and large farmers. On the whole, farmers have sold a lower proportion of their paddy upto the middle of July, 1959, than in the corresponding period of last year. Only in the case of maize, however, the sales during the current year have been all through at a higher level than in the previous year.

In *Andhra Pradesh*, the producers have shown a tendency to suppress the facts. But the information collected earlier as part of the farm management studies in the West Godavari district reveals that total sales by the producers in the period November, 1958 to May, 1959 were substantially larger than in the corresponding period of the previous year, consistently with the increase in output. But stocks left over with the producers after sales were also much more than in the corresponding period of the previous year. This tendency to hold larger unsold stocks has been more marked in the case of big producers. After May, 1959, the producers' sales, according to available evidence, diminished very much and was much below the sales in the corresponding period after May, 1958. The reduction in sales was largely due to the unwillingness of the medium and substantial producers to part with their stocks, the small producer having already disposed of his surplus. The withholding of stocks by the producers was more evident in Nellore than in other districts surveyed.

In Madras also, the overall position has been one of deferred sales and increased withholding of stocks by the medium and big producers. The small cultivators do not show any change in their behaviour between last year and this year.

### **Market Arrivals, Despatches and Stocks**

13. *Pace of arrivals.*—In West Bengal, the information that could be collected on arrivals,

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despatches, stocks, etc., suffered from gross under-reporting. But the broad conclusions that could be drawn from these are, first, that the level of market arrivals upto March, 1959, though lower than in the corresponding period of last year was not below expectations, particularly in view of the low level of production. Marketings by the small farmers must have kept up the level of supplies upto this period. It was only from the end of April or the beginning of May that the volume of arrivals in the market began to dwindle. Delaying of sales by *medium and large* farmers appears to be the main reason for this. With the lifting of controls in the last week of June, arrivals in the market went up considerably. However, they were not so much as to cause a favourable turn in the market situation. In fact, it was the failure of arrivals to come up to expectations that led to a scramble for purchases by the millers and dealers who were eager to build up their stocks against the lean months of the rainy season.

On the other hand, in Orissa, there has been a large increase in market arrivals of paddy in the current season as compared with those in the previous season. However, the pace of arrivals has shown a steady decline month by month after April this year. Market arrivals in Madhya Pradesh, too, have been much larger in the current season than in the previous season. In the beginning of the season, between October and December, 1958, market arrivals were less than those in the corresponding quarter of the previous year. But with the commencement of Government purchases in the State, the tempo of arrivals increased and in the quarter January-March, 1959 the volume of arrivals was twice as large as in the corresponding quarter of the previous year. The increased volume of arrivals is also evident from the large quantities purchased by the Government.

In Bihar, data on market arrivals, despatches and stocks are not collected and maintained by the State Government in any systematic manner. The scanty data obtained from a few selected traders reveal that the level of market arrivals in the first two quarters of 1959 (January to June) was lower by at least 30 per cent than in the corresponding period of 1958. Bihar in the past used to draw supplies of cereals from markets in West U.P., Punjab, Orissa, Madhya Pradesh and even West Bengal. The imposition of ban on inter-State movement of foodgrains on private account has restricted the activities of traders in Bihar markets. There is evidence, however, to suggest that in spite of these restrictions supplies still come to Bihar markets through smuggling.

In Andhra Pradesh, the information supplied by traders and millers about their purchases and sales is not reliable. There is considerable evidence of concealed trade and smuggling to areas outside the Southern Zone. Making due allowance for this, the data collected in the course of the survey show that the market arrivals and the volume of business in the market centres has not decreased in absolute terms during the current year as compared to the previous year. At Warrangal centre, which being a regulated market offers reliable data and where no Government purchases are being made and hence there is no significant attempt at underhand trade, there has been a phenomenal increase in the volume of business.

In Madras State, arrivals in the markets as reflected in purchases/ sales by the wholesalers were on the whole better in the period September-January, 1958-59 than in September-January, 1957-58. But between February, 1959 (the month in which the State Government enforced price control and levy) and June, 1959, business activity in certain markets fell short of that in the same period of 1958. However, great difficulties were encountered in getting correct information. For the entire period September-June, 1958-59, the situation on the whole did not compare unfavourably with that in the same period of 1957-58.

*Stocks.*—The low level of stocks characterised the market position in West Bengal practically all through the current year. The stock position became worse after the dwindling of market arrivals



from the end of April. By the middle of June, the stocks had reached an all-time low. Some of the rice millers had to suspend their operations for some time in this period owing to shortage of supply of paddy. A situation of alarm progressively developed in the month of May and June until the lifting of controls on the 24th June. The stock position did improve somewhat soon after the lifting of controls. However, stocks at the end of July were much below those in July, 1958.

In Orissa the large volume of arrivals in the current year has been accompanied by quick despatches, so that figures of stocks at the end of each successive month have shown a progressive decrease. In fact, in the area studied, market stocks of both paddy and rice have been lower in June and July this year than in the corresponding months of 1958.

More or less the same has been the position in Madhya Pradesh where stocks held by the trade at the end of June this year were lower than those at the end of June last year. During the three quarters ending with June 1959, sales by the traders far exceeded their purchases, resulting in reduction in stocks. This is just the reverse of what happened in the corresponding period of the previous year, when purchases by traders exceeded their sales. It is evident that with the operation of Government purchases during the current season, traders have been able to clear the stocks which they had accumulated last year.

In Bihar, disposals or despatches by the traders have been at a much lower level in proportion to purchases all through 1959 than in 1958. The net result has been that the stock position has shown a gradual improvement in the current year over the level of 1958. It can be said that in spite of poor market arrivals, the stock position of traders in July, 1959 in the markets surveyed was better than at any time in 1958. The traders allege the poor demand in the market from the consumers responsible for the accumulation of their stocks. There is also a speculative element in the activities of the traders in building up stocks on the eve of the lean season.

### **Factors Influencing Market Arrivals**

14. Producers' *role*.—In West Bengal the effect of shortfall in production in the current year on market arrivals was aggravated by the uneven incidence of decline in production over different areas of the State. The districts north of the Ganga, most of which are deficit, showed an increase of production of about 33 per cent. over 1957-58, while the Southern districts which are surplus and where major urban and industrial areas are located showed a decline of 14.8 per cent. as compared with the overall decline of 5.9 per cent. in the State. Thus, the availability of marketable surplus with the producers in the surplus areas was reduced to a much greater extent than indicated by the figures of production in the State as a whole and this created an acute problem for the urban and industrial areas concentrated in the Southern parts of the State. The arrivals began to dry up from the end of April or so and this seems mainly to be due to withholding by medium and large producers. The large producers now occupy a position of great importance in the rice economy of the area surveyed. On the one hand, they extend credit to small producers on condition of repayment in paddy and thus acquire command over paddy stocks after harvest. On the other hand, they have combined in themselves the functions of wholesale trade and in some cases even milling.

In Orissa, on the other hand, the favourable effect of increased production on market arrivals has been strengthened by the fact that the increase in production has been larger in the surplus coastal districts than in the other districts.

In Bihar, the pattern of sales by the farmers changed considerably in 1958-59. On the whole, the farmers have increased their sales of maize in the current year and kept down those of rice. This is particularly true of medium and large farmers. Stocks with the farmers were seriously



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depleted as a result of the poor harvests of at least two previous successive years. There is, therefore, a natural tendency among the farmers to build up inventories in the current year to the normal levels. There also seems to be a very strong desire for stock-holding by all sections of the farmers in anticipation of rise in prices. Only a small section of the producers reported that they were actually helped by the dealers through loans to hold stocks in the current year. In Bihar, as in West Bengal, there is an increasing tendency on the part of the large producers in the areas surveyed to engage in trading activities. They have resorted to purchasing the supplies of the small producers and holding them at the village.

In Andhra Pradesh, the main factor which has induced the producer to increase his stocks during the current year, seems to be his expectation of very favourable prices in the lean months. The producers in this area seem to be holding definite views about prices, and they expect prices to rise not only in the lean months in each year but also in the lean months from year to year. Producers in the Nellore area in particular expect that peak prices in the lean months of the current year would be higher than peak prices reached in 1957-58. Their propensity to hold stocks has been matched by increase in availability of funds. Although the finance made available to the producers in the market centres by the State Bank and commercial banks has considerably decreased, the finance made available to the producers by co-operative agencies has considerably increased. It has also been found that big producers have increased the practice of buying the produce of small cultivators and holding it back from the market.

*Traders' role.*—In West Bengal a tendency towards underground transactions became widespread to evade Government procurement and price control. Consequently, visible market arrivals and supplies became very poor. Maintenance of two record books and concealment of arrivals and despatches was the most common practice. An important feature of the traders' behaviour in this State has been the dispersal of transactions by them to points away from the market centres. In the first place, there has been a tendency particularly among the millers to purchase paddy at the village level and in some cases to keep it in stock over there. This was done largely to conceal stocks. Secondly, there has also been a tendency to affect transactions at a number of way-side points which led to the growth of a number of small way-side markets or transaction points. This was also a device adopted by the dealers and in some cases millers to keep their stocks at various points. For instance, in the course of the investigation in the Burdwan area, six pacca godowns on road-side were found, all of which had been constructed in the course of the last two years. Usually, however, these way-side points have served as assembly and despatch points, stocks have not stayed there. The net result of these developments has been the dispersal of transactions and supplies from the central markets to a much larger extent than in the previous year.

One of the striking changes in the current year in West Bengal is the increased tendency among the traders to form associations and make them work vigorously. They are now better able to manipulate market situation and put up opposition to Government efforts to regulate the foodgrains economy.

In Orissa reports of smuggling by traders across the State borders have been obtained from reliable sources. But for this, market arrivals in the State would have been even larger.

In Andhra Pradesh, too, smuggling outside the Southern Zone and other forms of concealed trade have correspondingly affected the visible flow of supplies to the markets. There are, however, no indications that the traders or millers were hoarding stocks in the villages or that they had advanced funds to the producers to hold back stocks on behalf of the traders or millers. Nor are

there large unsold stocks with traders/millers.

In Bihar, in spite of the poor market arrivals, the stock position of the traders in June-July, 1959 as already mentioned, was much better than at any time in 1958. It is reported that stocks of rice at this time were nearly 50 per cent. higher than during the corresponding period of 1958. There seems to be a tendency to build up stocks at the wholesale level both in anticipation of price rise and to create forces for such a rise.

*Role of Government policy:*—In West Bengal actual prices ruling in the market all through 1959 were higher than the maximum prices fixed by the State Government. This created an unfavourable reaction to Government controls among the producers. Most of the producers considered that paddy prices fixed by Government resulted in unfavourable terms of trade for them; and this has found expression in withholding of stocks by large and medium producers. The disparity between the open market, and controlled prices also induced these producers to keep stocks with them and sell those stocks in small quantities at black market prices.

In Orissa, the main objective of foodgrains policy has been to keep prices within reasonable levels by isolating the State from the price influence of the neighbouring States and to purchase as much of surplus paddy and rice as possible for supplying largely to other deficit States. Purchases of rice are being made by the Orissa Government on behalf of the Centre from purchasing agents appointed for the purpose. The Orissa Government has also been trying to ensure a reasonable return to the grower and has announced minimum prices payable to him. These elements of food policy, instead of having any adverse effect on the flow of supplies to the market have induced larger flow of supplies. As a result of the operation of the scheme of state trading, there has been a significant increase in the number of assembling centres in the current year. The number of dealers and wholesalers has also correspondingly increased. The result of this development has been much better contact between the producers and the market, which in turn, has facilitated the sale of paddy by the farmers all through the year, even in the rainy season. The reaction of producers to the scheme of State purchases has generally been favourable. The feeling of at least medium and small producers is that they have in the past been exploited by millers and dealers in respect of prices, weighment, rebate, etc.

In Madhya Pradesh, purchases of rice by the Central Government at maximum controlled rates on the basis of voluntary offers by traders and dealers and of paddy by the State Government without any compulsory methods do not appear to have had any adverse effect on market arrivals. On the other hand, there is evidence that had Government purchase scheme not been put into operation, the demand by traders would have been less with the consequential effect on flow of supplies from rural areas. However, with higher prices prevailing in the adjoining States, the grower in Madhya Pradesh has been smarting under the feeling that prices offered by Government have been on the low side. This feeling does not appear to have been so strong as to find expression in reduced marketings. The view has been expressed that the position regarding procurement and market arrivals would have been still better if Government had announced its policy in advance to allow time to officials to make complete preparations and if Government were prepared to buy even in small lots and had adequate storage capacity.

In Bihar, in respect of the control of price of rice, there was no enforcement and the prices ruling in the market were always above the statutory maximum. The levy on the purchase of rice by dealers and millers was also not strictly enforced. The levy order was subsequently withdrawn; the price control order too was rescinded in June, 1959. The growers seem to consider that the statutory prices fixed by the Government were unfair to them inasmuch as these were below their

## Summary Record of Discussions of the NDC Meetings

price expectations or parity with prices of other goods. It seems that in Bihar the uncertainties of yield have made the farmers extremely price-conscious.

In Madras, the enforcement of price control and levy appeared to have affected the flow of supplies in certain markets. But it is not clear whether the effect was real or merely reflected an increase in concealed transactions.

### Current Situation

15. The flow of market supplies of rice in 1958-59 season has been larger than in the previous season in the surplus States of Madhya Pradesh, Orissa and Andhra Pradesh but smaller in the deficit State of West Bengal and more or less the same or slightly less in the marginally placed State of Madras. In Bihar, which is also a deficit State, the flow of market arrivals has not increased consistently with the large increase in output in the current year.

Both in Madhya Pradesh and Orissa, market prices during the current year have been reasonably stable throughout the operation of the scheme of State purchases. In both these States, prices in the current season have been somewhat lower than in the previous season. Government purchases have also provided support to the market and prevented prices from falling to uneconomic levels. In fact in Madhya Pradesh, the price of coarse and medium variety ruled below Government purchase rates in the early part of the Government purchase scheme and it was pushed up by Government purchases. In Orissa, the scheme of State purchases has also resulted in an increase in the number of assembling centres and narrowing of the gap between prices in the producing areas and in the wholesale markets. In Andhra Pradesh, the rise in prices especially between March and July has been more rapid than in the corresponding months of the previous year. The prices in the harvest months of 1958-59, *i.e.*, January to March, in the Nellore market have been higher than the maximum prices reached in 1957-58. These price trends indicate strong demand pressures in the market much more than any factors working on the production or supply side. It is reported that what has been operating on the supply side is the unwillingness of producers to market the produce except at high prices. In Bihar, there has been a decline in prices from the high level of 1958. But the fall has not been commensurate with the increase in output. In West Bengal, prices in, the first few months of the crop season were below those in the corresponding months of 1958; it was only in the later months that ruling prices were above the level of the previous year. The price situation in the State was influenced, among other factors, by a phenomenal growth in the number of chira (parched rice) making machines and paddy husking machines in the current year. The owners of these machines have been rigging up prices, undeterred by levy which did not apply to these small establishments and by price control which is relatively easy for them to evade. Rice trade has also attracted a large number of new entrants in the markets in West Bengal which, too resulted in an increase in demand pressures on available supplies. With the lifting of controls, market arrivals improved but the price did not come down immediately as the flow of market arrivals was still not enough to meet the demands of traders and millers who wanted to build up stocks for the lean rainy season. More recently, however, the prices have shown a tendency to decline.

## ANNEXURE

*Statement showing the Coverage of markets, Traders, Millers, Villages and Farmers in the Enquiry into flow of Market Supplies*

State	Market surveyed (No. and Names)	Number of Traders and Millers contracted		Villages surveyed (No. and Names)	Number of farmers contacted		Remarks
		Traders	Millers				
1. Punjab	Moga and Bhatinda (2) and neighbouring markets of Kot-Kapura, Jaitu, Barnala and Bagapurana (4) 2+4=6	35	—	18	152	Includes	79 big farmers (with holdings 20 acres and above). 45 medium farmers (with holdings 10-20 acres). 28 small farmers (with holdings below 10 acres)
2. Uttar Pradesh	Hapur and Chandausi (2) and the neighbouring markets of Gulavthi, Bisauli and Wazirganj (3) 2+3=5.	33	—	16	102	Includes	33 big farmers (with holdings 20 acres and above). 44 medium farmers (with holdings between 10-20 acres). 25 small farmers (with holdings below 10 acres).
3. Andhra Pradesh	Tadepalligudam, Bhimavaram, Nellore and Warrangal (4).	4	10	7	144	Includes	49 big farmers 56 medium farmers 39 small farmers

State	Market surveyed (No. and Names)	Number of Traders and Millers contracted		Villages surveyed (No. and Names)	Number of farmers contacted	Remarks
		Traders	Millers			
4. Madras	Tanjore, Tinnevely and Coimbatore (3).	21 (Data for 16 are comparable)	—	Kalayanapuram, Madigai, Sengipatti, Seidinganallur, Karmgulam, Satrapudukulam, Suthamalli, Rajavallipuram, Narasinganallur, Mudakurichi, Elamathur, Sivagiri (12)	107	Greater weightage was given to the big holders in the selection of cultivators.
5. Madhya Pradesh	Raipur (for rice) (1)	5 (Data for 3 only are comparable)	2	Chnoda, Parastaria, Teoraiya and Dharsimba (4)	56	Includes 10 big farmers (with holdings 25 acres and above). (with holdings between 10-25 acres). 29 small farmers (with holdings below 10 acres).
	Itarsi (for wheat) (1)	10	—	Beora, Mehra-gaon, Thunjanpur, Gochi Tarand, Pathora and Sona Sanoni (6).	56	Includes 21 big farmers (with holdings 20 acres and above). 21 medium farmers (with holdings between 10-20 acres) 14 small farmers (with holdings below 10 acres)

State	Market surveyed (No. and Names)	Number of Traders and Millers contracted		Villages surveyed (No. and Names)	Number of farmers contacted	Remarks
		Traders	Millers			
6. West Bengal	Bolpur and Burdwan (2)	—	—	12	91	Includes 17 big farmers (with holdings 20 acres and above). 25 medium farmers (with holdings between 10-20 acres). 49 small farmers (with holdings below 10 acres).
7. Orissa	Bhadrak (1)	—	—	10	48	Includes 7 big farmers (with holdings 20 acres and above) 6 medium farmers (with holdings between 10 to 20 acres) 35 small farmers (with holdings below 10 acres)
8. Bihar	Begusarai and Monghyr (2)	—	—	12	113	Includes 14 big farmers (with holdings 20 acres and above). 19 medium farmers (with holdings between 10 and 20 acres) 80 small farmers (with holdings below 10 acres)



**MAIN CONCLUSIONS OF THE REPORTS OF THE ENQUIRY INTO ARRIVALS OF FOODGRAINS IN SELECTED MARKET CENTRES, CONDUCTED BY THE PROGRAMME EVALUATION ORGANISATION**

The Programme Evaluation Organization, at the instance of the Planning Commission, conducted a rapid survey in the beginning of August to find out how the main food crops, specially rice and wheat harvested in the 1958-59 season were being marketed in the country and how the marketable surplus was being disposed of. The following markets were selected for the enquiry, the selection being made according to the convenience of location of the available field staff:—

- (1) Rohtak—Punjab.
- (2) Hapur—U.P.
- (3) Jaipur—Rajasthan.
- (4) Akola—Bombay.
- (5) Warrangal—Andhra Pradesh.
- (6) Erode—Madras.
- (7) Trichur—Kerala.
- (8) Mandya—Mysore.
- (9) Gorakhpur—U.P.
- (10) Balasore—Orissa.
- (11) Gauhati—Assam.

Of these markets Trichur, Balasore, Mandya, Erode, Warrangal, Gauhati and Gorakhpur are important for rice only, while Rohtak, Hapur, Jaipur and Akola are important for wheat, some coarse grains and gram. The main findings of the enquiry, commodity-wise, are given below:—

## **I. WHEAT**

### **Disposal of Produce by the Traders**

2. Disposals by producers in the current crop season as compared to those in the previous season have been smaller in Punjab and Uttar Pradesh despite higher output but larger in Bombay consistently with increased output and more or less at the same level in Rajasthan. In recent weeks, the pace of sales by the producers in certain districts of Rajasthan, particularly Sriganganagar, has gone down appreciably. In Punjab, Uttar Pradesh and Bombay, the stocks lying with large and medium cultivators are reported to be substantial, while in Rajasthan, producers are stated to be holding just the normal stocks.

### **Market Arrivals and Stocks**

3. In the U.P. and Punjab, the volume of market arrivals of wheat in the post-harvest months of

the current year has been much smaller than in the corresponding months of the previous year. In Bombay, arrivals this year have shown an improvement over last year and in Rajasthan, they have been more or less of the same size. In Uttar Pradesh, it was only up to the 5th May that some quantities of wheat arrived in the local markets and even in that period, the arrivals were considerably lower as compared to the previous year. After the 5th May, 1959, i.e., after the promulgation of the Wheat Procurement (Levy) Order and the Prices Control Order by the State Government, arrivals became almost negligible. However, small traders, consumers and the non-cultivating population of the villages were reported to be making some purchases of wheat directly from the producers in the rural areas. No official estimates of such purchases are available. It seems clear that while they were not substantial they were just enough to meet the requirements of the current consumption in the local market.

4. For want of adequate arrivals from the rural areas, no significant stocks have been built up by the wholesale traders in Uttar Pradesh. The 50 per cent. levy has also acted as a deterrent to the holding of stocks by the traders. In Punjab too, no significant stocks have been built up by the traders because of fear of requisition by the States. In Bombay (Akola district), besides normal stockholding out of the local produce, some stocks are reported to have been built-up by the traders out of the wheat smuggled from Madhya Pradesh. Some medium and large cultivators in the State are also stated to be holding some quantities on behalf of traders.

### **Factors Influencing Market Arrivals**

5. Arrivals in the current season have been affected to some extent by changes in the market behaviour of growers. Their experience of high prices in the last few months of the preharvest period has induced them currently to withhold stocks of wheat from the market in expectation of realising higher prices in the later months. Uncertainty about the prospects of the coming kharif crops and also about the seed requirements of producers for the next rabi crops has also to some extent led them to increase the quantities that they would like to retain at least until September or October.

6. In Uttar Pradesh, the maximum prices fixed by the State Government for the purchase of wheat and the imposition of levy on the traders have also been responsible for the low rate of arrivals. As a result of levy and price control, there has been some diversion of trade in wheat from the established markets to unauthorised and underground channels. Some producers also seem to have the feeling that but for the policy of State trading they would have got higher prices for the produce sold by them.

7. In the Punjab, the Government policy of purchasing wheat from the local market has not any adverse effect on the sales of foodgrains by cultivators.

8. In Rajasthan, purchases are being made by the State through the agency of the traders and the local traders have been told by District Collectors to part with 50 per cent. of their purchases to the State at the prescribed rates. Whatever produce comes to the mandies, is purchased by the traders from the cultivators at the procurement prices and 50 per cent. of the same is passed on by the traders to the Government. However, as the prices fixed by the Government for purchase of wheat are lower than those ruling in to a open market, more recently the pace of arrivals has slowed down in the mandies where purchases are being made by the State Government and has gone up in the mandies where there are no purchases. This system of purchases was, however, started late in the season after a large part of the supplies from the rural areas had arrived in the

normal way.

9. The holding capacity of the cultivators is also reported to have improved. In Bombay, large and medium cultivators have developed the staying power because of the higher returns which they had from the sale of cash crops such as cotton and groundnut. Moreover, in the last two years, there has been a substantial increase in taccavi loans and in the advances made by co-operative societies to the farmers.

Some of the larger producers in Akola district in Bombay have started trading in foodgrains, *i.e.*, they bring their produce as well as that of other medium producers for direct sale in the markets.

### Price Position

10. The stoppage of arrivals of wheat in Uttar Pradesh markets after the 5th May, 1959 caused concern to the consumers, with the result that they began to make purchases in substantial quantities to build up stocks for the major part of the year. This tended to support a rise in wheat prices.

11. At Jaipur, in the period April to July, 1959, prices of wheat (both red and white) generally ranged between Rs. 16.17 and Rs. 19.27 per md. as against Rs. 14.11 and Rs. 19.12 per maund in the corresponding period of 1958. Thus, this year prices of wheat in Jaipur have been somewhat higher than last year. Despite this, it is reported that the local consumers prefer to purchase the indigenous wheat instead of imported wheat and most of the fair price shops functioning in the city are said to be running at loss. For some of the poor people who cannot afford to purchase wheat, barley serves as a substitute which is selling at Rs. 13 per maund.

## II. RICE

### Disposal of Produce by Growers

12. The overall picture as revealed by the enquiry is that while small producers have disposed of their surplus, those with large holdings are keeping back part of their produce in expectation of realising higher prices later.

13. In Andhra Pradesh, where the enquiry was held in the Warangal area, which is representative of conditions in the Telengana region of the State, the marketable surplus of the producers have increased considerably, following improvement in the production of paddy during the current crop year. A large proportion of this marketable surplus has been disposed of by the producers. Some of the producers have, however, been retaining a part of their produce for providing loans in kind at high rates of interest.

14. In Madras State, the enquiry which was held in the deficit district of Coimbatore, revealed that small and medium producers had disposed of their surplus. Only those of the larger producers who combined in themselves the roles of producer, trader and miller had cornered stocks. Producers generally consider that the Government controlled prices are inadequate and do not leave enough net income over and above the cultivation costs. However, medium and small cultivators have generally been selling at more than the controlled rates.

15. In Mysore, it appears that sales by the producers have not increased commensurately with the increase in output. Certain classes of producers, particularly big producers, whose holding power had increased due to better co-operative credit facilities, are tending to defer their sales. Larger co-operative finance to the growers is indicated by the increase in the advances made by the District Central Co-operative Bank in Mandya to 6 primary marketing societies from Rs. 29,635 in 1956-57 and Rs. 94,288 in 1957-58 to Rs. 3,59,740 in 1958-59.
16. In Kerala, the local production is hardly sufficient to meet the needs of the growers themselves. A small minority of producers who have some surplus do not appear to have been withholding their produce. The tendency rather is to dispose of paddy soon after the harvest, since the storing of paddy for any considerable time involves loss on account of drriage, deterioration etc.
17. In Orissa, the growers have not shown any abnormal tendency to withhold their produce in the current season. Most of the cultivators have small holdings. A small proportion of the cultivators, who have medium and large-sized holdings, have large joint families so that per capita cultivated area in their case too, is small. The staying power of the cultivators is also weak. The State Government's orders about the recovery of taccavi loans and land revenue pending from the earlier drought years have also served to secure quick disposal of the produce by the grower. However, some stocks are, as usual, still left with the large cultivators.
18. In eastern U.P., represented by the Gorakhpur area where the enquiry was held, the cultivators, an overwhelming majority of whom have small holdings, are reported to be not withholding the produce.
19. In Assam, medium and large cultivators are reported to be holding on to their stocks in the hope of realising higher prices during the lean months. A proportion of these cultivators also carry on middleman's business in the rice trade. They are believed to be holding paddy and manipulating transactions to escape seizure of stocks by Government.

### **Market Arrivals**

20. Market arrivals In the Telengana area of Andhra Pradesh, as indicated by those in Warangal market, have been two to three times as large as in the previous season. The increased arrivals represent partly the larger flow of produce from the surrounding areas and partly the increase in the Inflow from Kakinada, Tadepalligudem etc. in Coastal Andhra.
21. In Madras State, market arrivals in the Erode market in the deficit district of Coimbatore are partly from local produce and partly from surplus districts like Tanjore in the State and from Andhra Pradesh. Total arrivals in the current crop year have been poor, compared to those in the corresponding period of the previous two years.
22. In Mysore, in the first two months of the current crop season, viz., December 1958 and January 1959, market arrivals of paddy were normal as in the previous years. Subsequently, apprehensions about compulsory procurement and then actual enforcement of levy on licensed dealers in February 1959 affected the flow of market supplies. From the second half of March, Government entered into an arrangement with the millers, under which millers were to supply an agreed quantity of rice to Government at controlled prices, and this resulted in improvement in the pace of market arrivals.
23. In Kerala where the bulk of the market arrivals consist of imports from other States, the flow

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of supplies of rice and paddy has been considerably larger than in the preceding two years.

24. In Orissa (Balasore), market arrivals are reported to be larger than in the previous year. Considerable smuggling across the border into West Bengal is reported to have taken place due to the large difference in prices on the one hand and difficulties of exercising a check on the other. But for this smuggling, market arrivals in the current season would have been still larger.

25. In the eastern districts of U.P., market arrivals of rice and paddy have been very poor in the current season, despite increase in output.

### Factors Influencing Market Arrivals

26. The increase in market arrivals in the Telengana area of Andhra Pradesh, apart from being the result of higher production, seems to be due to the diversion of trade and milling activity from Coastal Andhra where millers are under agreement with Government to hand over 40 per cent. of rice produced by them. Part of the increased arrivals in the Telengana area, therefore, represents merely the inflow from Coastal Andhra by lorries for onward despatch by rail to the South. In fact, wagons for despatch from this area have been booked by merchants from Coastal Andhra.

27. In Madras State, the main factor affecting market arrivals is stated to be the State Government's scheme of procurement, under which licensed dealers/millers have to give 75 per cent. of their stocks (50 per cent. under levy and 25 per cent. under the "link-up" scheme for delivery to bulk consumers like hotels, hospitals, schools, etc.). There being a large difference between the open market price and the controlled price, the open flow of supplies to the market has greatly diminished in the current season as compared to that in the previous season. The subsequent decision of the Madras Government to exempt imports from Andhra Pradesh from the Levy Order has encouraged the flow of Andhra rice into Madras. There has been a wide-spread tendency towards concealed transactions. Considerable movement of this unaccounted rice is reported to have taken place to Kerala by road. There have also been instances of traders retaining stocks with producers themselves in order to escape Levy.

28. In Mysore, apart from the tendency on the part of the producers to withhold stocks due to better co-operative credit facilities already referred to, the market prices of paddy and rice have, from at least March onwards, been higher than Government controlled prices and this affected the visible flow of market arrivals.

29. In Kerala, there has been a widespread tendency among the dealers towards concealed transactions, but for which the volume of open market arrivals would have shown an even greater improvement. Also, prices fixed by the Government are hardly enforced.

30. In Orissa, the prices fixed by Government for its purchases in the State are considered by the producer as low, especially in view of the rice in the cost of living and cultivation costs. However, this, does not seem to have had any adverse effect on the flow of supplies from rural areas to the markets which, as already mentioned, has been larger this year than in the previous year.

31. In Eastern U.P., the State Government's policy of a 65 per cent. levy on licensed dealers at controlled prices appears to have adversely affected the flow of market arrivals. Market prices are considerably higher than controlled prices and this is one of the reasons why the surplus from rural areas is not being openly brought to markets. Traders are also believed to be instigating people in rural areas not to bring the produce to the market and are offering higher prices for concealed

transactions. They are harbouring the expectation that the resultant artificial scarcity will frustrate the scheme of State trading. Some of the rural people interviewed in the course of the enquiry appeared to be under the impression that they could not bring more than 50 maunds at a time in the market, as they did not hold the license required to be taken by anyone holding more than 50 maunds at a time. They also cited instances in which quantities being brought by them to the market were held up by the Inspectors of the Food Department even when they were below 50 maunds. In view of this, they are not inclined to bring stocks to the market.

32. In Assam, Government's food policy differs from area to area. In the Kamrup district where the enquiry was held the licensed dealers are required to sell allotted quantities to Government at controlled prices. In this district, there is a widespread tendency (believed to be to the extent of roughly 50 per cent.) on the part of traders towards concealed transactions without registering them in the books. This has naturally affected the open flow of market supplies. In Nowgong district there is monopoly of purchase in the hands of the Assam Co-operative Apex Marketing Society. The Apex Marketing Society has so far procured about 40,000 tons of paddy forming about 15 per cent. of the total production of about 270 thousand tons of paddy in the district. The policy of monopoly purchase by the Apex Marketing Society was decided towards the end of December, 1958. It took some time to get the machinery of purchase going, and by then a considerable portion of the marketable surplus had already found its way to other districts from the normal trade channels. The Apex Marketing Society allotted particular areas to the affiliated primary societies for procurement. The primary societies procured through appointed agents. It is claimed that the Society was able to ensure a fair return to the grower and remove malpractices which were inherent in a system of private trading. However, there has been a feeling that the prices fixed by Government at which the society made purchase were not equitable. Some corruption on the part of the purchasing agents of the primary societies has also been alleged. It is thought that the number of primary societies is also not adequate. It is also felt that direct participation of the producers in the working of the societies would be necessary for proper mopping up of the rural surplus. The shortage of godown facilities also created difficulties in the way of mopping up the surplus and there were sometimes large accumulation of stocks.

### **Price Position**

33. In the Telengana region of Andhra Pradesh, prices in the current year, despite a large increase in market arrivals, are higher than those in the previous year. This increase in prices is due largely to increased despatches to the South, which have been facilitated by easy supply position. There has been a large increase in the advances made by the State Bank and other scheduled banks, operating in this area, on railway receipts produced by exporters. The failure of prices to come down is also partly due to speculative hoarding of stocks by traders.

34. In Madras State, prices in the current year are higher than those in the previous year. One of the reasons for this has been the tendency of traders to recoup from open sales what they lose by surrendering stocks to Government under the procurement scheme at controlled prices. Arrival of Burma rice in Kerala and the consequent fall in prices there may result in subsidising the bullish pressure exerted by Kerala merchants on Madras prices.

35. In Mysore, the hardening tendency evident from March/April last was accelerated in July 1959 when the State Government announced the price of rice for sale at fair price shops. The sale prices for different varieties are 16 to 32 per cent. higher than the corresponding purchase prices



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and are somewhat higher than the market prices prevailing at the time of announcement of these sale prices.

36. In Kerala, one of the reasons for the rise in prices, despite a larger flow of supplies, is the higher prices demanded by traders/ millers of supplying areas of Andhra Pradesh and Madras in order to compensate, themselves for the loss incurred by them on quantities surrendered to their respective State Governments at controlled prices. The Kerala Government, too, did not try to enforce price control.

37. In Orissa, prices in the current year have been lower than those in the previous year.

38. In Eastern U.P., though the Levy system has adversely affected market arrivals and open market prices, the latest prices are still lower than those in the corresponding period of the previous year.

39. In Assam, prices in the current year have generally been lower than in the corresponding period of last year. On account of floods after the middle of June, prices showed a considerable rise in some areas. In particular, fine varieties which are out of the purview of the Price Control Order are selling at high prices.

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**SUMMARY RECORD**

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*September 5, 1959 (Morning Session)*

Welcoming participants to the Thirteenth Meeting of the National Development Council, the **Chairman** stated that he was grateful that they had assembled in Delhi at such short notice. It was only a few days ago that some Chief Ministers and Central Ministers had held a meeting in Delhi to consider the food situation. They had then decided that it would be better to meet a little later, giving time for papers to be circulated and considered.

2. The Chairman observed that we had a new Food Minister in Shri S. K. Patil. This was both an advantage as well as a disadvantage—an advantage because the new Food Minister would bring a fresh mind to bear upon the problem and a disadvantage in the sense that he had been called upon to consider these matters so soon after his appointment.

3. The food problem still remained and had to be tackled. Government had gained a good deal of experience from the ups and downs of the Indian food situation in the past. In earlier years, he had often stressed the importance of agricultural and specially food production. Even so, he had a feeling that this subject did not receive the importance it deserved in the States. He recalled how he had written to all Chief Ministers saying that they should themselves take personal charge of the Food and Agriculture portfolios. While everybody appreciated the importance of food production, he was not sure whether the pivotal position and vital significance of food to the country was fully realised. It was also equally vital that this question should be acted upon and considered in an all India sense. If on the other hand, the food problem was thought of in terms of each individual State, without real co-ordination, there would be no unified activity and each State might pull its own way. This had happened in the past and our difficulties had increased on that account. He would, therefore, request participants not to discuss the food question only from the point of view of individual States. Such an approach would leave the Council with a disjointed point of view. The problems of individual States had, of course, to be considered but as part of the larger whole.

4. Apart from the vagaries of nature, our difficulties had been partly due to administrative deficiencies. There had been no significant lack of resources but a lack of organisation and utilisation of resources. This was a painful conclusion to draw. He would say that the food difficulties could not be ascribed to the fault of the heavens. The basic thing to be done was to produce more food whatever the food policy adopted. All that one could do through policy was to lessen differences and suffering.

5. While increased food production was of the utmost importance and the steps required to be taken to this end were fully known, the implementation of food production programmes had met with difficulties. As for the business of this meeting, he would leave it to the participants and to Shri Patil whether they should come to any final conclusions or decisions. For himself, he would say that one should not be hustled into taking decisions. He would request all members present to discuss the food situation and food policy with an all-India outlook, and also indicate how one State could help another.

6. He had another small matter to mention to the Council. He had written to the Chief Ministers about a method devised in a farm at Manthra near Lucknow of reclaiming saline land very cheaply. Some good work had been done there but the pace was rather slow. The new method had been discussed at International Botanical Congresses at Kew Gardens and Montreal and had created a

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minor sensation abroad in that the method used in India was so cheap and effective. Even an eminent British agricultural expert, who had once held a dim view of Indian agriculture, was thoroughly impressed by the Manthra experiment. The whole technique was based on the idea that the soil is a living organism and that it is not something dead. The Manthra technique had not caught on as it might well have. He was convinced that there were many millions of acres of land in the country capable of reclamation in this manner. Since the essence of the scheme was to reduce the salinity of the land, this led one to conclude that even sea water might be used for irrigation after some treatment. He would suggest that a number of people should be sent from individual States to see for themselves the experiment conducted at Manthra.

7. He would request the Council to consider the food problem in its basic aspects so that it might be tackled and conquered. In such consideration it was essential that the outlook that should be brought to bear on the problem should be an all-India one. There was no doubt in his mind that the country should become self-sufficient in food and that this could be achieved. Difficulties such as deficiencies in administration and lack of will should be overcome.

8. Initiating the discussion, **Deputy Chairman** stated that the Council had before it two documents. The first one dated 2nd September, 1959 entitled "Food Situation and Policy" was a joint paper by the Planning Commission and the Ministry of Food and Agriculture. It brought out the issues which had to be considered by the Council. There was also another paper for information which summarised the methods of procurement adopted in various States between 1947 and 1953. In addition, two papers had been circulated for information containing the results of surveys conducted by the Agro-Economic Research/Farm Management Centres and the Programme Evaluation Organisation regarding the pace and pattern of market arrivals of foodgrains. A note on the food situation by the Government of Madhya Pradesh had also been circulated. In the main paper on food situation and policy, there was an analysis of the price levels during the Plan period. When the Second Plan was placed before the National Development Council, the Planning Commission had circulated a paper in which it had been stated that a Plan of the magnitude contemplated would be possible only if agricultural production increased by a stated amount and if certain price levels were maintained. A summary statement of the trends in prices was included in paragraphs 8 and 9 of the main paper.

9. The paper also dealt with the availability of food supplies comprising internal production as well as imports. The position in regard to imports was that up to the end of March, 1959, 9.2 million tons of foodgrains had been imported into the country. By the end of September, 1959, the import figures would rise to 10.2 million tons. For effecting these imports, the country had spent Rs. 230 crores under the PL 480 programme and Rs. 140 crores in foreign exchange. He also stated that, recently, an agreement had been concluded by the Government of India for the import of a further 3 million tons of foodgrains. Arrivals from abroad would be of the order of 200,000 tons a month throughout 1959 and 1960.

10. The main issues which the Council had to consider had been summarised from paragraphs 21 onwards. The advantages and disadvantages of pursuing three different courses of action namely, free distribution; the zonal system; and constitution of individual States as separate food zones had been set out in the paper. The Chief Ministers and others present might give expression to their views on the alternatives mentioned.

11. On a question by the Finance Minister, Madras, **Shri C. Subramaniam** whether the Council was to take up discussion of food production and distribution together or separately, the Chairman stated that food production was a subject on which there could be no two opinions. He, therefore,

suggested that the discussion be mainly on distribution.

12. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** assured the Council that his approach to the important and vital problem of food was from an all-India point of view. On a careful consideration of all the facts that were available to his Government, they had reached the conclusion that every State should be constituted into a separate zone and that maximum efforts should be made by State Governments for procuring all available supplies for delivery to the Government of India or other State Governments on a Government-to-Government basis. In the current year, the Government of Madhya Pradesh had procured no less than 4 lakh tons of rice which, in his opinion, was a fairly striking performance. As for wheat, they had collected 40,000 tons and handed them over to Bombay.

13. Madhya Pradesh had made a start with State trading. They were working on the basis that collection or purchase at Government level should be on a wholesale basis. Since wholesalers were few, purchases could be made from them effectively. It would be better to leave retailers alone. The aim should, however, be to purchase the entire surplus from the villagers themselves. They had made a beginning in this direction in Madhya Pradesh. The villagers had been told that it would not be necessary for them to bring their grain to the *mandis* where they would be fleeced by unscrupulous traders. They had instead been advised to keep their surplus grain in their own homes after grading and cleaning and to let Government know what surplus they had. Government agents would then proceed to the villages and take delivery of the surplus grain after having effected payment in cash. This approach had appealed to the villagers.

14. He had very often heard the statement that it was the intermediary or the middleman who was responsible for many of our difficulties about food. On actual investigation, he had found that this was not a correct assessment. While small cultivators might bring out their entire surplus to the market for sale, medium growers had a tendency to hoard foodgrains in expectation of a rise in prices. In Madhya Pradesh, for example, they had fixed prices at Rs. 14 per maund for wheat and Rs. 15 per maund for rice. The tendency to hoard might be checked if Government could offer a graded price as an inducement to the cultivator, a higher price being paid for immediate delivery. This price could be, say, anything between Rs. 15 and Rs. 17 per maund. If, however, the cultivator waited for two or three months or more, the price to be paid to him would be less.

15. It was also his impression that the cultivator had now become very sensitive to price movements. Because of the current comments in the Press on food supplies, food prices in the Indore market had already risen by Rs. 2 per maund.

16. He recalled how they had a wheat zone last year comprising the States of Bombay (excluding Bombay City), Madhya Pradesh and Rajasthan. The price for wheat then stood at Rs. 14 per maund or so. As soon as Bombay City was also included in the zone, prices immediately went up within a matter of days from Rs. 15 to Rs. 30 or Rs. 32 per maund. The situation was so bad that the Government of Madhya Pradesh had to request the Government of India to open fair price shops. The number of these shops had to be increased from 1,184 to about 16,000.

17. Apart from the rise in prices, the inclusion of Bombay City in the zone had resulted in other difficulties. For one thing, wheat supplies to fair price shops in Madhya Pradesh had to be *made* from imported stocks while Bombay City was supplied with Madhya Pradesh wheat. Thus, the so-called surplus areas actually became deficit.

18. Further, assuming that transport charges for wheat amounted to about Rs. 2.50 per maund, the railway freight involved in transporting 180,000 tons of Madhya Pradesh wheat to Bombay and

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in bringing in a similar quantity of imported wheat into Madhya Pradesh would have been about Rs. 2 crores. This was unnecessary waste of funds and an avoidable strain on the railway system. He was, therefore, of the view that whatever food distribution system was adopted, such waste on transport charges should not be allowed to occur. A third difficulty was that the psychological reaction to Madhya Pradesh wheat not being available in Madhya Pradesh for consumption was one of discontent leading to agitation and, on certain occasions, to looting.

19. He would assure the Council that Madhya Pradesh was prepared to do its best in solving the food problem by making use of Government agencies for procurement. It was, however, important that the prices paid to the producer were reasonable and fair. In his opinion, the minimum selling price should be Rs. 16 for wheat and Rs. 17 for rice.

20. Another point which he would like to bring to the notice of the Council was that wide disparities in prices in areas bordering upon neighbouring States led to discontent and confusion and considerable smuggling also took place.

21. The Commerce Minister, Jammu and Kashmir, **Shri Shamlal Saraf** stated that it would be better if zones could be formed in such a manner that the surplus of foodgrains in one State could be utilised by the neighbouring States.

22. The Chief Minister, Orissa, **Dr. Harekrushna Mahatab** stated that he had the opportunity to study India's food problem from an all-India point of view since 1945. He endorsed Dr. Katju's criticism that the present arrangements regarding distribution of food had often resulted in unnecessary to and fro movement of foodgrains. In 1956, for example, stocks of foodgrains purchased from Madhya Pradesh and Orissa and stored at Hyderabad were brought back to those two States. Similarly, within the States themselves, movements took place from surplus areas to deficit areas and *vice-versa*. If these movements were carefully studied, it would be clear that food movements could be organised more rationally. The overall shortage of food could be removed only by building up buffer stocks. The country was able to master the food situation in 1956 because of the presence of buffer stocks. Such stocks did not exist in 1958 and the result was that there was an increase in prices and shortage generally.

23. In his view, State trading in foodgrains was a wise step and constituted the only solution to the food problem.

24. The disparity in prices as between neighbouring States encouraged smuggling. It was impossible to check smuggling when the borders extended over hundreds of miles. He would, therefore, suggest that from the all-India point of view, it would be better if the Centre could take responsibility for food distribution in big cities like Bombay, Calcutta, Kanpur, etc. Food distribution in the rest of the country would then become easier. With regard to administrative difficulties, he stated that the point system under which Central Government had a large number of procurement officers functioning in the States was leading to unnecessary delays. Recently, an agreement between the Governments of Orissa and West Bengal regarding supplies of rice to the latter could not be speedily implemented on account of delays in Delhi.

25. The Food Minister, Punjab, **Pt. Mohan Lal** assured the Council that, as far as Punjab was concerned, they were able to give the categorical assurance that they would be guided entirely by a national all-India point of view in regard to food. Whatever surpluses they were able to collect in that State would be made available to the Centre for distribution to the other States. In their view, the main issue for consideration was in regard to State trading. There was recently talk and speculation in the press as to the possibility of discontinuance of State trading. In his view, the decision to



undertake State trading in foodgrains had been taken after mature and collective thinking. If that policy was now reversed at this stage, people would lose confidence in the Government and its ability to implement its policies. Prices would also rise and shortages would be created. Therefore, what was necessary was to remove loopholes in the present system of State trading and rectify any shortcomings in the scheme. In his view, there was no reason why, with the right efforts, State trading could not be made successful.

26. It had been stated that on account of State trading, arrivals in markets had tended to slow down. The second conclusion was that prices had shown a tendency to rise. His view was that the situation arising from these could be properly tackled. Firstly, there should be a basic National Plan in regard to distribution of food jointly worked out by the Centre and the States. According to this Plan, the surpluses and deficits should be accurately worked out and procurement effected in the surplus States to the extent possible to cover the deficit. It should be the responsibility of the surplus States to give a categorical assurance to the effect that whatever surplus was agreed upon should be procured by them and placed at the disposal of the deficit States. In his view, there would be no difficulty in giving this assurance or in fulfilling it. On occasions, the ability and willingness of individual States to fulfil their undertakings had been questioned. If, therefore, there was a basic National Plan of food distribution, such doubts would not arise.

27. Secondly, it was necessary to tighten the administrative machinery. This was an important matter and State Governments should proceed to rectify administrative deficiencies as early as possible. As regards monopoly procurement or levies, his opinion was that discretion in regard to the method of procurement should be left to individual States. In his own view, it might not be necessary to resort to monopoly procurement or levies on producers.

28. In Punjab, State trading had been fairly successful despite the fact that the State did not by itself constitute a food zone. Though Delhi, Himachal Pradesh and Jammu and Kashmir along with Punjab constituted a zone, they did not have to resort to compulsory levies from purchasers or impose controls on prices. For procurement purposes they had appointed syndicates of dealers as well as co-operative societies as their agents to make purchases on a commission basis. With these arrangements, the Punjab Government had been able to procure 40 per cent. of the marketed surplus. With this experience to go by, he would appeal that there should be no going back on State trading and that, wherever implementation was weak, it should be strengthened.

29. Even if it was decided that each State should form a separate food zone, Punjab would have no objection to have along with it Jammu and Kashmir and Himachal Pradesh. It was Delhi that was causing some difficulty and exports to Delhi should not be free as at present but should be on a State to State basis.

30. He would also support the suggestion made by the Chief Minister of Orissa that if the bigger cities such as Calcutta, Bombay, Madras and Delhi could be cordoned off and rationed, it would be much easier to deal with the food problem in the rest of the country.

31. His plea for treating each State as a separate food zone was on account of the fact that such an arrangement would facilitate procurement and enable a check to be kept on prices. All that remained to be done at present was to break the psychology of the profiteer and of the hoarder. This could be best done by treating each State as a separate food zone. In his view, the apprehension that surplus States were not fulfilling their obligations in regard to procurement was ill-founded in the case of Punjab. In respect of rice, they had imposed a compulsory levy of 75 per cent. and had



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fulfilled their commitments to the Centre during the last two or three years. On account of procurement to the extent of 75 per cent. at the rate of Rs. 16 to Rs. 17-8-0 per maund, the market price for rice in Punjab had risen to Rs. 25 to Rs. 26 per maund. He supported the view that on account of procurement etc., the prices in surplus States should not be allowed to rise in this manner. The best food policy, therefore, would be to localise deficits and meet them from imports.

32. He was in agreement with the Chief Minister of Madhya Pradesh in regard to the fixation of prices. Punjab had proposed that the price of wheat should be fixed at Rs. 16 per maund but the Centre had decided that it should be fixed at Rs. 14 or Rs. 15 a maund. This had created some difficulties because the grower had been feeling that he was not getting a fair price. Even so, the Punjab Government had accepted the decision of the Centre. For the future, he would plead that the interest of the growers should be adequately kept in view while fixing prices.

33. The Chief Minister, Punjab, **Sardar Pratap Singh Kairon** stated that the impression he had from the surveys conducted by the Agro-Economic Research Centres was that a larger proportion of the marketable surplus was being retained in the Punjab and U.P. While he could not say anything about the U.P., in Punjab such retention was only to the extent of 30 to 40 per cent. If weather conditions in the coming season were not adverse, he was sure that the surpluses thus withheld would find their way to the market. The persons who had conducted the surveys had visited only a handful of mandis and the tendency in mandis was always to hoard. They would have done better if they had gone to the villages and found out how much the producers had withheld. From his own personal enquiries, he had come to the conclusion that the growers did not retain more than 30 to 40 per cent. of the entire grain produced by them.

34. Another suggestion that he had to make was that the flour mills in Delhi should be supplied with imported wheat. This would considerably ease the situation in the Punjab.

35. The Food Minister, Punjab, **Pt. Mohan Lal** stated that the conclusions arrived at by the Agro-Economic Surveys with regard to the Punjab were not quite accurate. Insofar as the question of arrivals of foodgrains was concerned, the total arrivals up to date in Punjab had been 3,05,000 tons as against 3,30,000 tons in the corresponding period of the previous year. The decline in arrivals was, therefore, only to the extent of 8 or 9 per cent. which was in no way abnormal. Taking into consideration the fact that prices had been so very high last year, it was only natural that there was a tendency on the part of the grower to withhold supplies for a limited period.

36. The Food & Agriculture Minister, **Shri S. K. Patil** observed that whereas the rice surplus in Punjab had been estimated to be 1.5 to 2 lakh tons, the Punjab Government had been able to procure only 85,000 tons so far. Rice in the Punjab was almost a cash crop because the local population did not consume it. Despite this, procurement was only 50 per cent. of the available surplus. As for wheat, the expectations were that about 2 to 3 lakh tons would be procured. Actual procurement had, however, been only of the order of 1,26,000 tons or so. Further, though Delhi and Kashmir formed part of the zone, the Centre had to supply 20,000 tons of wheat to Delhi from the Central pool. Besides, there were the fair price shops in Delhi. Similarly, Kashmir had also to be allowed supplies from the Central pool.

37. The Food Minister, Punjab, **Pt. Mohan Lal** stated that since, in January—April 1959, wheat prices in the Punjab had been abnormally high at Rs. 24/25 per maund, the poorer sections of the people had been obliged to eat rice instead. Besides, there were some areas in Punjab where the staple diet was rice. This was the reason why rice procurements had been rather slack. There was the further reason that considerable destruction of the paddy crop had occurred last year on account

of floods.

38. The Finance Minister, Madras, **Shri C. Subramaniam** stated that in view of the new policy decision which required to be taken, all aspects of the food problem had to be considered. In regard to food, one had to decide whether the policy to be adopted should be a short term measure or a long term policy. Efforts were indeed being made to increase the production of foodgrains and production targets had accordingly been pitched at sufficiently high levels. He would, therefore, recommend that any scheme which might be evolved should cover the entire Third Plan period.

39. In his view, there was some difference between the rice areas and the wheat areas. As far as wheat was concerned, enough of it was available outside India though at a price. As for rice, prices were high and quantities of the order required were not physically available even from abroad.

40. Another important point which had to be borne in mind was whether the efforts should not be towards holding the price line both for wheat as well as for rice. If holding the price line was considered important in view of the economy being a planned one, the decisions in regard to food policy would naturally have to be different from those which might be taken if prices could be allowed to find their own level. In this matter, not merely the Food Minister but the entire Central Cabinet would have to take responsibility in consultation with the Planning Commission.

41. There were those who thought that it would be possible to hold the price line through competition in a free economy. Unfortunately, what happened was manipulation by private traders. Therefore, in effect what they had in the name of a free economy was private speculation. Prices had been so consistently pushed up by traders and speculators that at the beginning of every new season the minimum price began at the maximum price reached at the previous season. In his view, therefore, Government would have to exercise controls in order to hold down prices.

42. If the State Governments were to take responsibility for holding prices, they should be given full powers to deal with the situation. The southern rice zone was a case in point. When four States were grouped together into a zone, an individual State became unable to take the action it deemed appropriate, as its writ did not run in the other States. Therefore, if the Centre wanted the States to assume responsibility, the only manner in which this could be ensured was by treating each State as a food zone. This was an extremely important point and should be fully taken into account before coming to any conclusions in regard to the form in which Government controls should be exercised on foodgrains.

43. Almost everybody was agreed that there should be Government control in foodgrains. In his view, treating the entire country as a single unit or food distribution was completely ruled out. The next alternative was the zonal system, each zone comprising a number of States. The southern rice zone was not, in his view, working well. Kerala which was a highly deficit State was interested only in getting supplies, whatever the price. Madras was only a marginally surplus State, having a surplus of 1 to 1½ lakh tons of rice under normal conditions. However, Kerala preferred to move rice from Madras because of the better and cheaper transport facilities available and not from Andhra Pradesh which had larger surpluses. The Madras Government was unable either to regulate the flow or to control the prices at which Madras rice was sold to Kerala merchants. According to the information he had with him, the flow of rice from Madras to Kerala was around 1,30,000 tons. There was, however, no compensatory movement of rice from Andhra to Madras because, they in Madras, were not able to pay the high prices that Kerala or Bombay could pay. This had created considerable difficulties for the State Government.

44. Further, his enquiries had shown that it would not be correct to assume that the only effect

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of breaking up a zone would be to push up prices in deficit areas. He did not, therefore, believe that the zonal system was in any way more advantageous than treating individual States as separate food zones.

45. He was sure that the consensus of opinion would be that each State should form a separate food zone. In that event, the responsibility of the Centre and that of the States should be clearly defined and methods devised to ensure that such responsibility was fully discharged. The State Governments should also be given greater autonomy in working out their own schemes to procure the surpluses available and hand them over to the Centre or to designated deficit States.

46. In regard to foodgrain prices, while he would agree that there should be no large variations from State to State, complete uniformity would not be desirable. This was because certain States like Andhra Pradesh depended entirely on agriculture for their resources. They should, therefore, be allowed to supplement their resources by making a small margin between the prices at which they procured and the prices at which they sold stocks to the Centre. Such a margin would be an inducement to them to undertake effective procurement, whereas a no-profit-no-loss policy would not offer any incentives.

47. He was convinced that food policy could best be based on considering each State as a food zone in itself. A necessary corollary of this would be State trading. Even in respect of State trading, it might not be necessary to go to extremes and a middle policy might be sufficient. However, whatever the policy adopted, it should be ensured that it was complete and workable. If the problem was approached in this manner, a scheme could be evolved by which it would be possible to fulfil the country's requirements in regard to the Plan.

48. The Food & Agriculture Minister, **Shri S. K. Patil** stated that what worried him was the enormous price disparities as between States. Between Orissa and West Bengal, for instance, the difference was something like Rs. 10 per maund. Similarly, the price in Bombay was almost double that in Madhya Pradesh. In view of such disparities, it would seem very difficult to hold the price line.

49. The Finance Minister, Madras, **Shri C. Subramaniam** stated that it was up to the Central Government to take a final decision in regard to this matter. Even if there was some difference between prices as between States, it would be better and easier to isolate these deficit pockets and tackle them separately. While the Central Government wanted the States to take responsibility, such responsibility could not be taken by them so long as the zonal system was continued. In the event of the continuation of the present zonal system, all that would be forthcoming from the States would be co-operation and sympathy but not responsibility.

50. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** observed that unless firm decisions were taken on the implementation of the food policy, the food problem would continue to create confusion in the country as it had done in the last two or three years. State trading had been introduced but had not been implemented properly. Such implementation would be possible only if each State was treated as a separate food zone. His experience was that in the southern food zone, neither Madras nor Andhra nor Mysore were able to procure at controlled prices. While it might be that State trading need not necessarily be continued for ever, as had been recently stated by the Food and Agriculture Ministry, it would be necessary to continue it for a few years. If Andhra Pradesh were cordoned off as a separate food zone, his Government would be able to procure no less than four lakh tons of rice. He based this figure on actual outflows over the last few years by train from Vijayawada alone.

51. He agreed with the Finance Minister, Madras in his proposal that the State Governments should be given some incentives for effective procurement in the form of a margin. He hoped that the new Food and Agriculture Minister would give due consideration to this suggestion. Another encouragement to greater production and procurement would be the supply of the needed quantities of fertilisers. Andhra Pradesh needed some two lakh tons of fertilisers every year. They had asked for 150,000 tons but had obtained only 60,000 tons under the Central system of allocation. Again, steel was absolutely necessary for agricultural production. The quantity supplied to Andhra Pradesh was, however, only 10 per cent. of their minimum requirements. He could not understand how the agriculturists needs for iron and steel could not be met while enormous quantities of these metals were being used in the construction of dams etc. Again, in respect of irrigation projects which were completed three years ago, steel shutters were not available and irrigation schemes covering one lakh acres of land had been held up. Thus, if Andhra Pradesh were supplied with the requisites for added food production, such as fertilisers, iron and steel etc., there would be increased availabilities from that State.

52. The only answer to the food shortage was increased production. If Madras was able to grow one ton of foodgrains per acre, there was no reason why other States should not do similarly. Another matter which intrigued him was that, according to the figures supplied by the Central Government, the production of rice in Andhra Pradesh was 3.6 million tons while, in Bengal, it was slightly more than 4 million tons. The population of Andhra Pradesh was higher than that of West Bengal. Despite this, Andhra had been declared a surplus State with a per *capita* consumption of 14 ounces while West Bengal was classed as heavily deficit. He thought that either the figures were wrong or there was something wrong with the distribution of rice.

53. He would earnestly request that each State be formed into a food zone and asked to take on the responsibility of growing more. There should be some competition between States in growing larger quantities of foodgrains. It was a disgrace to the entire country that even after 12 years of independence it had not been possible to solve the food problem. The problem was not so much of the Government of India as that of individual States.

54. Another point he would like to make was that big projects like Bhakra Nangal, Hirakud, Nagarjunasagar etc. should be treated as national projects and come within the Central sector. Otherwise, the ability of the States concerned to finance other development programmes would be seriously weakened.

55. The Chief Minister, Bombay, **Shri Y. B. Chavan** stated that so far the Council had heard the point of view of the surplus States. There were really only two approaches to food policy—one that of the surplus States and the other of the deficit States. Bombay was deficit to the extent of roughly 10 lakh tons of foodgrains, out of which 4 lakh tons was in respect of rice. In the last meeting of the Council, he had said that it would be correct from the national point of view to treat India as one unit. This might not be accepted by the surplus States. However, he was convinced that constituting individual States into separate food zones would not solve the problem of India's food supplies.

56. He agreed with the Finance Minister, Madras that the food question should be considered from a long range point of view, the objective being to hold the price line. But this could be done only if the problem of the deficit States was dealt with from the national point of view.

57. If each State were considered as a separate food zone, controlled distribution would become imperative, and nothing short of rationing would be effective. Therefore, one could either have balanced zones consisting of groups of States or cities with a population of four lakhs and above

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should be cordoned off and the rest of the country treated as a single zone.

58. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** stated that his Government was of the opinion that the present system of treating each State as a zone should continue. In this connection, he would like to observe that prices of all agricultural commodities were inter-linked and, therefore, price controls etc. applicable to cereals should apply to other agricultural produce as well. For example, in Rajasthan cultivation of mustard and gram had greatly increased. With the high prices realised on account of sales of gram and mustard, cultivators had been able to hold back supplies of wheat.

59. Under the zonal system, prices had risen sharply in Rajasthan and even in surplus districts like Ganganagar they had to open fair price shops. If prices rose in this manner, there would be acute discontent among the people.

60. They had made a start in State trading in Rajasthan, but the traders had managed not to keep stocks in their godowns but with the cultivators. If the policy of State trading was continued, there would be a distinct improvement in the position within the next two or three months. It was important that no change in the policy should be made at this stage. Otherwise, the cultivators and traders would feel that they had succeeded in their attempts to force the Government to abandon State trading. Even though arrivals might be somewhat less than before, the prices had also been down. Once the people were convinced that Government were not intending to go back on State trading, market arrivals would improve and prices would go down.

61. The Chief Minister, Mysore, **Shri B. D. Jatti** stated that 45 per cent. of the population of Mysore were rice eaters and the remainder consumed Jowar, ragi or other millets. Though the State was surplus in wheat, it was deficit in rice. Even allowing for the surplus in wheat, the total deficit in Mysore would be of the order of 2 to 2½ lakh tons of rice which they presently bought from Andhra. If the southern rice zone was continued, they would have no difficulty in obtaining supplies of rice from Andhra.

62. Last year, the Mysore Government had procured rice and paddy through merchants and mill-owners. They found that this arrangement was not very satisfactory and had, consequently, decided to procure direct from the farmers through Government agents as well as co-operative societies. Once traders were allowed to operate, procurement would be difficult. He, therefore, earnestly hoped that a phased programme of development of co-operatives extending over a period of three to five years would be taken in hand and entrusted with the task of procurement.

63. The Food Minister, Assam, **Shri M. S. Chaudhri** stated that before deciding anything about the discontinuance or otherwise of the zonal system, it was necessary to take a decision as to the general pattern of State trading in foodgrains in the country. From the note circulated in the Council as well as the pronouncements made in Parliament, an impression had been created that, possibly, Government did not wish to continue with State trading. In his view, it was important to decide whether State trading would be continued or not. His own view was that it should continue. If there had been any shortcomings in the policy, they should be removed. It was only in November last that the Council had decided upon State trading and Parliament had accepted that policy. At this stage, therefore, if State trading was given up and India treated as one zone, the people would be led to think that Government is vacillating and those who were obstructing State trading would be further encouraged.

64. Although, generally speaking, it was true that supply and demand influenced prices and the



level of trade and competition stabilised prices, this would, not be strictly applicable to a developing economy. Besides, as the Finance Minister, Madras had already pointed out, traders had a great hold on the foodgrains market. Further, in almost all countries of the world, agricultural commodities, particularly foodgrains, had always been subjected to greater State intervention than any other commodity or product. In his view, therefore, it would not be of any use to think in terms of free trading in foodgrains.

65. His own experience in Assam was that State trading had led to excellent results. In some districts, they had adopted the final pattern of State trading while, in others, the interim pattern was in force. Where they had followed the final pattern, the entire monopoly of procurement was handed over to co-operatives and no licences or agencies were granted to traders. The co-operatives acted as Government agents for procuring paddy through marketing co-operatives. Where marketing co-operatives were not available, other co-operative societies were used. The experience of the Assam Government was that as a result of this policy, prices were stabilised at a much lower level than in previous years.

66. Where the Assam Government could not follow the final pattern of State trading, they procured paddy through licencees who were obliged to hand over part of the paddy procured by them to Government. Their plan was to procure 50,000 tons of paddy in this manner and they had been able to fulfil this target without any difficulty.

67. He was convinced that State trading would be totally successful only through village co-operatives. He, therefore, greatly welcomed the decisions taken at the last meeting of the Council in regard to co-operatives.

68. He was thus in favour of the continuance of State trading. If there were loopholes they should be removed. Although, the National Development Council had decided upon State trading in November, 1958, it had taken some time for the Working Group to circulate the actual details of State trading and for Parliament to accept the new policy. Meanwhile, all over the country traders had organised themselves into systematically resisting the new policy. Moreover, the interim scheme of State trading was a half-way house between free trade and State trading. In his view, the system of associating the trader in State trading had to be re-examined. He was convinced that Government should resort to monopoly procurement and that traders should be completely ousted. To talk of State trading on the one hand and allow even partial free trade on the other were contradictory.

69. To abandon State trading at the present stage would involve loss of prestige as well and the impression would be created that Government were unable to stick to their own policy. Further, one would have to stop talking about service co-operatives because one of the essential functions of service co-operatives would be marketing of foodgrains.

70. Another important question was whether individual States should constitute food zones or several States should be grouped into a food zone. If State trading was successful, the question of forming large food zones would not arise. Even though Assam was a deficit State, he would like to emphasise that it would not be good policy to spread the problem of food shortages all over the country. It would be better instead to localise the deficits and try to meet them.

71. In regard to Assam, there were other difficulties. For one thing, Assam was somewhat detached from the rest of India geographically. Then, there was the question of difficulties in moving food supplies difficulties which were fully known to the Minister for Railways. If, therefore, Assam was linked with West Bengal, which was also a deficit State, the situation would become bad. For these reasons, his Government would find it difficult to accept multi-State food zones.

The Meeting then adjourned till 3 P.M. in the afternoon.



**(Afternoon Session) September 5, 1959.**

72. The Food Minister, West Bengal, **Shri P. C. Sen** stated that, traditionally, West Bengal used to obtain its supplies of rice from the surplus States of Madhya Pradesh and Orissa. It seemed to him that an impression had gone round that West Bengal had not increased food production. As a matter of fact, during the five year period ending 1947, the production of rice in that State was 34 lakh tons, by 1952 it was 37 lakh tons and at the end of 1957 it was about 42 lakh tons. It had to be remembered that all marginal and sub-marginal lands constituting 82 per cent. of the total geographical area of the State had already been brought under cultivation. Of this, only 22 per cent. was irrigated area. The yield per acre in the irrigated areas of West Bengal was quite high, around 36 maunds of clean rice per acre. Another important point to be remembered about West Bengal was that it did not grow any coarse grains or millets. Further, a large portion of the paddy land in West Bengal had to be used for the cultivation of jute. The acreage under jute had increased from 2.6 lakh acres before independence to 10.5 lakh acres at present. On top of all this, the State had 36 lakhs of refugees from East Bengal who would eat only rice.

73. One of the proposals made in the paper under discussion was State trading and procurement of surpluses by individual States. In West Bengal, the marketable surplus was 25 per cent. of the gross production which amounted to only 10 lakh tons. The non-producers numbering 150 lakhs required 28 lakh tons of rice. Thus, even if all the marketable surplus was procured by a State agency, there would be a deficit of 18 lakh tons. For effecting such procurement elaborate machinery would have to be set up which, in his opinion, was not feasible at this stage.

74. Of the 13 lakh surplus producers in West Bengal, if half of them withheld a ton of rice each from the market, there would be a serious shortage. He was not sure whether even surplus States would go in for monopoly procurement. In Orissa, where the surplus was estimated to be 4 to 5 lakh tons, actual procurement had been only of the order of 1,17,000 tons. A good deal of smuggling also took place from Orissa into West Bengal. In view of the non-feasibility of monopoly procurement, the only alternative would be to consider the whole of India as one unit, as suggested by the Chief Minister of West Bengal in his recent letter to the Chairman, and allow free movement.

75. The **Chairman** pointed out how it would not be enough if each State drew attention only to its own difficulties. If every State showed a minus balance in regard to food, he wondered where the pluses would come from. It was obvious that imports from abroad were proving a great strain on our developmental programmes. Despite this, imports were being made. The endeavour should be to reduce these imports and finally to do away with them. For this, higher agricultural production was the only answer. Even at present, the deficit was not really a big one taking India as a whole. In fact, in the current year he doubted whether there was really any deficit. What was lacking was good arrangements, good management and good distribution. He would remind participants that India's food problem was not one of heavy deficits; but even marginal deficits created disturbances. It was also necessary to evolve an all-India food policy. If the situation simply was that 6 million tons of rice and wheat should be imported from abroad, he was not sure whether, even physically, it would be possible to make arrangements for shipping such large quantities into the country. There was also the fact that though wheat might be available abroad, rice would not be. It was also necessary to obviate the extraordinary paradox of foodgrains moving unnecessarily to and fro as was pointed out by the Chief Minister of Madhya Pradesh and Orissa. If in a surplus district like Ganganagar, one had to open fair price shops, there was something *wrong* with our organisation. As for allowing free movement of Orissa rice into West Bengal, the Chief Minister of Orissa would

have a tremendous problem to handle in that such free movement would result in an increase in price in Orissa. Apart from management, there would be the problem of law and order as well.

76. The Food Minister, West Bengal, **Shri P. C. Sen** said that he would agree with the Chief Minister of Madras that it would be impossible to treat the entire country as one unit for purposes of distribution of foodgrains. India had never been a single food zone and would never be one. Even so, he thought that it would be worth while considering whether the country could not be divided into food zones keeping in view the traditional and historical channels along which food used to move in the past. He would, therefore, strongly plead for linking West Bengal and Orissa into a food zone.

77. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that the suggestion that zones should be abolished and the entire country should be treated as a single unit for food distribution was a very attractive one. But to his mind, this was not a practical proposition in the present circumstances in the country. It might be that the overall deficit in the country as a whole was not very large and the economic laws of supply and demand would strike some kind of a satisfactory balance. But this might take sometime. Meanwhile, unless buffer stocks were built up neither the Government of India nor the State Governments would be able to face up to the agitations engineered by political parties and the chaotic conditions resulting therefrom. For this reason he was of the view that it would not be feasible to think in terms of treating India as one unit for food distribution.

78. The only solution to his mind was that each State should form a good zone by itself. This had several advantages which had already been referred to by the representatives of various State Governments. Apart from these advantages, such an arrangement would also enable assessment of the progress made by each individual State in regard to food production and the efforts made by it for equitable distribution. There was also a psychological factor to which attention had to be paid. Unless the present policy was wrong and detrimental to the interests of the country it should not be changed. Otherwise, the impression would go round that Government could be coerced by the exercise of a little pressure into changing its policies and this would hinder implementation of all policy in the future.

79. In his opinion, State trading had been more of slogan than anything else. Still, whatever had been done had not been a failure. Even though market arrivals this year were lower than before, the prices of foodgrains were also lower.

80. In the matter of fixing prices, his opinion was that prices of foodgrains other than cereals should not be left uncontrolled. In this matter, the Centre should allow some freedom to the States. As for monopoly procurement, his Government felt that this would involve the creation of a huge administrative machinery. Further, the Government would also have to take on the responsibility of feeding everybody. In view of this, he was not in favour of monopoly procurement.

81. The Commerce Minister, Jammu & Kashmir, **Shri Shamlal Saraf** stated that every State had its own problems and that it would not be possible to have one policy all over the country. He had listened to the reasons given by the Finance Minister of Madras for the abolition of the southern rice zone. But as far as the northern wheat zone was concerned, he would say that the Government of Punjab had handled the situation very well in spite of many difficulties.

82. As regards procurement, he would agree with the Chief Minister of Uttar Pradesh. In a number of States, State trading had not been followed vigorously because procurement had not been properly enforced. In his own State, the previous Government had collected foodgrains year after year from the producers. Later, procurement was effected through co-operatives. The amount procured in this manner was not unsatisfactory.

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83. Because of the economic advance of the people of Kashmir, the taste in foodgrains had changed and more and more people were taking to rice. Keeping this also in view, it was his opinion that a policy should be devised which would enable the State to obtain its full requirements of food supplies. The Food Minister of Assam had convincingly made out the case of his State. He, therefore, felt that the zonal system or its abolition should be decided upon in such a manner that stocks from surplus areas would be available for distribution in the deficit areas with the assistance of the Central Government.

84. The Agriculture Minister, Bihar, **Shri Birchand Patel** said that restrictions on the movement of foodgrains from surplus States had not depressed prices in those States. On the other hand, such a policy had increased the responsibility of the Centre for effecting larger imports and prices had gone up very steeply in the deficit States. Then again, if as suggested by the Chief Minister of Madhya Pradesh, procurement prices were to be raised, the prices that deficit States would have to pay would also go up.

85. Restrictions on the movement of foodgrains from surplus States had other bad effects also. Firstly, prices in surplus States might be depressed to such an extent that cultivators might feel that they were not getting a fair return. This would go as a disincentive to production. Secondly, the difficulties of deficit States would also increase because of a steep rise in prices which was what has actually happening in West Bengal. That was why, from an all-India point of view, he would agree with the Chief Minister of Bombay and suggest that bigger cities like Calcutta and Bombay should be cordoned off and the rest of India made into a single zone for purposes of food distribution. Such a free movement would, of course, raise prices in surplus States somewhat but at the same time would check steep increases in deficit States. Also, for the next five years at least, there should be an import programme for the country so that any emergencies that might arise might be successfully met.

86. Insofar as hoarding by cultivators was concerned, he doubted whether there was any real hoarding. For a long time the view had been held in the country that the cultivator's hoarding power was limited and that he was compelled to sell his produce at very low prices. It should, therefore, be a matter for satisfaction for all that economic conditions in the country had improved to such an extent that an appreciable section of people in rural areas had the capacity to withhold foodgrains at least for some time. Further, those who had some acquaintance with the cultivator's mode of life would agree that in a year of good harvests, it was usual for him to keep back a certain portion of his output until the prospects of the next harvest were known. If such prospects were good, he would inevitably come out with his stocks. This withholding was, therefore, a type of insurance against bad crops and could not be considered as undesirable.

87. For these reasons, he did not believe that separate food zones for individual States would solve the problem either of surplus or of deficit States or of India as a whole.

88. The Food Secretary, Kerala, **Shri C. Thomas** stated that he had heard the Finance Minister of Madras on the subject of movements of rice from Madras to Kerala. The Government of Kerala had written in March 1959 to the Governments of Madras and Andhra Pradesh requesting them that price controls in those States should be enforced. These controls were not enforced and, therefore, it was not possible for the Government of Kerala to have price controls at the receiving end.

89. It was also not quite correct to say that Kerala obtained more rice from Madras than from Andhra Pradesh. The facts were that more rice had been obtained from Andhra Pradesh than from

Madras, even after taking into account movement by road from Madras into Kerala.

90. The Council had been informed that the inclusion of Kerala in the southern rice zone had created many problems. His Government would, however, like to point out that prices in the southern zone had never risen to such heights as in Northern India. Further, consideration had also to be paid to the fact that Kerala had been the traditional market for rice from Andhra Pradesh and Madras, especially for boiled rice. In fact, for certain varieties of rice, Kerala was their only market. It would, therefore, be against the traditions of trade also to split the southern rice zone into State zones. He would, therefore, plead that the existing southern rice zone should be allowed to continue.

91. The Food & Agriculture Minister, **Shri S. K. Patil** said that he had greatly benefited from the views he had heard from the representatives of State Governments. He agreed with the Chairman that his being new to food portfolio was both a disadvantage as well as an advantage. The disadvantage lay in the fact that he was new to these problems. The advantage lay, in a sense, in that he did not carry any pre-conceived notions about any system of food distribution and his outlook could be regarded as fresh. For these reasons, he was not in a hurry to take a decision.

92. As regards the statement in Parliament made by him to which a reference had been made in the Council, he would like to say that he had not committed Government to any particular course of action. It was in fact too early for him to do so.

93. From what he had heard and noted during the last eight or ten days after meeting the people concerned, it was his belief that the food situation was in no way alarming. The more there was discussion in Government about food, the more comments on it appeared in the Press. Explanations had occasionally to be given on these comments.

94. He would agree with the Food Minister of West Bengal that after bitter experience of many past years, if the cultivators were now able to hold back a certain amount of foodgrains, such withholding could not be dubbed as hoarding. Planning and the investments already made in the country had put more money in the pockets of the people, giving them some economic power. This was not a bad phenomenon. But the cultivators would not withhold supplies year after year because, if the next season was as good as the previous one, they would certainly unload their stocks on to the markets.

95. The per capita food consumption in the country had also been increasing. During the past five or six years, it had gone up from 12 ounces per capita per day to between 13.5 and 13.9 ounces per capita per day. Further, Government was aiding the cultivator by making available to him bank credit in various ways. The extension of credit had also increased the cultivator's capacity to withhold foodgrains.

96. In regard to food policy, one had to think both of short term measures as well as the long range policy. He thought it should be possible for the country to be self-sufficient in foodgrains by the end of the Third Plan. Meanwhile, under the P.L. 480 programme, more than Rs. 100 crores a year were being spent on the import of foodgrains. It would be impossible to go on spending so much foreign exchange in importing foodgrains. Apart from the foreign exchange difficulties, there were difficulties about shipping and availability of cereals, particularly rice. Everybody was agreed that the answer lay in increasing production. There was also general agreement that steps should be taken to this end. The deficit States particularly should be assisted to increase their production.

97. In his view, the shortage of foodgrains was to the extent of 3½ million tons. Either this

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quantity had to be produced within the country or imported. The one State one zone formula would not solve his problem because the maximum procurement by surplus States would be only of the order of half to one million tons. This would leave him with the task of finding another 2 million tons from somewhere. But looking at the geography of India, he derived encouragement from the fact that surplus States were spread out through the country.

98. As for the southern zone, Andhra was a surplus State while Madras was neither surplus nor deficit. Mysore's deficit was not sizeable. It was only Kerala which was highly deficit. It seemed to him that it should not be difficult for these States to pull together. He thought that no hasty decision on the break-up of these zones needed to be taken at present.

99. He agreed that State trading should not be given up. Experience had, however, shown that in some cases State trading had been through undesirable channels. Unless, therefore, the proper machinery for undertaking State trading had been got ready, it would not be proper to say whether State trading should be withdrawn or not. At this particular meeting of the Council, he did not think that it was necessary to decide any change in the existing policy. Instead, one should watch and wait.

100. He stressed that it was of the utmost importance that the Centre should receive the fullest co-operation from the States. Otherwise the difficulties of the Government of India would greatly increase. If individual States made arrangements with neighbouring States and co-operated with them, there would be less difficulties for the Centre. Therefore, he would welcome arrangements such as those proposed between West Bengal and Orissa.

101. The Finance Minister, Madras, **Shri C. Subramaniam** stated that though the Food & Agriculture Minister had observed that there was no urgency about coming to decisions, be though that a decision regarding the southern rice zone had to be taken sufficiently in advance of the next crop. Unless a decision was taken in this regard by the end of September, it would not be possible for the State Government to formulate their food policy. If it was decided to continue the zone, there would be no question of the State Government going in for procurement or for price controls.

102. The Food and Agriculture Minister, **Shri S. K. Patil** said that, except for the southern rice zone, practicably every State was a separate food zone and the disparities in prices as between States were something frightening. Whatever groupings existed at present should not be abandoned altogether as it might be difficult later to bring the States together. In the southern zone, the grouping of the four States concerned might possibly enable them to solve their problems by mutual co-operation without the Government of India coming in. If, however, a decision was necessary by the end of September, he would certainly bear that in mind. Only, he would not like anything to be done in a hurry as any decisions taken now would have their repercussions elsewhere in India. One would have to consider, for example, what system of procurement would have to be resorted to in the individual State zones and whether this would involve rationing, controls etc. He would, therefore, say that one should not be in a hurry to take a decision on this matter.

103. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** said that if grouping of States into zones was advantageous, such grouping should be applicable to the whole of India also and that there should be no differential treatment for Orissa, Madhya Pradesh etc. In his view, the only way of relieving the southern States of their difficulties would be to break up the rice zone.

104. The Chief Minister, Bombay, **Shri Y. B. Chavan** pointed out to the need for an early decision on the question of zones. Once the agriculture season was missed, it would not be possible to arrange for procurement.



105. The Chairman stated that there were some matters which did require fairly speedy decision. So far the Council had heard the view points of the States. He hoped that during the discussions on the ensuing day, there would be greater emphasis on the all-India approach.

106. It was obvious that whatever was decided upon should result in the fullest co-operation between the States and the Centre. It was equally obvious that the key to the situation was higher production. In this matter, it would appear that Madras had made greater progress in per acre yields than other States. There was no reason why other States could not achieve what Madras had been able to achieve. Wherever the right efforts had been made, success had resulted. The methods of increasing food production were already well known. Instead of concentrating on expensive schemes, he thought that efforts might be made to bring usar lands into cultivation. This measure would yield quick results. In Uttar Pradesh alone, it was his impression that there were more than 3 million acres of usar land which, if rendered productive, could make a big difference to the agricultural output in the State.

107. It was also evident that stocks should be built up chiefly by the Centre. It was only through stocks that one could control the food situation and stabilise prices. Building up of stocks, however, meant imports at least for the present and the ensuing two or three years, as well as internal procurement. In his view, whatever policy might be adopted in regard to food distribution, it would be necessary to use part of the internally procured supplies of foodgrains to build up stocks.

108. In procurement operations there had been a certain amount of overlapping between the Centre and the States. This had resulted in inefficiency and delays and should be avoided. Mention had also been made in the Council of the need to fix prices sufficiently in advance of the next harvest. This needed attention. Also it was ridiculous from every point of view that foodgrains should be unnecessarily transported to and fro. Such cross movements should be obviated through good management.

109. State trading had also been referred to during the course of the discussions. It was obvious that building up of co-operatives was inter-linked with State trading in foodgrains. Particular attention should, therefore, be paid to building up service co-operatives.

110. There had been a good deal of argument in the country in regard to joint farming. The Party's resolution essentially related to service co-operatives, but it was the aim ultimately to have joint farming. He personally believed in joint farming Co-operatives, because it would be a good thing to achieve. But joint farming could not be achieved through coercive methods as the essence of co-operation was voluntariness.

111. Then again, there was considerable waste of foodgrains in the country through destruction by wild animals, insects, by bad storage and lack of storage. If it were possible to reduce this waste, most of our present difficulties could be solved.

112. The Chief Minister of Andhra Pradesh had referred to the need for making available adequate quantities of materials required by cultivators for the production of food, such as fertilisers, steel etc. It was essential to provide the agriculturists in time and at reasonable prices with these materials.

113. There was difference of opinion in regard to the zonal system. These differences had to be resolved fairly speedily in close consultation between the Minister for Food and Agriculture and the State Governments. When some States expressed themselves in favour of having single State food zones, it was, of course, understood that they would guarantee the procurement of agreed



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quantities of foodgrains. Even so, the deficit States had some fear whether these guarantees would be actually fulfilled.

114. He was in entire agreement with the Food and Agriculture Minister that in spite of the agitation that was going on about the food situation, the problem was not really a difficult one. The problem would be rendered easier of solution if a co-operative effort was made by all.

The Council then adjourned for the day.

115. The Food Minister, Madras, **Shri M. Bhaktavatsalam** stated that, while ultimately one could have an all-India food zone with free trade and free movement, for the present, some kind of control was inescapable. In his view, there was really no question of conflict of interest between surplus and deficit States as such. If he pleaded for the revision of the southern food zone, it was not merely in the interest of Madras or Andhra alone but also in that of Kerala. This zone had existed for some years. Until last year, no procurement could be effected on account of non-enforcement of price controls. This year, the Government of Madras had found it necessary to control prices. Prices were notified and an attempt was made to procure foodgrains for distribution through fair price shops for which there had been persistent demand in the Legislature. In the process of procurement, there had been considerable opposition from trade interests who had tried to obstruct Government's efforts. Despite this, the Madras Government had opened 2,260 fair price shops all over the State, some of which were run by cooperative societies. One of the effects of the opening of these fair price shops had been that the prices in the free market had tended to go down.

116. The question at present, was whether procurement under the existing arrangements could continue in view of opposition both from traders as well as producers. It was his fear that if the zonal arrangements continued it would be impossible for the Madras Government to continue procurement. This again meant that fair price shops could not be supplied with foodgrains and prices would go up.

117. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** stated that as a result of an increase in the price of rice in Andhra, there had been agitations and demonstrations. The Council was aware that a train was stopped at Cuddappah and looted. The police had to intervene in order to bring the situation under control. The point was for how long and how effectively one could prevent such incidents. There was the danger that these agitations might also take a violent turn.

118. In view of this, he would plead that in the interest of the whole country, no steps should be taken to convert even surplus States into deficit States and thereby make them problem States from the point of view of law and order. If it was considered that it was important to treat Madhya Pradesh and Orissa as separate food zones, he would request that the entire control over foodgrains be taken over by the Centre. As far as he was concerned, if Andhra Pradesh could be constituted into a food zone, he was prepared to make the promise of procuring at least 4 lakh tons of rice by the end of March, 1960, if not earlier.

119. The Chairman observed that, apart from the various points on which there was complete agreement, there were three major points on which there was some difference. They were the zonal system and State trading. The third was not really a point of difference but on which there was varying emphasis, namely, co-operatives and the part they should play in food distribution. So far, there had not been much mention of co-operatives in the meeting. It would, therefore, be a good thing if the Council could be told about the co-operative movement in different States and the manner in which it was progressing. There could be little doubt that the larger the number of co-operatives functioning effectively, the easier it would be for Government to deal with the food situation.

120. With regard to the newspaper reports which had appeared that morning, the Chairman thought that they were contradictory. Two of the papers had said that State trading had been strongly

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endorsed by most of the Chief Ministers, while one of them had said that there was a tendency to go away from it. However, as had been decided yesterday, no firm decisions were to be taken at this meeting. As for State trading, it was obvious that where it was functioning well it should continue. In other areas, where the arrangements, including administrative machinery, were inadequate, consideration might be given at this meeting to the manner in which the difficulties could be attended to.

121. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** said that he would venture to submit that any suggestion about impropriety of State trading would cause harm. It had already done so in that in Madhya Pradesh prices had increased by about Rs. 2 or Rs. 3 per maund. Therefore, in his view, whatever decision was taken should be a final one. He would also say that it would be wrong to think that the surplus States were merely pressing their point of view and not the all-India point of view. The Food and Agriculture Minister at the Centre had to pay attention both to the psychology of the people as well as the law and order implications of increases in food prices.

122. A rise in prices would give rise to very serious problems in Madhya Pradesh. With the implementation of the Pay Commission's recommendations, the disparity between salaries at the Centre and in Madhya Pradesh would increase and there would be pressure for a rise in salary scales in the States as well. He did not know how the States would be able to raise adequate funds to meet this demand.

123. In the last meeting of the Council, a decision had been taken to pay a fair price to the producer and to charge a fair price from the consumer and also to eliminate intermediaries. There should be no going back on this decision.

124. The Chairman had been emphasising, the role of co-operatives in regard to food marketing and distribution. In this connection, the Central Government had informed the Madhya Pradesh Government that they would be prepared to finance as a pilot project 340 co-operative societies and that, for this purpose, assistance to the extent of Rs. 68 lakhs would be given. The Madhya Pradesh Government had, therefore, proceeded on this basis and had planned to set up 660 co-operative societies of their own, thus making a total of 1,000 societies. Information had now been received to the effect that the Central Government was withdrawing its own plan. He was not making any complaint but he felt that the scheme should not have been withdrawn.

125. In Madhya Pradesh, they were making the fullest use of co-operatives for increasing production as well as for better marketing.

126. While on the subject of procurement, the Food and Agriculture Minister had enquired what guarantees State Governments would give in regard to the amount of foodgrains they would procure. He thought that there could be no question of guarantees. This was not the manner in which the States and the Central Government should proceed between each other. At the same time, if the Madhya Pradesh Government were told what was expected of them, they would try to do their best to procure the agreed quantities of foodgrains. Last year, they had supplied 4 lakh tons of rice. The impression should not go round that, because they were a Surplus State, Madhya Pradesh did not bother about what was happening in States like Bombay and West Bengal. However, due consideration should also be paid to local conditions and some decisions should be taken as to the price that should be paid for rice in the next season. Last year's price of Rs. 15 per maund was too low. When the price was settled and the cultivator satisfied, they in Madhya Pradesh would make the utmost efforts to procure supplies.

127. He was totally opposed to the idea of taking away one lakh tons of foodgrains from Madhya

Pradesh in order to meet the needs of Bombay and then receiving an equal quantity from elsewhere for distribution within that State. This was what had happened in the past and should be scrupulously avoided in future. If State trading was interfered with in Madhya Pradesh and the State zone abolished, fair price shops would have to be opened not merely in urban centres but also in rural areas. For these reasons, he would like the existing arrangements to continue in Madhya Pradesh.

128. Minister for Civil Supplies, Bombay, **Shri G. N. Kazi** stated that he was reassured to note that the Chief Ministers of surplus States had taken a realistic view and were prepared to consider the food situation from the national point of view. He, however, thought that the availability of foodgrains in the country as a whole should be kept in view and a method devised whereby what was available could be distributed all over the country. If this was the intention, there would be no harm in treating each State as a separate food zone. Again, if the country was treated as one unit— and this idea was not inconsistent with the single State food zone— the surpluses should be made available to deficit areas in a controlled manner.

129. During the discussion, the difficulties that would arise in surplus States under the zonal system had been enumerated. Attention should, at the same time, be paid to the difficulties of deficit States also. These deficit States had to be fed either from foodgrains procured in surplus States or from imports.

130. As for the manner of procurement, he had heard in the Council that there should be fixation of prices and monopoly procurement. The Uttar Pradesh Government had, however, pronounced itself against monopoly procurement but favoured a levy on traders. It was clear that if monopoly procurement was resorted to, the Government would have to take the responsibility for feeding every person in the State. Government distribution would also have to extend to every part of the State. As an alternative to monopoly procurement, a levy on traders had been suggested. Under this system, prices would be fixed. But prices would rise because trades were in the field and the arrangements would not work. He, therefore, thought that the system of a levy on traders would be completely unworkable.

131. The food problem was not merely a problem of the growers but also of the consumers. Therefore, if prices were to be fixed, it had to be fixed for the consumers also. This logically meant rationing. Even though the reaction to rationing might be adverse, he thought that there was really nothing wrong with controls and rationing in a planned economy.

132. After all, surplus States could only say that they would try their best to procure as much as possible but it usually happened that all kinds of difficulties came in the way of their procuring the quantities promised by them. The Council would, therefore, have to consider what would happen in the deficit States if procurements in the surplus States were not adequate. If price rises in surplus States posed a law and order problem, in deficit States, there would be a life and death problem.

133. He would request the Council to bear in mind that the deficit States had even bigger problems than the surplus States. His Chief Minister had suggested yesterday that towns having a population of 4 or 5 lakhs and above should be cordoned off and special arrangements made to feed them. If the traders were convinced that large cities would be cordoned off and movements to and from them prohibited, the food situation would ease considerably.

134. The Chief Ministers of Madhya Pradesh and Orissa had referred to the unnecessary cross movements of foodgrains during the days the multi-State food zones were functioning. All that was required was to avoid such cross movements by proper management.

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135. He would, therefore, request that the whole question of food policy should be carefully considered from the point of view both of the surplus as well as of the deficit States before a decision was taken.

136. The Finance Minister, Madras, **Shri C. Subramaniam** said that the Food and Agriculture Minister would seem to be of the view that the existing arrangements should continue for some time. While he agreed that some time was necessary to take a decision, he would stress that there were political implications also in that opposition parties were propagating the view that the South zone alone was being discriminated against and that the Northern States were being allowed to have single State food zones.

137. The Civil Supplies Minister of Bombay had stated a short while ago that traders should not be depended upon for procurement. In that case, he wondered how procurement could at all be effected in multi-State zones. The Council had to make up its mind whether there should be controls on food or not. If controls were required, they could be exercised only on a State-to-State basis. The previous day, the Kerala Food Secretary had stated that the Madras Government had not enforced price controls. He enquired how the Madras Government could have enforced price controls when movement was free and both buyer and seller agreed on higher prices.

138. He would, therefore, once again urge that the rational solution would be to form single State food zones.

139. The Food and Agriculture Minister, **Shri S. K. Patil** said that his problem was of finding nearly 1 million tons of rice to make up Kerala's deficit of 7 lakh tons and Mysore's deficit of about 2½ lakh tons. As against this, Andhra Pradesh promised 4 lakh tons and Madras 1½ lakh tons. Further, Madras had to be provided with 1 lakh tons for supply to fair price shops. Then again, since the Southern States were rice eating areas, it was extremely difficult for him to rush rice there. Therefore, it had to be seen whether the existing arrangements were good enough or they should be revised.

140. The Chief Minister, Orissa, **Shri Harekrushna Mahatab** said that he would like to make a few general observations about the food situation. First of all, it seemed to him that the size of the overall deficit was not clearly known. On an earlier occasion, it appeared that there was enough food available but that the only problem was price control. In order to control prices, therefore, the Council had decided upon State trading. On the present occasion, the Food and Agriculture Minister had repeatedly stated that we were deficit to the extent of 3 to 3.5 million tons and that this deficit had somehow to be made good by imports etc. The emphasis had now shifted from prices to the total level of supplies. He, therefore, thought that there should be a careful review of the total requirements of foodgrains of the country. In such a review, he would caution against the use of statistical averages. On the basis of 15 ounces or so per *capita* per day, Orissa would itself become a deficit State. As for administration, he thought that the Agro-Economic Survey Team had done a good job. It was equally necessary to make a survey of the administrative machinery. He personally felt that we could manage with what we had, provided we had a strong and efficient administration.

141. The Chairman stated that the food problem was a comparatively old one. There were various factors responsible for the emergence of this problem. There was a gap between production and consumption. Population had risen too. But production had increased at a greater pace than population. Generally speaking, what was happening was that deficit States asked for quantities of food which were rather on the high side. The Centre then argued with the deficit States and finally a compromise was arrived at between the demand made by the deficit States and what the Centre

originally offered. This was how they had been carrying on in the past. If one had proceeded on the basis of statistical averages, every State would have become a deficit State. What was needed, therefore, was a practical approach. At the same time, attention had to be paid to the fact that there were more people and they consumed slightly more than before. The demands made last year by the deficit States and the supplies actually made to them would be a fair index to the problem.

142. Member, Agriculture, Planning Commission, **Shri Shriman Narayan** said that he wanted to draw attention to one aspect of the paper that had been circulated in the Council. It had been suggested in that paper that there should be a basic national food plan which would have to be studied carefully. If a method could be devised by which a fairly long term food plan extending over 5, 7 or 10 years and covering both deficit as well as surplus States could be drawn up, it would be possible to settle the differences in approach. He wondered, therefore, whether it would be of use if the National Development Council could set up a Standing Food Committee. This Committee could meet once in a quarter and review progress from time to time.

143. He would also plead that whatever decisions were taken should be for a fairly long term. In the past, the tendency had been to become fairly complacent when the crops were good and to take hurried decisions when they were bad. Ultimately, it was the State Governments that would have to assume responsibility. If the Standing Food Committee would meet quarterly or, if necessary, at even more frequent intervals, it would be possible to evolve a sound long term plan, not requiring change from season to season.

144. The Chairman requested that the progress of co-operatives might be reviewed.

145. The Finance Minister, Madras, **Shri C. Subramaniam** said that Madras had made considerable progress in the formation of co-operatives. They now required to cover only 2,000 more villages. The existing co-operative societies were mostly credit co-operatives and covered only 55 to 60 per cent. of the families. The emphasis, therefore, had been to convert as many of these credit co-operatives into multi-purpose co-operatives as possible. This required a large number of trained personnel and, therefore, the Madras Government had intensified their training programmes.

146. In regard to co-operative farming, many villagers, mainly young and educated farmers, were coming up with proposals to constitute joint farming societies. As this development was comparatively new, his Government had not yet been able to assess their performance.

147. The various Hindu religious endowments in Madras, particularly in the Tanjore District, had large areas of cultivable land under their control. Up till now, these lands had been given on lease to intermediaries who used to let them out to tenants. The management of these lands had now been vested with co-operative societies for leasing out to tenants.

148. In regard to joint farming in Gramdan villages, the experience of the Government had not been very satisfactory.

149. The availability of credit to co-operatives had increased from Rs. 4 to 5 crores, some three or four years back, to Rs. 18½ crores at present. There was some difficulty with regard to medium term loans which the Reserve Bank of India considered to be in the nature of investments. He, therefore, thought that there should be some relaxation in regard to the period over which medium term loans could be made available. Consideration was also being given to the question of advancing loans even to those who did not own land but only cultivated it. In case the sums advanced could not be recovered the proposal was that the loss should be shared, between the



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co-operative societies and the State Government.

150. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** stated that it was the Madhya Pradesh Government's proposal to cover the remaining villages with co-operatives during the course of the Second Plan period. He too had the difficulty about medium term loans to which the Finance Minister of Madras had made a reference. The Madhya Pradesh Government had proposals to impart training in village leadership so that the co-operative movement would remain a people's movement. Only if people in rural areas were trained in the principles of co-operation would co-operatives take root in villages. They had also started pilot co-operative farming societies. So far, his experience was that these societies were functioning well only, such societies consisted of landless people cultivating Government land. One had yet to see whether people owning their own land would be prepared to pool their land with that of others and undertake co-operative farming. If service co-operatives were made a success, the stage would come when people would voluntarily take to co-operative farming.

151. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** stated that the coverage of villages by co-operatives in Andhra Pradesh was to the extent of 73 per cent. and the Andhra compared favourably with Madras or Bombay in the matter of progress with co-operative societies.

152. The Co-operation Minister, Andhra Pradesh, **Shri Nawaz Jung** said that at present the co-operatives contained many people who did not believe in co-operation. He, therefore, thought that the curriculum in schools and colleges should include the principles and practice of co-operation. Another matter which required attention was a clear indication of the activities that service societies should take up.

153. The Food Minister, Rajasthan, **Shri Badri Prasad Gupta** stated that they had 12,000 co-operative societies in Rajasthan with a membership of nearly 6 lakhs. The number of villages in that State was 31,000. They had so far been able to start 500 co-operative farming societies, cultivating nearly one lakh acres of Government land. It was hoped that these societies would achieve good results with proper assistance.

154. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that there were 16,000 credit societies and 21,000 villages in Punjab, which meant a coverage of 74 per cent. or so. There were about 217 co-operative farming societies of which 80 per cent. were functioning well. These co-operative farming societies did not however hold the land in common. Some of these societies had obtained very good results by way of per acre yields. On the marketing side also, considerable progress had been made by co-operatives.

155. The Chief Minister, Orissa, **Shri Harekrushna Mahtab** said that since 1956, the grain gola scheme had covered about 60 per cent. of the villages. Fertilisers were now being distributed through co-operative societies and the Orissa Government was thinking of distributing taccavi loans also through them. It was their intention to convert the grain gola societies into service co-operative societies.

156. The Chief Minister, Madhya Pradesh, **Shri Kailas Nath Katju** said that though the number of credit societies was impressive, he would like to know how many families had actually been covered. They had a scheme in Madhya Pradesh of establishing 1,000 service co-operative societies, involving an expenditure of Rs. 8 to Rs. 9 crores. The question of finding the requisite funds posed a difficult problem. Moreover, credit co-operatives did not offer assistance to the poorer cultivators because they were not creditworthy.

157. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** said that, in Uttar Pradesh, they were trying to build up a cadre of village leaders. By the time of the rabi campaign the number of such leaders would go up from 250,000 to 750,000. It was proposed to give these leaders some training in the elements of co-operation.

158. The Agriculture Minister, West Bengal, **Shri Tarun Kanti Ghosh** stated that many co-operatives in West Bengal were working well. They had only a small number of big size co-operatives, the rest were quite small. They had also established training centres for co-operation.

159. The Civil Supplies Minister, Bihar, **Shri Birchand Patel** said that 16,000 co-operative societies had been established in Bihar. They were mostly credit co-operatives but were now undertaking the distribution of seeds, manures and fertilisers. The percentage of families covered was, however, not very satisfactory, being only about 30 per cent. Efforts were however being made to bring all the families into the co-operation fold. It might be possible to ensure this within the next two or three years. There was a non-official organisation of State Co-operative Federations which gave training in co-operation to non-officials. In this way, they hoped to find sufficient number of trained persons to foster the co-operative movement.

160. The Commerce Minister, Jammu and Kashmir, **Shri Shamlal Saraf** stated that they had started village co-operatives in Kashmir but had not succeeded. Later came consumers' co-operatives which thrived in the period of controls. Later, multi-purpose co-operatives had been started which handled storage and distribution of fertilisers, seeds, agricultural implements etc. The entire work of procurement of foodgrains was also being handled by these co-operatives. It was through them that loans were advanced to the farmers. The recovery of loans thus advanced was to the extent of 98 per cent. last year. Industrial co-operatives had also been started in that State and were making progress.

161. The Chairman stated that this brief review had shown that co-operatives were on the move and were advancing, though perhaps not quite as fast as one would wish. It would be seen that in some States the activities of co-operatives were intimately connected with the food problem that was being discussed in the Council. The co-operative movement encouraged better production and distribution. He had no doubt that the solution to the food problem was intimately relied to and depended upon co-operatives. It was also clear from the figures quoted that, in two or three years, a fairly large percentage of the villages in India would have co-operatives.

162. The Chief Minister of Andhra Pradesh had referred to inadequate supplies of steel. He would, therefore, request the Minister of Steel, Mines and Fuel to clarify the position.

163. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** agreed that it should be ensured that steel for agricultural purposes was made available at controlled prices. At present, an overall allocation was made to the States by the Centre, but internal priorities were determined entirely by the State Governments concerned. He had addressed personal letters to Ministers in the States and pointed out how internal priorities would have to be determined by them alone. Therefore, by having an appropriate system of priorities, State Government could ensure that agricultural production was not hampered by lack of supplies of steel at controlled prices. He would request that the State Governments should organise the manufacture and sale of agricultural implements from the steel allocations made to the States.

164. Insofar as the bigger hydro-electric projects were concerned, an effort had been made by the Ministry of Irrigation and Power to bulk the entire requirements and make arrangements for supplies. With regard to the Krishna Barrage to which the Chief Minister of Andhra Pradesh had

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referred there had been some failure on the part of stockists. He had, therefore, asked the Iron and Steel Controller to go to Hyderabad and enquire into the matter. This had been done and his information was that the difficulties experienced had now been removed.

165. With regard to overall supplies, the position was likely to change considerably for the better within the course of the next six months. The steel plants at Bhilai and Rourkela would begin to produce steel. With increased availability of pig iron, the position of the foundries had materially altered during the last three months and there was no shortage of chaff cutters or sugarcane crushers in the country.

166. He assured State Governments that there would be no difficulties in the future about supplies of steel. If the State Governments could make arrangements for the manufacture of the agricultural implements required and also ensure that these implements reached the cultivators at reasonable prices, there would be no room for complaints about shortage of material required for agricultural production.

The meeting then adjourned.

## PARTICIPANTS

### PLANNING COMMISSION

Shri Jawaharlal Nehru	..	..	..	Chairman
Shri V.T. Krishnamachari	..	..	..	Deputy Chairman
Shri Gulzarilal Nanda	..	..	..	Minister of Planning
Shri Morarji Desai	..	..	..	Member (Finance)
Shri V.K. Krishna Menon	..	..	..	Member (International Trade)
Shri C.M. Trivedi	..	..	..	Member (Natural Resources)
Shri Shriman Narayan	..	..	..	Member (Agriculture)
Shri T.N. Singh	..	..	..	Member (Industry)
Prof. P.C. Mahalanobis	..	..	..	
Shri S.N. Mishra	..	..	..	Deputy Minister of Planning
Shri L.N. Mishra	..	..	..	Parliamentary Secretary to the Minister of Planning
Shri Vishnu Sahay	..	..	..	Secretary

### STATES

Andhra Pradesh	..	..	..	Shri N. Sanjeeva Reddy, Chief Minister
				Nawab Mehdi Nawaz Jung Bahadur, Cooperation Minister
Assam	..	..	..	Shri B.P. Chaliha, Chief Minister
				Shri F.A. Ahmed, Finance Minister
				Shri M.S. Choudhri, Food Minister
Bihar	..	..	..	Dr. Srikrishna Sinha, Chief Minister

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				Shri Birchand Patel, Minister of Civil Supplies and Agriculture
				Shri L.P. Shahi, Dy. Minister of Industries
				Shri Ambika Singh, Dy. Minister of Finance
Bombay	..	..	..	Shri Y.B. Chavan, Chief Minister
				Shri G.N. Kazi, Minister of Civil Supplies
Jammu and Kashmir	..	..	..	Shri Shamlal Saraf, Minister for Commerce & Industry
Madhya Pradesh	..	..	..	Dr. K.N. Katju, Chief Minister
				Shri M.L. Gangwal, Finance Minister
				Shri A.Q. Siddiqui, Food Minister
Madras	..	..	..	Shri C. Subramaniam, Finance Minister
				Shri M. Bhaktavatsalam, Home Minister
Mysore	..	..	..	Shri B.D. Jatti, Chief Minister
				Shri K.F. Patil, Minister of Forest and Transport
Orissa	..	..	..	Dr. H.K. Mahatab, Chief Minister
				Shri N. Routroy, Minister of Supply and Commerce
Punjab	..	..	..	Sardar Partap Singh Kairon, Chief Minister

				Shri Mohan Lal, Minister of Food and Industries
Rajasthan	..	..	..	Shri Mohanlal Sukhadia, Chief Minister
				Shri Badri Prasad Gupta, Food Minister
Uttar Pradesh	..	..	..	Dr. Sampurnanand, Chief Minister
West Bengal	..	..	..	Shri P.C. Sen, Food Minister
				Shri Tarun Kanti Ghosh, Minister of Agriculture and Food Production
Kerala	..	..	..	Shri N.E.S. Raghavachari, Chief Secretary

**UNION MINISTERS**

Shri Govind Ballabh Pant	..	..	..	Minister of Home Affairs
Shri Lal Bahadur Shastri	..	..	..	Minister of Commerce and Industry
Shri Jagjivan Ram	..	..	..	Minister of Railways
Sardar Swaran Singh	..	..	..	Minister of Steel, Mines and Fuel
Shri S.K. Patil	..	..	..	Minister of Food and Agriculture
Hafiz Mohammed Ibrahim	..	..	..	Minister of Irrigation and Power
Shri K.C. Reddy	..	..	..	Minister of Works, Housing and Supply
Shri Asoke K. Sen	..	..	..	Minister of Law
Dr. P. Subbarayan	..	..	..	Minister of Transport and Communication
Shri S.K. Dey	..	..	..	Minister of Community Development and Co-operation
Shri A.M. Thomas	..	..	..	Dy. Minister of Food
Shri B.R. Bhagat	..	..	..	Dy. Minister of Finance.





**FOURTEENTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SUMMARY RECORD**

**NEW DELHI : MARCH 19 and 20, 1960**



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**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

# SUMMARY RECORD OF THE FOURTEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

## AGENDA

### *Planning Commission*

#### MEMORANDUM ON THE THIRD FIVE YEAR PLAN

#### I. OBJECTIVES

Work on the Third Five Year Plan has reached a stage when the picture can be presented as a whole and the assumptions and tentative magnitudes submitted for the consideration of the National Development Council.

2. The central objectives of the Third Five Year Plan were described by the President in his Address to Parliament as the laying of a solid foundation for future progress in regard to our basic industries, agricultural production and rural development, thus leading to a self-reliant and self-generating economy. The Third Plan may, therefore, be viewed as the first part of a decade or more of intensive development in the course of which the Indian economy can achieve its "take off".

3. The choice of development programmes and the investment decisions in the Third Plan will be guided by two general considerations. The first is that the gains by way of increased production and increased mobilisation of resources from the assets created and the services developed during the First and the Second Plans should be fully realised. The second consideration is that the pace and pattern of development should be such as to ensure rapid development during the Fourth and Fifth Plans. In other words, the specific targets and programmes in different sectors for the Third Plan period should be related as closely as possible to the long-term objectives which the country has in view.

4. The main issues for the Third Five Year Plan were considered by the National Development Council at its twelfth meeting in April 1959. The conclusions and recommendations of the Council are set out in the Annexure. In the light of these suggestions and the further consideration which has since been given to the subject, it is suggested that the main tasks of the Third Plan should be to-

- (i) secure during the Third Plan a rise in national income of at least 5 per cent per annum, the pattern of investment being designed also to sustain this rate of growth during subsequent plan periods;
- (ii) achieve self-sufficiency in foodgrains, and increase agricultural production to meet the requirements of industry and exports;
- (iii) establish basic industries like steel, fuel and power and, in particular, machine-building capacity, so that the requirements of further industrialisation can be met within a period of 10 years or so mainly from the country's own resources;

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- (iv) ensure a substantial expansion in employment opportunities; and
- (v) bring about a reduction of inequalities in income and wealth and a more even distribution of economic power.

### II. PERSPECTIVE OF LONG-TERM DEVELOPMENT

5. The Second Five Year Plan was presented as a phase in a scheme of development stretching from 1950-51 to 1975-76 which is the last year of the Fifth Plan. It was envisaged that the national income could be doubled by 1967-68 and the per capita income by 1973-74. It was further suggested that aim should be to reduce the proportion of the labour force dependent on agriculture from about 71 per cent in 1951 to about 60 per cent in 1975-76.

6. Any projection of economic growth over such a long period as three or four five year plans is necessarily based on a number of assumptions, which are in part economic and in part institutional. The main economic assumptions concern (a) the rate of growth of population, (b) the proportion of the current income of the community devoted to capital formation, and (c) the return by way of additional output on the investment undertaken. Since the Second Plan was drawn up the assumption regarding the rate of growth of population may be said to have definitely altered. Until the results of the population census of 1961 become available, it is not possible to be certain regarding the present rate of growth of population. There are, however, indications that the rate of growth is already larger than that assumed in the Second Plan. The Second Plan had assumed a rate of growth of 1.25 per cent over the decade 1951-60, of 1.33 per cent during 1961-70 and 1.4 per cent during 1971-80. It is now considered that until there is more definite knowledge the rates of growth to be assumed for the first, second, third, fourth and fifth plans should be respectively 1.58 per cent, 1.91 per cent, 2.14 per cent, 1.90 per cent and 1.47 per cent. The forecasts of population growth in the Second Plan and those now visualised are as follows:

(in millions)

	1956	1961	1966	1971	1976
Second Plan	384	408	434	465	500
Revised forecast	391	431	480	528	568

7. Earlier projections of economic growth up to the end of the Fifth Plan need reviewing in terms of the new population forecasts and the progress made during the Second Plan. It is obvious that a higher rate of population growth necessitates larger investment within the economy in order to secure a given rate of increase in per capita incomes. Correspondingly, it calls for larger savings. The Second Plan aimed a 25 per cent increase in national income. In the first three years of the Plan, the increase has been below the target. By the end of the Second Plan, it will probably be of the order of 20 per cent. The rate of savings was expected to go up to about 11 per cent of national income. Actually, it is expected to be about 8 per cent by the end of the Second Plan. In the Third Plan, it is essential to aim at a rate of increase of at least 5 per cent per annum in national income, which means an increase of only 3 per cent per annum in per capita incomes. Calculations regarding the future are necessarily subject to a number of assumptions regarding the behaviour of the capital-output ratio, the rate of increase in domestic savings, the availability of foreign aid, etc. Some work on these aspects has been done and much further study has to be undertaken.

8. Though there are uncertain factors, at each stage in planning, it is necessary to take a view regarding the future. Studies undertaken in the Planning Commission suggest that the objective of doubling national income (with 1950-51 as base) by 1967-68 and of doubling per capita income by the Fifth Five Year Plan should be adhered to, considering the economic and social needs of the country. They also indicate broadly that net investments of the order of Rs. 10,000 crores during the Third Plan and Rs. 15,000 crores during the Fourth Plan (at 1957-58 prices) would be required to increase the national income from about Rs. 13,000 crores in 1960-61 to about Rs. 17,000 crores in 1965-66 and to about Rs. 22,000 crores in 1970-71. It is clear that on account of the growth of population at a higher rate than was anticipated previously and other relevant factors, domestic savings would have to rise from about 8 per cent of the national income at the end of the Second Plan to at least about 12 per cent by the end of the Third Plan. The degree of effort secured in mobilising domestic resources for the Third Plan is a crucial determinant of the progress that can be achieved in the future.

9. The Perspective Planning Division of the Planning Commission has prepared a 'Provisional Outline of Perspective of Economic Development 1955-70'. This paper is being submitted for the information of the National Development Council. The paper attempts to bring different programmes of development into a consistent framework. An outline such as this has to be revised constantly in the light of performance in successive periods. Long-run views such as are embodied in this paper provide valuable guidance in important current decisions on specific development programmes and in relating present to future development.

### **III. PRIORITIES**

10. The scheme of allocations of resources for the economy as a whole which is embodied in a five-year plan reflects the priorities and the relative emphasis in different sectors during the plan period. The level of agricultural production is one of the main limiting factors in the rate of growth of the Indian economy. In the scheme of development the first priority therefore belongs clearly to agriculture. Agricultural production has to be raised to the highest levels feasible, so that the incomes and living standards of the rural population may go up and keep pace with incomes in other sectors. Also, there is an intimate connection between the expansion of the agricultural economy and the mobilisation of the man-power and other resources of rural areas, which is itself a major objective. In allocating resources, therefore, care has to be taken, firstly, to ensure, after due scrutiny, that sufficient resources are provided from the beginning for carrying out the agreed programmes and, secondly, that within the rural economy whatever is considered physically practicable and desirable is in fact made financially possible. In this sense there should be considerable flexibility in providing funds specially for those activities in rural areas which facilitate the more intensive use of the available manpower resources.

11. The second set of considerations concerns the priority to be given to the related sectors of industry, minerals, power and transport. Development in these fields is vital for lifting the economy to a higher level and for its accelerated growth. Beyond a limit which is soon reached, the growth of agriculture and the development of human resources alike hinge upon the advance made in industry. Until an economy reaches the stage of self-sustaining growth, industrial development calls for large resources in foreign exchange and also involves a considerable measure of waiting before the investments made result in increase in output. It is of the greatest importance that in each phase of development there should be an internal balance between industry, power and transport and in the resources allocated to them. In the field of industry, the Plan has to be drawn up, in the

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first place, from the point of view of the needs and priorities of the economy as a whole, the public and the private sectors being considered together. There has to be greater emphasis on the basic industries, specially steel, machine-building, fuel and power, on which the capacity of the economy to develop in future on its own momentum and from its own resources is largely dependent.

12. The third set of priorities relates to social services and allied programmes. In a plan of development which relies heavily on public understanding, voluntary contribution and the response which only responsible citizens can make, the significance of these programmes cannot be too greatly stressed. Some of the programmes in this group are closely linked to economic development, such as scientific research, technical and higher education, training of craftsmen and provision of housing and townships in industrial areas. There are others which are vital for wider social considerations such as the expansion of facilities for education, control of diseases, provision of health and medical services, family planning, and the provision of drinking water in rural and urban areas and of welfare services for the less developed sections of the community. In the Third Plan the provision of adequate funds for social services presents difficulties similar to those experienced at the time of the Second Plan. Nevertheless, it is important that as fair a balance between social and economic development should be provided for in the Plan allocations as may be possible in the circumstances.

13. Finally, in considering the relative priorities between different sectors, it is necessary to ensure in the interest of the economy as a whole that the output in different branches of the economy and the level of savings of the community should increase continuously from year to year. There should, therefore, be a reasonable proportion between projects with long gestation and those whose benefits accrue over shorter periods. It is also essential that there should be no avoidable lags between the creation of assets and their utilisation. At every point in the economy the emphasis should be on obtaining the utmost by way of increased output from the investments which have been made in the past and those which may be made during the Third Plan. It will, therefore, be essential to provide that in each sector the investments needed to complete projects already commenced and those which are essential for securing early increases in output receive the requisite priority, both in the Five Year Plan and in annual plans.

### IV. CONDITION FOR A LARGE PLAN

14. From the objectives stated earlier, it is obvious that the total investment during the Third Plan will need to be much larger than under the Second Plan. Over the period of the Second Plan the total investment in the economy will have risen from Rs. 835 crores to about Rs. 1460 crores per annum. During the Third Plan resources to the extent of nearly Rs. 2,000 crores are required for completing projects in the public sector which are already under execution. Of this amount, about Rs. 750 crores relate to irrigation and power schemes and about Rs. 850 to 900 crores to industry and transport. There are, besides, certain important programmes or schemes which are in the nature of 'near commitments' on which policy decisions have been taken. Thus, in all, investment in the Third Plan amounting to about Rs. 3,000 crores will be accounted for by items which may be regarded as more or less firm. The growth of population demands a larger output of goods and services. Beyond these there must be adequate provision for future development. Owing to the expansion in the economy which has taken place in recent years, there are larger requirements for working capital which have to be provided for, both in the public and in the private sector. For these and other reasons in the coming years there is no other course for the country but to make a gigantic effort to mobilise its own resources. A separate paper on Financial Resources has been



submitted to the National Development Council. Here, it may be useful to recall the basic conditions without which it will not be possible to sustain a large Plan. Briefly, these are:

- (1) a rapid increase in agricultural production and fuller use of the country's manpower resources;
- (2) Public enterprises being carried out with economy and efficiency and yielding the maximum returns feasible;
- (3) laying down and carrying out an integrated price policy;
- (4) construction programmes and costs being kept to the minimum;
- (5) high levels of administrative efficiency and determined efforts to raise standards in administration; and
- (6) realising the maximum employment potential inherent in the plans of the public and the private sector.

A few words may be said on each of these conditions.

15. The minimum rate of increase in agricultural production during the Third Plan has to be twice the rate of increase achieved over the decade 1949-50 to 1958-59. This part of the Plan, therefore, calls for an intensive and concentrated effort on the part of the extension agencies as well as cooperatives and panchayats. In the main, it is through the participation of millions of peasant families in village production plans, to which supplies, credit and other assistance are closely related, that the major agricultural objectives can be expected to be realised. Secondly, the large manpower resources available in rural areas must be systematically brought into productive activity through comprehensive works programmes. In a paper on this subject, which State Governments are considering at present, the Planning Commission has suggested the organisation of programmes in rural areas comprising the following five categories of works:-

- (1) works projects included in the plans of States and local bodies which involve the use of unskilled and semi-skilled labour;
- (2) works undertaken by the community or by the beneficiaries in accordance with the obligations laid down by law;
- (3) local development works towards which the local people contribute labour while some measure of assistance is given by Government;
- (4) schemes to enable village communities to build up remunerative assets; and
- (5) supplementary works programmes to be organised in areas in which there is a high incidence of unemployment.

16. The criterion that public enterprises should yield the maximum returns feasible has been emphasised by the National Development Council. It has to be fulfilled by public enterprises in all sectors and specially by industrial enterprises, irrigation and power projects, the railways, ports and road transport undertakings.

17. The most important aspect of price policy is that food prices should be maintained at reasonable levels and excessive fluctuations prevented. Given stability in agricultural prices, it is possible to ensure that there is a correct relationship between agricultural prices and the prices of

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industrial goods. It should also be possible to go a long way in relating increases in wages and salaries directly to increases in efficiency and productivity. In regard to food policy, the Planning Commission considers that the recommendations-made by the National Development Council in November 1958 in favour of State trading, in foodgrains should be given effect to fully, as they are an essential condition for the stabilisation of food prices and the development of marketing cooperatives for foodgrains and also for the rapid expansion of credit facilities for increasing agricultural production.

18. Construction costs account for a substantial proportion of the expenditure in several areas of development. In November 1958, the National Development Council emphasised that with a view to achieving economy in construction costs, fewer buildings should be constructed and such buildings as have to be constructed should be on a cheaper basis. This direction is of special importance in the Third Plan with its larger outlays and the need, which is now greater than ever, of securing the maximum results in relating to the available resources. In October 1959, the Planning Commission addressed a detailed communication to the Central Ministries and State Governments on this subject. The more important of the suggestions on the subject, to which the National Development Council may wish to give further attention, are:

- (1) In each field, the programme for construction of buildings should be limited to requirements which are inescapable, and the projects approved should be executed at minimum cost consistent with functional needs;
- (2) The five-year plans of States and Central Ministries should be accompanied by a careful appreciation of their total construction programme and their requirements of materials;
- (3) Cost data in respect of different kinds of buildings should be carefully analysed and the principal cost components should be reviewed at suitable intervals with the object of achieving greater economies through standardisation, adoption of improved techniques and control or elimination of items which do not result in additions to the useful area of a building;
- (4) To oblige all concerned to achieve economies in construction, financial ceilings should be fixed from time to time at lower levels than those realised in actual practice, indicating at the same time their physical basis;
- (5) At the planning stage, there should be close attention to the working out of all relevant details, so that deviations and additional items do not have to be introduced later and waste and delay are avoided;
- (6) Where the agency of contractors is utilised, savings in costs can be effected through the timely development of sites and preparation of detailed drawings, satisfactory arrangements for the issue of key materials and prompt payments;
- (7) Excessive dependence on contractors should be avoided by organising work departmentally in areas where contractors are not available or tend to quote excessive rates, payment to departmental labour being made on the basis of outturn of work. Secondly, labour co-operatives and voluntary social service agencies which are equipped for construction work (such as the Bharat Sewak Samaj) should be encouraged and assisted in taking up construction works; and
- (8) As has been done already in some States, there should be inter-departmental groups

to watch the progress of action towards achieving economy in construction costs. A committee on these lines is being constituted at the Centre.

19. The need to speed up administrative procedures and to raise the level of administrative efficiency is being felt at all levels of the administration and the subject is receiving attention both at the Centre and in the States. The following suggestions are submitted for the consideration of the National Development Council:

- (1) Executive departments and such organisations as Corporations and Government Companies should be strengthened and enabled to function on their own responsibility and with greater initiative than at present;
- (2) Steps should be taken to ensure that large projects in such fields as irrigation, power, industry, transport and construction, on which substantial investments have to be made give full value for the money spent. To ensure that the physical assets created are commensurate with the original estimates and designs, there should be independent units which carry out test checks of performance from time to time;
- (3) A group of senior Secretaries, with the Chief Secretary as Chairman, might function as a Committee on Administration which reports to the Chief Minister and the State Cabinet and is charged with the continuing responsibility of proposing measures for improvement in the standards of administration and for reviewing action taken by departments and other organisations;
- (4) Where powers are delegated to public servants by law or by rule or executive order, within the fields assigned, there should be no interference with the decisions taken, appropriate action being taken where duties of office are not discharged satisfactorily. In cases in which intervention by Government or by higher authority is felt to be in the interest of public administration, appropriate amendments should be made in the law or rules or executive instructions governing the delegation of powers; and
- (5) Success in carrying out programmes of rural development turns very largely on the efficiency and integrity of the administration at the district, block and village levels. In several States, the problems of district administration are being studied carefully and steps are being taken to strengthen it. With the setting up of popular bodies specially at the block level, there are now new possibilities of mobilising local manpower and other resources. It will be necessary, however, to take steps to ensure that block panchayat samitis in fact place their main emphasis on increase in agricultural production rather than on programmes for providing amenities and that they function effectively as agencies for fulfilling the Plan in their respective areas. Subject to advice and other considerations, the ultimate responsibility for development work in the block should be that of the block panchayat samiti, and this aim should be progressively pursued. Recent studies of district administration have stressed two difficulties which are capable of being removed through suitable administrative action. The first is that personnel of various departments at different levels in the district do not, as a rule, spend a sufficient proportion of their time in the field. If excessive demands are at present being made on these officials which come in the way of their being absent from headquarters the position should be reviewed and the necessary action taken. In the second place, it has been pointed out that officials of different departments serving at various levels within the district are liable to be transferred frequently and at short

intervals. Few of them are able to stay long enough in an area to get to know its problems closely and to become identified with the needs and aspirations of the people. It is suggested that while the policy of retaining officials of different departments within the district for fairly long periods should be followed systematically, special care should be taken to ensure that block extension personnel, village level workers and teachers in village schools work continuously in the same areas, so that they come to be accepted by and are able to function as members of the communities in which they live and work.

20. In recent years there has been increase in unemployment specially in rural areas, and this is reflected in the larger numbers registered at employment exchanges. It is true that, generally speaking, the increase in employment opportunities is influenced to a large extent by the total volume of investment that is undertaken in the economy. Studies, however, show that the full employment potential of development programmes included in the Plan is not being realised because of deficiencies in implementation. In this connection, special attention is invited to the following suggestions:

- (i) The unemployment problem should be broken down by districts and blocks. At each appropriate level as much of it should be tackled directly within the framework of the local plan as may be possible. In each area the effort should be to realise, through efficient and co-ordinated implementation, the maximum employment potential of which the development programmes are capable.
- (ii) Development programmes should not be looked upon merely as collections of separate schemes. In implementing them, besides establishing new capacity and new services, steps should be taken to ensure that help existing agencies (e.g. artisans, small entrepreneurs, institutions etc.) to increase their output to the greatest extent possible. Frequently, this aim can be secured by providing for relatively small complementary outlays and introducing greater flexibility in carrying out development programmes with due consideration to local needs and conditions.
- (iii) A large part of the Plan is intended to benefit rural areas. Intensification and diversification of agriculture are calculated to reduce under-employment and increase pro-ductive employment. These advantages do not accrue if, for instance, there is failure to derive the full benefits from the new irrigation potential which is created or if the Department of Agriculture and Cooperation and the Community Development organisation do not intensify their efforts to correspond with the requirements of new irrigation. Similarly, large benefits by way of employment can be obtained from village and small industries schemes and from rural and small town electrification if the economy of the villages is developed systematically so as to meet the growing requirements of the neighbouring urban centres.
- (iv) Wherever feasible on general considerations, in the interest of greater employment, the more labour-intensive methods of operation should be preferred to the less labour-intensive methods in industry, construction etc.
- (v) The programme of works projects referred to in paragraph 12 is designed to augment employment opportunities to promote the fuller utilisation of manpower resources in rural areas. This programme should be fully integrated with the district and block development plans.

## V. SIZE AND PATTERN OF INVESTMENT

21. The financial assumptions for the Third Plan have been set out in the report of the Working Group on Resources and in the paper on the subject submitted to the National Development Council.

22. Outlays under the Plan are divided broadly between the public and the private sector. In the public sector a further distinction is made between investment expenditures and current outlays, the latter representing expenditures on staff, grants etc. Tentatively, it is proposed that the total investment under the Third Plan should be placed at Rs. 9,950 crores. As shown in the Table below, this includes investment of Rs. 4,000 crores in the private sector and of Rs. 5,950 crores in the public sector. The latter amount also includes a sum of about Rs. 200 crores corresponding to transfers from the public sector for capital formation in the private sector. This amount is, therefore, over and above the investment of Rs. 4,000 crores.

### Outlay and investment in the Third Plan.\*

(Rs. crores)

Head of Development	Public Sector			Private Sector		Total Investment (4+5)
	Total outlay	Current outlay	Investment	Investment excluding contribution from public sector	Investment including contribution from public sector	
1	2	3	4	5	6	7
Agriculture and community development	900	350	550	800	860	1350
Irrigation	650	10	640	—	—	640
Power	900	—	900	50	50	950
Village and small industries	250	90	160	275	325	435
Industry and minerals	1300	—	1300	1000	1040	2300
Transport and communications	1450	—	1450	200	200	1650
Social services	1150	600	550	1075	1125	1625
Inventories	400	—	400	600	600	1000
<b>Total</b>	<b>7000</b>	<b>1050</b>	<b>5950</b>	<b>4000</b>	<b>4200</b>	<b>9950</b>

\* Four expressions in common use may be briefly explained :

- (1) Investment is expenditure on the creation of physical assets (e.g. buildings and plant and equipment), including expenditure on personnel required for putting up these assets. The expression corresponds broadly to expenditure on capital account.
- (2) Current outlay corresponds broadly to expenditure on revenue account on Plan schemes; it is expenditure other than that classified as 'investment'.
- (3) Spill-over expenditure is expenditure on schemes carried forward from the Second to the Third Plan, excluding "committed expenditure."
- (4) Committed expenditure is expenditure essential for maintaining the level of development expected to be reached by the end of the Second Plan, including maintenance expenditure on schemes completed and institutions established under the Second Plan. Committed expenditure will not form part of the provisions under the Third Plan.

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23. In the distribution of outlays in the public sector—shown in column 2 of the Table above—it was considered that the plans for agriculture and for social services justified larger provisions. Within a total outlay of Rs. 7000 crores, this would not be feasible until the provision for inventories in the public sector had been finally determined. For the time being, therefore, it has been agreed that the plan for agriculture and community development should be worked out on the basis of a total outlay of Rs. 1000 crores and that for social services on the basis of a total outlay of Rs. 1250 crores. These provisions are subject to the resources needed being found as work on the formulation of the Plan proceeds. Accordingly, at the present stage in planning, the scheme of outlays given below, which has been suggested to the Central Ministries, may also form the basis of work in the States. The anticipated outlay in the Second Plan is shown in the Table along with the allocation proposed for preliminary planning under the Third Plan.

### Outlay in the public sector

(Rs. crores)

Head of development	Anticipated outlay in Second Plan	Allocations for preliminary planning in Third Plan
1	2	3
Agriculture and community development	530	1000
Irrigation	400	650
Power	410	900
Village and small industries	180	250
Industry and minerals	820	1300
Transport and communications	1330	1450
Social services and allied heads	800	1250
<b>Total</b>	<b>4550</b>	<b>6800</b>

The further break-up of these allocations is given in Section VI on physical targets and programmes.

24. The distribution of outlays between the Centre and the States can at present be suggested only in a tentative manner. The question of categories of schemes which will be of advantage to show at the Centre even though the execution is through the States, has to be considered further in consultation with the Central Ministries and State Governments. Meanwhile, it appears that as against a possible total outlay in the public sector of Rs. 6,800 crores (apart from inventories) the outlay to be shown in the plans of States may be of the order of Rs. 3,600 to 3,700 crores, divided broadly under the following heads:-



**Provisional distribution of outlay between the Centre and the States  
(other than inventories)**

(Rs. crores)

	Total	Centre	States
Agriculture and community development	1000	150	850
Irrigation	650	5	645
Power	900	100	800
Village and small industries	250	100	150
Industries and minerals	1300	1270	30
Transport and communications	1450	1225	225
Social services	1250	300	950
<b>Total</b>	<b>6800</b>	<b>3150</b>	<b>3650</b>

25. It may be said that with the development which has taken place in recent years and the many demands which need to be met, even larger allocations than those proposed above will be felt to be inadequate. Inevitably, there is a limit to the allocations which can be made. The essential problem, therefore, is to devise effective means for obtaining the maximum value from the expenditure incurred under each head. This involves the following guiding principles:-

- (1) Under each head, objectives which are essential should be distinguished sharply from those which are of secondary importance. Thus, while balancing physical targets with the financial allocations, care should be taken to maintain and, where necessary to enlarge the targets relating to production and training;
- (2) Among the main objectives to be followed up in each field of development is that the assets created or the services developed under the Five Year Plans should yield their benefits speedily and to the utmost extent feasible. In this connection reference may be made to the question of utilising irrigation facilities created by major and medium irrigation projects, on which subject the Planning Commission has been in consultation with State Governments and has recently forwarded a special paper for their consideration;
- (3) Where grants or subsidies are at present current, they should be carefully reviewed with a view to elimination or reduction as the case may be. Frequently, it is difficult to record a clear finding as to whether on the whole the withdrawal of a grant or a subsidy might injure, for instance, the poorer sections of the community. In each case involving a subsidy, whether in agriculture or in village and small industries or in other fields, a final view can only be taken after a careful study of the present working of the scheme has been made;
- (4) There has been a tendency in several programmes which were intended to draw out contributions from the community to place insufficient emphasis on this principle in actual practice. It is considered that the provisions suggested in the Plan for such development programmes as are capable of obtaining contributions from beneficiaries and from local communities should be made after taking this factor fully

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into account; and

- (5) As suggested earlier, the building components of all proposals, both at the Centre and in the States, should be drastically re-examined.

26. The correct phasing of outlays under the Third Plan is a question of the greatest importance. The main considerations to be kept in view are:-

- (1) Priority should be given to the completion of projects which will be carried over from the Second Plan;
- (2) Under each head, projects should be so phased that-
  - (a) the total expenditure required in each year under a head is not disproportionate in relation to other heads and to the five-year provision, and
  - (b) there is continuity of output from year to year;
- (3) In all related fields, at each stage, there should be careful balancing, e.g., between the supply and demand of trained personnel, between the availability of and demand for power, between industry and transport, between irrigation programmes and agricultural extension, etc. The possible bottlenecks and sources of time-lags should be identified carefully, both at the Centre and in the States, and provided for through, detailed and careful planning to the greatest extent feasible.

27. The foreign exchange requirements for a Plan of the order indicated earlier are explained in the paper on Financial Resources. The requirements for capital goods, equipment and components are at present estimated at about Rs. 2,100 crores in addition to about Rs. 500 crores for postponement of external debt falling due during the Third Plan, and PL 480 assistance.

28. Preliminary estimates have been made of the likely increase in national income and in employment which might result through the implementation of a Plan with the main physical targets which are at present in view. These suggest that in the Third Plan it should be possible to secure an aggregate increase in national income of the order of 27 to 28 per cent, the increase in per capita income being about 14 per cent. The corresponding figures for the Second Plan are expected to be 20 to 21 per cent increase in national income and about 10 per cent. increase in per capita income.

29. During the Third Plan, there will be about 14 to 15 million new entrants into the labour force. There will also be a backlog of unemployment which is estimated at about 7 to 8 millions. On present calculations, it appears that the number of additional jobs outside agriculture likely to arise as a result of the Plan may be of the order of 10 millions. This is necessarily a rough and provisional figure, and it will be essential both to work out the employment aspects of the Plan carefully with reference to individual development programmes and the likely increases in production in different sectors and to ensure that the Plan in fact yields its production and employment potential without time lags.

## VI. PHYSICAL TARGETS AND PROGRAMMES

30. In this section an attempt is made to bring together some of the more important features of the Plan in its physical aspects. The studies which have been undertaken so far in the Working Groups, in the Ministries and in the States have helped in reaching broad judgments on the main

magnitudes, both in terms of physical targets and investments. As the general pattern of allocations becomes clearer, in the next phase of work, the Working Groups at the Centre and in the States will cover the ground afresh in greater detail and with a more precise assessment of costs and benefits, and will also consider the changes in policy and administration which are called for if the limited resources available are to yield the maximum return of which they are capable. Two further qualifications should also be added. In the first place, at this stage much of the thinking on the distribution of resources between one programme or project and another is necessarily tentative and subject to further study. Secondly, in those parts of the Plan in which States have the predominant role, such as agriculture, small industry, irrigation and power and social services, the suggestions made in the present paper by way of targets constitute only a preliminary and incomplete assessment. A fuller picture will emerge after the State Governments have considered the broad magnitudes of the Plan and are able to relate their own thinking to them. The object of the targets indicated at present is, therefore, to assist the studies which will be undertaken at the Centre and in the States in the next phase of work on the Third Plan.

### **(a) Agriculture and community development**

31. At this stage the main emphasis in the plan for agriculture has to be on the technical programmes and the organisational programmes of the community development agencies and the cooperative movement which are to be carried out during the Third Plan. Any estimates of agricultural targets, which are made at present, are necessarily preliminary in character. They are intended to provide a basis for detailed agricultural programming to be undertaken by State Governments, both at the State level and at the level of individual districts and blocks. The final agricultural targets will emerge towards the latter part of the current year when these processes have been, more or less, completed. In each district and block the programmes and targets will be evolved jointly by extension workers and the local leadership represented specially in co-operatives, panchayats and panchayat samitis. It will be necessary for State Governments to provide some initial guidance to districts and blocks for working out their detailed programmes and targets. The main stress should be on the improvement of yield per acre and on intensive cultivation. The present difficulties and bottlenecks in each area should be examined and the agricultural plans should be designed so as to remove them. It is further suggested that because of uncertainties inherent in agriculture, agricultural production targets should generally take the form of a range of likely levels of output based on expectations of increase in yield per acre as well as increase in area under different crops which may be achieved through various measures of development.

32. The following are the principal technical programmes, for increasing agricultural production envisaged for the Third Plan:-

#### **(i) Irrigation from large and medium projects**

The additional area to be benefited will be 13 million acres or, after allowing for area sown more than once, about 12 million acres, the total area irrigated from these projects by the end of the Third Plan being about 42 million acres.

#### **(ii) Irrigation from minor schemes**

The additional areas benefited may be about 13.5 million acres, the total area irrigated from

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minor schemes reaching the level of about 53 million acres. If there is adequate participation on the part of local communities in minor irrigation programmes, with a given outlay, a substantially larger target should be possible. This should be the main objective in the minor irrigation programmes.

### (iii) Soil conservation, dry farming and land reclamation programmes

The targets proposed are :-

Soil conservation with contour bunding	13 million acres
Dry farming practices	40 million acres
Land reclamation	1 million acres
Reclamation of saline and alkaline lands	0.4 million acres
Flood control, drainage and water-logging	5 million acres

The importance of soil conservation and dry farming programmes for unirrigated areas can scarcely be exaggerated. These should be worked on the basis of mass participation on the part of the communities concerned.

### (iv) Fertilizers

The consumption of nitrogenous fertilisers is proposed to be increased from less than 300,000 tons to 1 million tons in terms of Nitrogen and of phosphatic fertilisers from less than 100,000 tons to 400,000 to 500,000 tons in terms of  $P_2O_5$ .

### (v) Organic and green manures

The total area which should benefit from schemes of urban and rural composting is estimated at 24 million acres. The target for additional area benefiting from green manures is proposed at about 50 million acres.

### (vi) Improved seed

It is proposed that seed of improved varieties based on the 4000 seed farms which have been established in the Second Plan should be multiplied so as to cover an additional area of about 150 million acres during the Third Plan.

### (vii) Adoption of improved agricultural practices

These include plant protection, double cropping etc., specially in areas which have irrigation facilities or assured rainfall.

33. It is estimated that if the programmes mentioned above are carried out efficiently and intensive work is organised, it should be possible to achieve an overall increase in the yield per acre in irrigated areas of about 30 to 35 per cent. In unirrigated areas the range of variation from year to year is naturally large, but over a period of five years if the programmes for soil conservation and

adoption of dry farming practices are implemented, on a cautious estimate, it should be possible to achieve an increase in output of 10% or more. With the increase in the total irrigated area from 69 to 70 million acres at the end of the Second Plan to about 95 to 96 million acres at the end of the Third Plan, there will be greater scope for extending double cropping. Allowing for increases in yields and for the estimated increase in area sown under food-grains from about 290 million acres in 1960-61 to about 310 million acres in 1965-66, it is expected that the addition in the production of foodgrains during the Third Plan could be of the order of, say, 25 to 30 million tons. On the basis of additional production of 30 million tons the level of food production in 1965-66 is likely to exceed 105 million tons.

34. For crops other than foodgrains, the following targets have been suggested by the Working Group on Agriculture and may be tentatively approved.

Crop	Production in 1958-59	Expected production in 1960-61	Target of production in 1965-66
Sugarcane (lakh tons in terms of gur)	72	72	92
Oilseed (lakh tons)	69	72	92
Cotton (including cotton equivalent of cotton textiles) (lakh bales)	47	60	78
Jute (including jute equivalent of jute textiles) (lakh bales)	52	55	65 (+13 mesta)
Coconut (million nuts)	4150	4500	5750
Arecanut (000 tons)	85	93	100
Cashewnut (000 tons)	69	75	150
Pepper (000 tons)	N.A.	29	30
Cardamom (000 tons)	N.A.	2.26	2.62
Lac (000 tons)	33	50	62
Tobacco (000 tons)	N.A.	300	325

35. Over the ten years, 1948-49 to 1958-59, food production increased by about 28 per cent and agricultural production as a whole by 31 per cent. It is estimated that on present expectations the index of agricultural production (base-1949-50) may rise to about 140 by the end of the Second Plan. On the food targets envisaged for the Third Plan cited above, the index is expected to be between 180 and 185 at the end of the Third Plan.

36. The basic problem in the agricultural sector in the Third Plan is the organisation of efforts at the village level in support of the technical programmes provided for in the plan. Since the growth of agricultural production is of such critical importance, the practical effectiveness of the community development movement as an agricultural extension agency is a matter of urgent concern. In this connection three issues are submitted for consideration: (i) How far is it possible to increase the present component of agriculture in the schematic budget of community development blocks? The block budget of Rs. 12 lakhs for stage I blocks at present provides Rs. 50,000 for agricultural and animal husbandry extension and Rs. 3,40,000 for irrigation and reclamation including soil

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conservation, contour bunding, etc. To what extent can the provisions for irrigation and reclamation be stepped up in view of the overwhelming importance of increasing agricultural production ? (ii) With a view to ensuring unified planning and execution of the irrigation, soil conservation and dry farming programmes, would it be desirable to route the community development funds for irrigation and reclamation which are to be utilised at the block level, through the State Departments of Agriculture, rather than directly to blocks? (iii) What steps can be taken to ensure that in respect of staff the block budget is so operated as to provide for a sufficient number of village level workers on a scale varying from 1000 to 1200 rural families per worker which the State Government may determine as a norm to be adjusted according to the requirements of different areas?

37. For purposes of planning, at this stage, a total allocation of Rs. 600 crores has been suggested for agriculture and allied programmes (e.g. animal husbandry and dairying, forestry and soil conservation), and Rs. 400 crores are proposed to be allotted for community development and co-operation. The final break-up of these amounts between individual heads of development will emerge when the States have drawn up their plans. Meanwhile, a tentative distribution between individual heads of development is being worked out in relation to the programmes which are in view. In both groups it is suggested that priority should be given to programmes relating to production and training and extension, so that the resources available for realising the targets of increased agricultural production are utilised to the greatest advantage and are not given over to less essential objectives.

### (b) Major irrigation

38. Irrigation projects taken up during the First and Second Plans have a total potential of 38 million acres, of which 13 million acres will have been created by the end of the Second Plan, the area irrigated being 9 million acres. The provisional distribution of the outlay of Rs. 650 crores provided for large and medium irrigation projects in the Third Plan and the corresponding physical targets are as follows:-

	Outlay (Rs. crores)	Benefits (Million acres)
Irrigation		
i) Continuing schemes	470	Potential 9.0
ii) New Schemes	100	Utilization 13.0
Flood control, drainage and anti-water-logging schemes	75	5 million acres benefitted.
Anti-sea erosion schemes	5	50 to 50 miles of sea coast protected
	-----	
	650	

### (c) Programme for power development

39. The requirements of power have been examined in relation to the industrial and other demands which are likely to develop during the Third Plan. It is proposed to increase the total generating capacity from 5.8 million kW at the end of the Second Plan to 11.8 million kW at the end of the Third Plan. This estimate of the generating capacity needed has been arrived at on the basis



of generating 3590 kW hrs. per kW of installed capacity. Of the total outlay of Rs. 900 crores provided for power in the public sector, it is estimated that Rs. 630 crores will be required for generating schemes and Rs. 270 crores for transmission, distribution and rural electrification. The latter amount also includes about Rs. 105 crores for electrifying 15,000 additional towns and villages during the Plan period. The outlay on power provides Rs. 51 crores for a nuclear power station with a capacity of 300 MW. As the present assessment of the generating capacity to be installed is based on the industrial targets which have been under consideration, a larger industrial programme will in turn call for an increase in the financial provision for power.

#### **(d) Village and Small Industries**

40. Village and small industries constitute a programme of growing importance, for which resources are found by individual entrepreneurs, by financing institutions and by Government. An extensive review of progress in different parts of this programme has been carried out over the past year by Evaluation Committees and Working Groups on small scale industries, village industries, handloom, handicrafts, etc. The conclusions reached are at present being studied. The distribution of the proposed outlay of Rs. 250 crores between different parts of the programme will be worked out on the basis of the actual programmes to be undertaken, the need to stimulate the growth of small industries in small towns and rural areas and the increase in employment opportunities likely to be realised. Tentative proposals in this connection are under examination.

41. On account of the increase in population, it is important that the objective of diversification of the occupational structure of rural areas should now receive much greater attention than in recent years. Accordingly, in its suggestions for the utilisation of manpower in rural areas, the Planning Commission has emphasised the need for bringing about a balanced village economy and has stressed that in the development of rural areas the highest priority should be given to those non-agricultural activities which directly meet local village needs and to processing industries based on agriculture. Rural industries include a large group of activities—from subsidiary occupations such as the manufacture of gur, poultry and bee-keeping and the traditional village industries in which the techniques of village artisans are being progressively improved, to industries processing agricultural products and some small-scale industries using power. In view of developments during the Second Plan and the lessons to be drawn from them, it will be necessary to re-orient and strengthen a number of the existing programmes in the field of village and small industries, so as to enhance their contribution to the expansion of employment and production both in rural and in urban areas.

42. Programmes for village and small industries have an extremely important place in the Third Plan because, besides providing employment opportunities, they are calculated to broaden the industrial base of the economy. Through them, over a large range of activities, it is hoped to improve existing skills and equipment and to secure fuller use of the local resources of each area. To a limited extent, steps have been taken during the Second Plan to link up small-scale industries as ancillaries to large industrial undertakings. Industrial estates, whose number is proposed to be increased during the Third Plan from 100 to more than 300, can make a growing contribution in this respect. Another important part of the small industries programme is the development of industrial centres in small towns, whose economy can be linked up closely with that of the neighbouring rural areas. In small towns and villages, wherever power can be made available, there is scope for building up nuclei for small-scale industries.

43. In the development of village and small industries the emphasis should be on positive forms

of assistance rather than on the provision of sheltered markets or subsidies or rebates on sales. Expenditure on over-heads will also need to be carefully scrutinised. Wherever possible, assistance to small industries should be made available through cooperative associations.

### (e) Industry and minerals

44. The total investment in large-scale industries and minerals during the Third Plan period is estimated at Rs. 2300 crores, Rs. 1300 crores in the public sector and about Rs. 1000 crores in the private sector. Tentatively in the public sector's programmes, Rs. 900 crores are proposed to be allotted for industries and Rs. 400 crores for minerals and oil. These allotments are at present under examination and will be discussed with all the Ministries concerned.

45. **Steel**— Developments under iron and steel are linked with the overall targets of 8.7 million tons in terms of steel ingots and 1.5 million tons of pig iron for sale. By and large, the additional capacity and output in this field is expected to be realised in the public sector through expansions of Bhilai, Rourkela, and Durgapur steel works contributing jointly an additional 2.5 million tons of steel ingots over the level of 6 million tons programmed under the Second Plan and 1.2 million tons of surplus pig iron. An additional production of steel equivalent to about 2 lakh tons of ingots would come from scrap-based electric furnaces and of 2 lakh tons of pig iron (over and above the supplies of one lakh from TISCO) from low shaft blast furnaces proposed for establishment on a decentralised basis.

46. Rs. 300 crores have been provisionally allotted for the iron and steel programme in the public sector. The development of production facilities for alloy and tool steels needs to be assigned a very high priority. The current Third Plan provision in the public sector is related to a target of 40,000 tons of alloy and tool steels, but this may have to be revised upwards. There is also scope for further development in this field in the private sector.

47. **Coal**.—The production of coal is estimated to rise to 54 million tons at the end of the Second Plan as against the original target of 60 million tons. A further increase of 36 million tons is envisaged under the Third Plan of which it is at present tentatively suggested that about half should be raised in the private sector and about half in the public sector. The completion of the two washeries at present under construction and the setting up of three new washeries for coking coal as well as some advance action for coal production in the Fourth Plan are also likely to be achieved. The expansion of lignite production at Neiveli from 3.5 to 4.8 million tons is another important programme in the field of mineral fuels.

48. **Oil**.—An allocation has been suggested which would enable the proposed exploration and exploitation programmes in Cambay and Sibsagar to be carried forward leading, according to the expectations of the Ministry, to production levels of 0.9 million tons and 0.8 million tons per annum respectively. In other areas, operations are likely to have to be limited to geological and geo-physical investigations. Within the resources available for the public sector, it has not been found possible to provide for new refineries or the expansion of existing refineries or for a lubricating oil plant.

49. **Nitrogenous Fertilizers**.—The present capacity of 234,000 tons in terms of nitrogen is proposed to be increased to 1 million tons—up to 800,000 tons by public sector plants and by a further 200,000 tons in the private sector.

50. **Machine-building and heavy engineering**.—Significant developments in this field are envisaged during the Third Plan. The major projects for which provisions have been made are:

Name of Project	Annual capacity
1. Heavy Machine Building Plant	80,000 tons of metallurgical equipment.
2. Foundry Forge	To match with (1) above.
3. Coal Mining Machinery Plant	60,000 tons (Approx.)
4. Heavy Structural Plan	10,000 tons
5. One Heavy Plate and Vessel Works	12,000 tons
6. Heavy Machine Tool Factory	10,000 tons
7. Doubling of the output of H.M.T. Bangalore	2,000 machines valued at Rs. 7 crores
8. Expansion of H.E.P. Bhopal	Rs. 25 crores annual output
9. Two more heavy electrical projects including production of high pressure boilers	Rs. 45 crores annual output
10. Precision Instruments Factory	—

Machinery manufacturing programmes in the private sector are expected to supplement the efforts of the public sector. In relation to the levels of demand envisaged by 1965-66 for certain important lines of machinery e.g., textile machinery, sugar machinery, cement machinery and paper machinery, programmes have been formulated which should lead to the almost complete elimination of imports.

### Other Projects to be undertaken

51. The proposals made by the various Ministries in respect of industrial and mineral programmes include a number of projects for which it is not at present possible, within the overall allocation of Rs. 1300 crores, to make the necessary financial provisions. Thus, to mention a few major items, it has not so far been possible to make any provision for LT Carbonisation plants, washeries, refineries, the second shipyard, a second plate and vessel works and marine diesel engine project. Provision has also not been made in full for various contingent liabilities, e.g. crude and product pipelines in the event of fresh oil being discovered and exploitation of Kherif and Raribo copper deposits.

### Private sector programme

52. Programmes for the private sector are being formulated over a wide field in consultation with Development Councils and other organisations. Some of the major targets which have been suggested are indicated below

	Annual Capacity	
	----- 1960-61	1965-66
Aluminium ('000 tons)	17.5	82.5
Cement (million tons)	10.0	15.0
Paper ('000 tons)	363	820
Newsprint ('000 tons)	—	60
Phosphatic Fertilizers ('000 tons of P <sub>2</sub> O <sub>5</sub> )	73	245
Caustic Soda ('000 tons)	150	400

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Soda ash	„	304	530
Sulphuric acid	„	512	1500
Plastics	„	19	50
Refractories (lakh tons)		8.6	17.5
Sugar (million tons)		2.3	3.2
Cotton textiles (Mill cloth mill yds.)		5100	5600 to 5800

### (f) Transport and Communications

53. In this field, as a result of development in the Second Plan, the Railways are now in a position to meet growing demands with relatively lower foreign exchange expenditure; but there are considerable difficulties in providing adequately for transport and communications facilities in the Third Plan within an allocation of Rs. 1450 crores. These difficulties arise mainly from (i) the need for the provision of continually greater resources for Railways and for Posts and Telegraphs to meet the demands for transport and communications arising from rapid industrialisation, (ii) the larger demands on account of road development programmes, particularly the programmes relating to border areas which have recently emerged, and (iii) the continued dependence of expansion in shipping and civil air transport on the availability of foreign exchange. For (i) and (ii) the additional resources needed do not involve foreign exchange.

54. The Table below compares the provisions in the Second Plan under different heads with the allocations tentatively suggested in the Third Plan under these heads.

(Rs. crores)

Head of development	Second Plan		Third Plan
	Original	Revised	Proposed allocation
1. Railways	900.0*	896.5*	890**
2. Roads	246.1	221.3	250.0†
3. Ports.	45.3	42.6+	85.0
4. Shipping	47.7	56.7	55.0
5. Road Transport	16.5	11.2	18.0
6. Inland Water Transport	3.0	1.4	6.0
7. Tourism	3.4	2.2	5.0
8. Light Houses	4.0	3.2	6.0
9. P&T, Overseas Communications service and Indian Telephone Industries	65.5	56.3	70.0
10. Meteorological Department	1.5	1.1	3.0
11. Civil Air Transport	43.0	44.3	55.0
12. Broadcasting	9.0	8.0	7.0
<b>Total</b>	<b>1385.0</b>	<b>1344.8</b>	<b>1450.0</b>

\*Excluding Rs. 225 crores for current depreciation.

\*\*Excluding Rs. 330 crores for current depreciation.

+Excluding contribution from Ports' own resources.

†This includes the amount likely to be available for the Central Road Fund.

The following are the more significant targets and objectives in this sector of development corresponding to the allocations proposed in the Third Five Year Plan:-

- (i) Railways.—It is expected that the Railways will be able to carry goods traffic to the extent of about 230 million tons in the last year of the Third Plan. While some increase in the facilities for passenger traffic is anticipated, overcrowding is likely to continue. It will be necessary to limit the target for the construction of new railway lines to about 1200 miles as against about 860 miles in the Second Plan. Having regard to the urgent demand for new lines from the various States the Railway Board had proposed a target of 2000 miles of new lines in the Third Plan.
- (ii) Roads.—With an allocation of Rs. 250 crores for the road the development programme, it may be possible to add about 20,000 miles of surfaced roads. It may not be possible to provide for all the essential works on the National Highways system within the proposed allotment. It will also not cover the cost of the large new road programme that may be required in the border areas.
- (iii) Ports and Harbours.— Against the proposed allocations only those schemes which are essential for maintenance or improvement of the existing ports will be taken up. The only new major port scheme provided for in the allocations is that relating to a port at Haldia which is intended to supplement the Calcutta port.
- (iv) Shipping.—Within the allotment of Rs. 55 crores it should be possible to add a little over 2 lakhs GRT to the tonnage at the end of the Second Five Year Plan which is estimated at 9 lakhs GRT.
- (v) Road Transport.—The expansion of road transport will be mainly during the private sector. It is roughly estimated that a little over 1 lakh commercial vehicles will be added in the Third Plan period. The addition in the public sector is estimated at 5000 vehicles only, mainly for passenger traffic.
- (vi) Posts and Telegraphs.—With a provision of Rs. 70 crores it may be possible to provide only for the arrears of demand for telephones which are expected to be of the order of 2 lakhs at the end of the Second Plan, as against the minimum requirements which are assessed at 2.5 to 3 lakh telephones.
- (vii) Civil Air Transport.—The provision of Rs. 55 crores will provide for the requirements of the Indian Airlines Corporation for replacement of Dakotas and for the requirements of the Air India International for additional jet aircraft, and for certain essential requirements for the modernisation of existing aerodromes. It will however not be possible to provide for new aerodromes within the proposed allocation.
- (viii) Broadcasting.— Within the proposed allotment the All-India Radio may be in a position to provide for the necessary expansion of the medium wave broadcast coverage in the country and for the more essential needs in respect of external broadcast services.

## **(g) Social Services**

55. For the greater part targets and programmes in fields of development generally described as "social services" form part of the plans of States. The allocations indicated at this stage to the

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Central Ministries are, therefore, intended mainly to assist in working out proposals in a preliminary way for the country as a whole. The progress made in recent years is reflected both in demands for larger resources for social services and in increased expectations on the part of the people. The role of social services in building up the country's human resources, creating conditions for equality of opportunity, expanding employment and providing increasing scope for voluntary work cannot be too greatly emphasised. At the same time, in view of the limited resources available, it will be essential in each field to follow a strict order of priorities, to reduce expenditures on buildings, where necessary to spread out the period for the completion of certain programmes and, finally, to find new ways of eliciting the contribution of local communities and of non-government organisations and institutions. Since the maintenance of social services calls for large resources on revenue account, which have to be found in the main by the State Governments, the rate of development in this field depends, not so much on the initial assistance which the Central Government may be in a position to provide, as on the ability of individual State Governments to finance their plans.

56. Financial allocations which have been proposed as a basis for preliminary planning are given in the table below:-

(Rs. crores)

Head of development	Distribution of outlay
1. Education (General)	370
2. Technical education	130
3. Scientific research (including Atomic energy)	50
4. Health	300
5. Housing	120
6. Welfare of backward classes	100
7. Craftsmen's training and labour welfare	70
8. Social welfare	25
9. Local development works and public co-operation	60
10. Rehabilitation	25

Since priorities under each head and the tentative distribution of allocations between different programmes are at present under examination, in this paper it will be sufficient to draw attention only to a few questions which will need fuller consideration.

57. General Education.—The Working Group on Education had suggested a total provision of Rs. 980 crores for various programmes included under this head, such as primary and basic education, secondary education, university and higher education. The Ministry of Education have advised that the minimum provision for general education in the Third Plan should be Rs. 460 crores. The following are some of the more important issues which will need to be considered:

- (i) Broad distribution of outlay between primary and basic education, secondary education, university and higher education, specially in view of the decision taken to introduce free and compulsory education for the age group 6-11 years by the end of the Third Plan;



The view has been expressed that while undoubtedly the resources required for primary education should be provided, any weakening of the secondary education, which is the vital middle link in the educational chain, would affect adversely programmes of expansion in university and technical education and would also impede development in these fields in which essential tasks have to be undertaken by those who have completed their school education;

- (ii) Estimates of the amount required for extending universal primary education for the age group 6-11 differ to some extent. It is, however, pointed out that the enrolment at the end of the Second Plan will reach 63 per cent which is 10.3 per cent over the corresponding figure for the First Plan. The target for the Third Plan should not be lower than 81 per cent which is based on a target of 70 per cent for the less developed areas and 90 per cent for others;
- (iii) At the secondary level a large part of the available Central assistance should be devoted to the improvement and development of facilities for science education, including the introduction of new science courses, provision of laboratories etc. In working out their plans, State Governments may give special attention to this aspect.
- (iv) It is necessary to emphasise science education at the university stage. At present only 30 per cent of the pupils take science courses and it is proposed that this proportion should be raised to 40 per cent. Besides, suitable provision has to be made to strengthen the Honours courses, and post-graduate and research courses in science. There is shortage of science teachers at the school and college level and of scientists required for industries, research institutions and other fields. Adequate provision for this purpose has to be made;
- (v) Adequate provision should be made for expanding training facilities for teachers during the Third Plan;
- (vi) In view of the serious lag in literacy among adults below 35 years of age, it is essential that Education Departments in the States working with the community development organisation and local communities should organise an intensive programme for the expansion of social education; and
- (vii) Since the expansion of primary education for the age group 6-11 years is an overall national objective, and the level of development varies greatly between different parts of the country, it will be necessary to arrange (a) to make differing amounts of Central assistance available to individual States, and (b) to earmark these amounts strictly for expanding educational facilities for the age group 6-11.

58. Technical education.—The Working Group on Technical Education has suggested a total provision of Rs. 201 crores for various programmes included under this head. The Ministry of Scientific Research and Cultural Affairs have advised that the minimum provision for technical education in the Third Plan should be Rs. 176 crores.

59. There has been considerable expansion in technical education during the Second Plan. The intake of engineering college is expected to increase during this period from about 6,600 to 14,000 and of polytechnics from 10,000 to about 25,000. It is proposed that the intake of engineering colleges will increase by 5,000 and of polytechnics by 10,000. In addition, it is proposed to provide facilities for training through part-time courses for 1,000 candidates at the degree level and for

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5,000 at the diploma level. The targets of annual intake of 20,000 for degree courses and 40,000 for diploma courses are expected to be realised by the end of the Third Plan.

60. With the allocation of Rs. 130 crores, there will have to be a drastic cut in the hostel accommodation for students, and no provision for staff quarters. Also, the number of scholarships to be awarded will be much smaller than was visualised by the Working Group on Technical Education.

61. The need for Rs. 176 crores is felt because of the requirements for mechanical, metallurgical, electrical and chemical engineers and specialised engineers which will be greater in the Third, Fourth and successive Plans, consistent with our economic and industrial development and provision for their training has to be made in the Third Plan. The per capita expenditure on these is much greater than the global estimated cost for training an engineer, which is based on a larger proportion of admissions being for civil engineers.

62. It will not be possible to provide for hostel facilities and for staff quarters on the scale considered necessary by the Ministry of Scientific Research and Cultural Affairs. The need for hostels at technical institutions is, however, borne out by experience. The necessity for staff quarters has to be emphasised because without quarters, it will be extremely difficult to recruit and retain good teachers on whose efficient performance will depend the quality of training of engineers. Technical institutions are suffering from chronic shortage of teachers, which is at present placed at about 40 per cent.

63. Scientific Research.—The Working Group on Scientific Research has made a number of proposals relating to the organisation of scientific research and its application in various fields of national development. The allocation of Rs. 50 crores for scientific research is intended to provide for the schemes of the Council of Scientific and Industrial Research and for organisations such as the Survey of India, the Botanical and Zoological Surveys and others.

64. In the Second Plan, the provision for atomic energy did not form part of the Plan, but in the annual allotments, funds for atomic energy development were provided as plan outlays. If the requirements of the Atomic Energy Department are included in the Plan, they will be met from within the provision for scientific research.

65. Within this provision the allocation for the Council of Scientific and Industrial Research is intended to meet outlays on the existing national laboratories, on schemes of co-operative and sponsored research and on the establishment of new laboratories which may be decided upon, such as the National Biological Research Institute, the Petroleum Institute, the Scientific Instruments Division, and the Central Institute for Scientific and Technical Information.

66. Health.—The Working Group on Health and the Ministry of Health had recommended a total provision of Rs. 704 crores for the Third Plan. It is obvious that a provision of Rs. 300 crores will be inadequate and will affect some of the programmes adversely, specially those relating to the expansion of medical education, primary health centres, provision of medical services, and measures for eradicating communicable diseases other than malaria. The Ministry of Health, therefore, advise that the minimum provision under Health should be about Rs. 400 crores.

67. Housing.—The Working Group on Housing had recommended a total provision of Rs. 299 crores against which the allocation suggested is Rs. 120 crores. This was the original provision for Housing in the Second Five Year Plan and was later reduced to Rs. 84 crores. In some directions, it is now necessary to make a fresh approach to the problem of providing housing facilities. So far

as industrial workers are concerned, the question of the measure of responsibility which employers should assume will need to be carefully examined. Secondly, a large contribution to middle-income housing and to certain categories of low-income housing should come through the establishment of Housing Finance Corporations which have been proposed and from the utilisation of credit facilities which the Life Insurance Corporation might provide. In the foreseeable future, it will not be possible through public outlays to do more than contribute to the solution of the housing problem at certain selected points. It has, therefore, become essential to draw industries, employers in all branches of economic activities, and municipal bodies as well as private persons desiring to build houses for their own use fully into the housing programme. On what lines these objectives should be pursued will have to be worked out carefully.

68. Local development works.—The programme of local development works in the Third Plan has the objective of enabling rural areas, specially those which are backward or do not come during this period under the first stage of the programme of community development, to provide themselves with certain minimum amenities. These are: (i) adequate supply of drinking water, (ii) roads linking each village to the nearest main road or railway station, and (iii) village school building which may also serve as a community centre and provide facilities for the village library.

## **VII. POINTS FOR CONSIDERATION**

1. Objectives.—The objectives proposed for the Third Plan are to:-
  - (i) secure during the Third Plan a rise in national income of at least 5 per cent per annum, the pattern of investment being designed also to sustain this rate of growth during subsequent plan periods;
  - (ii) achieve self-sufficiency in foodgrains, and increase agricultural production to meet the requirements of industry and exports;
  - (iii) establish basic industries like steel, fuel and power and, in particular, machine-building capacity, so that the requirements of further industrialisation can be met within a period of 10 years or so mainly from the country's own resources;
  - (iv) ensure a substantial expansion in employment opportunities; and
  - (v) bring about a reduction of inequalities in income and wealth and a more even distribution of economic power.

(Para 4)

2. Rate of domestic savings.—In view of the revised forecast of population growth, it is necessary to undertake investment on a larger scale to secure a given rate of increase in per capita incomes. The rate of domestic savings during the Third Plan has to rise to not less than 12% of the national income.

(Paras 7 & 8).

3. Priorities.—The general considerations governing priorities, in relation to agriculture, industry and social services, are set out in paragraphs 10 to 12. It is further emphasised that:

- (a) there should be a reasonable proportion between projects with long gestation and these whose benefits accrue over shorter periods;

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- (b) there should be no avoidable lags between the creation of assets and their utilisation; and
- (c) in each sector, priority should be given to investments needed to complete projects already commenced and those essential for securing early increases in output.
4. Conditions for a large Plan.—Six basic conditions are specified without which it is considered that it will not be possible to sustain a large Plan. These are:-
- (1) a rapid increase in agricultural production and fuller use of the country's manpower resources, (Para 15).
  - (2) public enterprises being carried out with economy and efficiency and yielding the maximum returns feasible, (Para 16);
  - (3) laying down and carrying out an integrated price policy, (Para 17);
  - (4) construction programmes and costs being kept to the maximum, (Para 18);
  - (5) high levels of administrative efficiency and determined efforts to raise standards in administration, (Para 19); and
  - (6) realising the maximum employment potential inherent in the plans of the public and private sector, (Para 20).
5. Size and pattern of investment.—Tentatively it is proposed that the total investment under the Third Plan should be placed at Rs. 9950 crores, which includes investment of Rs. 4000 crores in the private sector and of Rs. 5950 crores in the public sector. The total outlay in the public sector is placed at Rs. 7000 crores. The proposed allocations in the public sector and provisional estimates for the private sector are given in the Table below:

### Outlay and Investment in the Third Plan

(Rs. crores)

Head of Development	Public Sector			Private Sector		Total
	Total outlay	Current outlay	Investment	Investment excluding contribution from public sector	Investment including contribution from public sector	Investment (4+5)
1	2	3	4	5	6	7
Agriculture and community development.*	900	350	550	800	860	1350
Irrigation	650	10	640	—	—	640
	900	—	900	50	50	950

Village and small Industries	250	90	160	275	325	435
Industry & minerals	1300	—	1300	1000	1040	2300
Transport & communications	1450	—	1450	200	200	1650
Social Services*	1150	600	550	1075	1125	1625
Inventories	400	—	400	600	600	1000
<b>Total</b>	<b>7000</b>	<b>1050</b>	<b>5950</b>	<b>4000</b>	<b>4200</b>	<b>9950</b>

\*For purposes of preliminary planning the allocations for agriculture and community development and for social services, in column (2) above, have been placed at Rs. 1000 crores and Rs. 1250 crores respectively.

Provisionally, it is estimated that the total outlay in the plans of States may be of the order of Rs. 3600 crores to Rs. 3700 crores.

6. Phasing of outlays.—The main considerations which should guide the phasing of outlays, both for the plans of States and for the national Plan as a whole, are stated in paragraph 26.

7. Foreign exchange requirements: (Para 27)

8. Likely increase in national income: (Para 28)

9. Likely increase in employment: (Para 29)

10. Physical targets and programmes.—The review of physical targets and programmes in section VI of the memorandum is not intended to be comprehensive. It invites attention to a few salient features of the present tentative thinking regarding the targets of agricultural production, industrial targets, educational programmes, etc. A few aspects requiring further study are also mentioned. In several fields it will be necessary to consider changes in emphasis, in policy and in administration, so as to obtain the maximum return from the limited resource available. It is also pointed out that in those parts of the Plan in which the States have the predominant role, such as agriculture, small industry, irrigation and power, and social services, the targets now suggested are in the nature of a preliminary and incomplete assessment and that a fuller picture will only emerge after State Governments have considered the broad magnitudes of the Plan and related their own thinking to them.

A preliminary view on agricultural production may be taken at this stage by the National Development Council. The programmes set out in para 32, the targets in paras 33 and 34 and the questions in para 36 concerning the role of the community development movement as an agricultural extension agency are for consideration.

**ANNEXURE**

**Conclusions and Recommendations of the Twelfth Meeting of the National Development Council regarding the Third Five Year Plan (April 1959)**

- (1) The Second Five Year Plan envisaged an increase in national income at the rate of 5 per cent per annum. The actual achievement during the Second Plan period is likely to be lower than that envisaged in the Plan. The population growth is estimated to be at a higher rate than was assumed earlier. The increase in agricultural production has also been inadequate. Therefore, a much larger effort is now required. During the Third Plan, there should be an increase in national income of 5 to 6 per cent. per annum.
- (2) Agricultural production and specially the production of foodgrains is most vital for the success of the Third Plan and intensive efforts on a national scale should be organised. The National Development Council noted that the programmes of agricultural production were being examined and implications assessed in terms of the following tentative targets for the Third Plan, foodgrains 110 million tons, cotton 8 million bales, jute 6.5 million bales, sugarcane 9 million tons (in terms of raw sugar) and oilseeds 9 million tons.
- (3) As one of the principal objective in the preparation of the Third Plan, the National Development Council stressed the importance of producing machinery and equipment needed to manufacture machines and capital goods required for further industrialisation, thus making the economy 'self-sustaining'.
- (4) The Council placed special emphasis on measures to harness the un-utilised energies of the people in rural areas, more specially in the following directions:
  - (i) There should be legislation to enable panchayats to enforce customary obligations on the community or the beneficiaries, such as, maintenance of local irrigation works, maintenance and excavation of field channels, contour bunding, soil conservation works, etc.
  - (ii) The Third Plan should aim at the provision of certain minimum amenities for rural areas, namely, (a) adequate supply of wholesome drinking water, (b) village schools and (c) roads linking each village to the nearest main road or railway station. This should be secured through local development works schemes to which the people contribute. These will help generate necessary enthusiasm in rural areas.
  - (iii) Programmes for local development, especially for agricultural production, should be drawn up and co-ordinated for villages and development blocks and should be linked with resources that could be mobilised locally in addition to such resources as are made available by the State Governments.
  - (iv) It should be the objective of Government policy and of day to day administration to assist the building up of community assets which would belong to the village as a whole. The policies of State Government should, therefore, endeavour to facilitate the building up of community properties which would belong to the people as a whole such as village tanks, fisheries, plantations, grazing grounds, etc. Through grant of



credit facilities, both on individual and community basis, special efforts should be made to strengthen the area of community operation in rural life.

- (v) All projects included in the Plan which call for the use of unskilled and semi-skilled labour should be carried out to the extent possible in each village and area by the community concerned, so that the employment provided and its benefits should accrue to the rural population. In areas where there is a high incidence of unemployment, special works projects should be organised by the local authorities and the State Governments. In all these projects, wages at village rates may be paid and the possibility of paying a portion of the wages through savings certificates or other schemes of deferred payment should be explored.

(5) The Council considered the question of mobilising larger resources within the rural sector and suggested that the following possibilities should be investigated by the Planning Commission and the States:

- (i) transferring responsibility for certain existing services to local authorities with the requisite financial provisions, resources for further development being raised by local authorities on a matching basis, as has been recently done in the Madras State;
- (ii) measures for (a) increase of land revenue, (b) progressive surcharges on land revenue and (c) levy of special cesses or surcharges on lands growing commercial crops; and
- (iii) extending schemes for insurance in rural areas, e.g., life insurance, crop insurance, cattle insurance, etc.

(6) The Council considered whether land revenue and irrigation cesses should be collected in kind instead of in cash. The consensus of opinion was that the proposal would present many difficulties.

(7) It was agreed in principle that it would be desirable to place agricultural income tax and the taxation of income in general on a uniform basis, income in these categories being aggregated. The details of the proposal should be worked out having regard to the existing system of land taxation, including payment of land revenue and other dues, and the provisions of the Constitution.

(8) It was suggested that the scope for enlarging the system of Centrally-levied excises in place of sales taxes should be studied further.

(9) It was agreed in principle that the maximum economic returns should be secured from irrigation and power projects, road transport undertakings and other enterprises which were operated by the Central or State Governments directly or through corporations and companies.

In this connection, detailed studies should be undertaken by the Central and State Governments and suitable proposals worked out.

(10) The Council accepted the desirability of extending the scope of provident funds, life insurance and other forms of savings, including examination of the directions in which the scheme could be made universal. In working out details, special attention should be given to the advantages which local areas and the individuals or groups contributing might derive from the schemes. The results of the studies should be placed before the National Development Council.

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**SUMMARY RECORD**

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**MORNING SESSION, MARCH 19, 1960**

Welcoming participants to the Fourteenth Meeting of the National Development Council, the **Chairman** observed how they had assembled from the far corners of India to discuss matters of grave moment at a crucial stage of the country's development. The main object of the meeting was to consider the broad approach to the Third Five Year Plan. In that connection, certain tentative drafts had been prepared in the Planning Commission. The Chairman made it clear that the drafts were so tentative that even after circulating them to the States, the Cabinet itself wished to make some changes. It was quite possible that some further minor changes might have to be made after fuller consideration of the draft proposals and after the present meeting of the Council.

2. What was contained in the draft papers was not finally determined but the conditions we had to face were. Some of these conditions were of our own creation in the sense that they were the resultant of the work that had been done over the last few years. When the Second Five Year Plan was drawn up, there was a good deal in it about the perspective for the future. One could, therefore, look back and see how far one had succeeded in realising what had been laid down. Anyhow, the idea then was that we should prepare for the Third Plan and get ready for a further advance along certain lines. Similarly, now that we are considering the Third Plan, we had really to keep in mind the Fourth and possibly the Fifth Plan. This was because planning was a continuous process and there was complete interrelation between the various major factors in the Plan. This inter-relation was also there between what we were doing now and what we intended to do in the future.

3. In the past few years, we had educated ourselves as well as the country in regard to planning and the idea of planning. Much more material, statistical data and experience were now available and we could plan with greater confidence. However, in all these matters, there was a factor which was not capable of definite measurement, namely the human factor and the factor of work. It would not be possible to forecast what disturbing factors might influence the amount of hard work that the country could put into planned development.

4. Again, planning was not merely a matter of collecting a number of projects or schemes and listing them. While such a list might have its uses, it was certainly not planning. Planning simply meant an intelligent and logical approach and the laying down of certain objectives and indicating the way to approach these objectives. This had to be emphasised because, to some extent, arguments were being raised against the whole conception of planning. It seemed to him that at this particular time not only of India's history but also of the world's history, such an attitude was peculiarly illogical and unreasonable. Though our planning was naturally governed by our way of looking at things, it was something apart from what might be called political ideologies and political conflicts. Planning was a scientific process and demanded a practical approach. Ultimately, what was wanted was raising the standards of living of the people by increasing production, by the better distribution of what was produced and also attaining a position when we could sustain the growth of our economy by our own efforts. In the President's annual address to Parliament, some reference had been made to reaching the stage of a self-generating and self-feeding economy. It would be hard to say when exactly one could reach that stage. However, one certainly had the example of other countries having reached that stage and even gone beyond it. Broadly speaking, these were

highly industrialised countries and communities which took full advantage of modern science and technology for the purpose of production, distribution etc.

5. The processes of production were not governed by any ideology : rather they were governed by scientific discoveries and knowledge common to every ideology, capitalist, socialistic, communist or any other. The uncommon factor was the person who denied science and technology; and, what we were seeing in India, in a small way, was the denial of these which was comprised in the denial of planning.

6. We had indeed made very creditable and almost remarkable progress in various sectors despite the habit in India to condemn our progress or lack of it. Such criticism was so loud that one was almost reminded of the technique of loud shouting to suppress the truth which was associated with certain authoritarian regimes in the past. But the fact of the matter was and he would say so with confidence that India had made remarkable progress in the last few years. There had, at the same time, been remarkable failures or remarkable lack of success too. The mere fact that we had progressed so far had also brought new problems and new difficulties before us. We had also to pull out our country from its traditional ways of living with the help of modern techniques. He had not used the word "traditional" in ethical or moral terms but as referring to methods of production and utilisation of nature's forces. We had other difficulties too, such as foreign exchange and the like. The biggest difficulty that we had to face was perhaps the tendency for prices to rise. While this tendency was a normal concomitant of an advancing economy, price rises beyond certain limits had to be curbed and prevented. There could be no real advance towards higher standards of living without greater production and without adoption of modern techniques. It was equally clear that this could be done only by industrialisation on a big scale and all along the line.

8. He observed how there was sometimes an argument as if there was conflict between agriculture and industry. He thought that this was a wrong approach as there could be no agricultural progress without industrial growth and vice-versa. In the field of agriculture, everyone knew what was required to be done. For his part he was convinced that in India today, agriculture depended on good husbandry more than anything else. Of course, such husbandry had to be assisted by fertilisers, other manures, better seeds and the like but all this essentially revolved round good husbandry. In his view, apart from groups here and there, by and large, good husbandry was not much in evidence in India and traditional ways had clogged down our progress. Industrial growth too depended upon a stable agricultural foundation. If agriculture was deficit in quantity, there would be no surplus for industry.

9. This was where planning came in. Agricultural production would be important to this country at this stage as well is in the future too. He was, therefore, glad that the importance of agricultural production was now fully recognised. The implementation of agricultural production programmes should, therefore, receive the highest priority. In industry, the uncertain factors that one had to face were far less than in agriculture.

For example, it was possible to plan with absolute precision the construction of a steel plant and calculate how much it would cost, what further employment it would create and so on. In agriculture, the means of raising output were quite well known, but practical implementation becomes difficult because in this field one had to deal with millions of human beings.

10. Apart from agricultural production, when one came to the field of industry, one found that there were certain basic norms which controlled the growth of industry or obstructed it. It had been felt that if we had started, despite the great effort involved, a steel plant during the First Five Year

## Summary Record of Discussions of the NDC Meetings

Plan and had it functioning by the end of that Plan, our position during the Second Plan might have been much easier. On account of this, a massive effort had been made during the Second Plan to put up three new steel plants as well as expand two old ones. With the commissioning of these plants, there had been a change in the whole aspect of India because of the basic importance of steel. Steel was the measure of progress, the measure of industrial and even agricultural progress. The fact was that we were still short of steel supplies and would continue to be so as we progressed. It would be a mistake to think that in the foreseeable future we would ever have too much steel. But steel plants took a long time to build and to commission and, therefore, one had to plan its production far ahead.

11. When one thought of steel, immediately coal, power and transport came in. Apart from basic things like coal and steel, another very important field of development was machine-building. Unless we made our own machines we would constantly have to depend on capital from outside and also spend vast sums of foreign exchange. From the financial point of view, one could not afford such continued importation and this would check the growth of our economy. Unless the required effort was put in now progress in the future would be more difficult.

12. He remarked how, now and again, the question arose about the public sector and the private sector. On this issue, people sometimes took, what might be called, an ideological approach. Our approach had, to some extent, been certainly governed by certain ideological considerations which were indicated in the Constitution itself. The Constitution was not against the private sector or the public sector but it was definitely against concentration of money and economic power in private hands. In the old days, power was reckoned by private armies: no country today could tolerate a private army. Obviously, in the modern world, power was reckoned by wealth concentration and by economic power in the widest sense. Our Constitution had, therefore, very wisely and rightly said that such concentration should be avoided. Apart from this basic objective, there was no conflict between the private sector and the public sector. Our approach was a pragmatic one. We wanted to do everything to increase production where it was most desirable or feasible. The Industrial Policy Resolution had laid down our broad approach in this matter. It was a good approach in that it was flexible and yet showed in which direction we looked.

13. In regard to agriculture, he had already stated how implementation was the most important part. Implementation, of course, required certain institutions. In the ultimate analysis, however, it was the peasant who implemented the production programme. It was, therefore, most important to enable him to undertake this responsibility. The Community Development movement had been started for this purpose and we all knew the measure of success achieved in this matter. We had also laid great stress on co-operation. The system of panchayats, and panchayat samities was also of the greatest importance, for through these means we dealt with the mind and the heart, the spirit and the urges of the people. That was why we had laid stress on gradually transferring to them more and more of developmental activities. This was a psychological as well as a practical approach. It might be that here and there mistakes might be made but it was far better that such mistakes were made than that action should come from the top alone.

14. In the final analysis, it was the human being that counted—the peasant, the worker, the shopkeeper or whoever he might be in India now, what mattered was how he functioned, how he improved himself and how he was given responsibility. Anything that took away the sense of responsibility from him and made him rely upon others was not good. Further, for the country as a whole to rely on other countries was also not good. This did not, of course, mean that we should not take their help but the sense of depending on others was not good. The worst service that we could

do to our people would be for us to rely on foreign countries to supply us with foodgrains because, ultimately, all the countries put together would not be able to help us sufficiently even in regard to food unless we grew it ourselves. The lesson of self-reliance that we had learnt long ago during the country's struggle for freedom had to be remembered afresh and applied to the changed circumstances in the country. Therefore, while we should welcome help from abroad, we had always to remember that unless we made good ourselves assistance from abroad alone would not really help us to achieve our objectives.

15. Before the Council took up the agenda for discussion, the CHAIRMAN stated that he would like to refer to a communication he had received from the Chief Minister of Uttar Pradesh, who had not been able to attend. Copies of his letter had been made available to the other Chief Ministers. In this letter, the Chief Minister of Uttar Pradesh had complained of what he called interference by the Centre and, even more so, by the Planning Commission at the Centre in the State's business. Interference might perhaps be a strong word. His complaint really was that there were too many references and counter-references between the Centre and the States which tended to delay matters. For himself, he would say that the Centre had no desire to have these constant references, though naturally a certain amount of co-ordination was necessary in the interest of all-India planning. Anyhow the question of references was being considered at the Centre and the ways examined by which these could be minimised.

16. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** observed that, in his view, the provision for technical education, including hostels and staff accommodation for technical institutions and for social services generally were insufficient and that even at the risk of taking away something like Rs. 200 crores from the irrigation and power sector, the provision under these heads required to be increased.

17. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the discussion in the Council could be in two parts. The first part could be regarding resources and the second on the draft proposals regarding the Third Plan including allocations among the various sectors.

18. The Minister for Home Affairs, **Pandit Govind Ballabh Pant** stated that if the figure of Rs. 9,950 crores was accepted as the total investment during the Third Plan period, the next question would be how this amount could be raised. It had to be examined whether the methods suggested for raising this order of resources were feasible, or, in a way appropriate; if not, whether any alternative methods could be suggested for raising the requisite resources. Thereafter discussion could be on whether the priorities and the allocations proposed under the various heads were fair and adequate considering the importance of each sector and whether any changes were required. There was also the basic question of how we could increase the level of our savings and what efforts were required therefor. In his view, it would be better if attention was concentrated on these matters before allocations were taken up for discussion.

19. The Chief Minister, West Bengal, **Dr. B. C. Roy** felt that we could not very well go below a total investment of Rs. 9,950 crores for the Third Plan. The investment of Rs. 5,950 crores proposed in the public sector was one and a half times the figure in the Second Plan period. Insofar as his State was concerned, this would, in turn, mean stepping up investment from Rs. 157 crores during the Second Plan period to Rs. 240 crores during the Third Plan. Allowances had also to be made for spill-over expenditure which would reduce the level of new investment expenditure during the Third Plan. He emphasized the importance of road development for a growing economy and hoped that this would be fully borne in mind while finalising sector-wise allocations.



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20. The apportionment of the total investment between the public and private sectors could be decided later but his feeling was that the total investment in the economy could not be below the figure proposed in the draft memorandum.
21. The Third Five Year Plan was only yet another stage in the progress of our economy. This progress, once started, could not be halted without making future effort far more difficult.
22. The Chairman explained how they had two papers to consider, namely, the draft memorandum on the Third Five Year Plan as well as the interim report of the Working Group on resources. The size of the Third Plan depended on two major factors, namely, the broad minimum targets that one wished to lay down and the maximum resources that could be raised. These two had to be combined.
23. The Chief Minister, West Bengal, **Dr. B. C. Roy** said that in regard to resources what had to be discussed and agreed upon was whether the gap in resources should be met by deficit financing or by additional taxation. In the Second Plan, deficit financing had been of the order of Rs. 1,200 crores. He, therefore, enquired why for the Third Plan deficit financing had been restricted to Rs. 550 crores.
24. The Minister for Finance, **Shri Morarji Desai** stated that as a result of shortfalls in agricultural production, rise in prices and absence of adequate reserves of foreign exchange, there was not much scope for deficit financing during the Third Plan.
25. The Finance Minister, Uttar Pradesh, **Shri S. A. Zaheer** enquired whether the contribution by the States for the Third Plan had been fixed.
26. The Minister for Finance, **Shri Morarji Desai** stated that the Plans of all the States put together would involve an outlay of Rs. 3,650 crores. There was a large gap in the resources in the State Plans. The problem was how this gap could be filled. The tentative estimate was that of the Rs. 3,650 crores required for the State Plans, the States own resources would amount to Rs. 1,150 crores and the remaining Rs. 2,500 crores would be Central assistance. However, it was difficult to say, at this stage, what order of Central assistance would be actually available to the States during the Third Plan period.
27. The Finance Minister, Uttar Pradesh, **Shri S. A. Zaheer** observed that in the proposals under consideration the assumption had been made that the price level would remain constant. In his view, this was a big assumption. The experience of the last two Plans had been that prices had a tendency steadily to go up. The financing of a large Third Plan was likely to push up these prices further. If the price level could be controlled, putting through a large Plan might not be difficult. On the other hand, if prices kept rising and State Governments were forced to incur considerable increases in expenditure on items such as salaries of State Government servants etc., it would not be possible for them to raise sufficient resources for the Plan.
28. The Minister for Finance, **Shri Morarji Desai** stated that there would have to be considerably larger effort in the States for increasing agricultural output, because prices depended to a large extent on the level of foodgrain production. Prices would be the crucial factor in the Third Five Year Plan and they would go up or down or remain steady depending on the level of agricultural production. In his view, prices could be brought even below their present level if there was a substantial increase in production.
29. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the central point was whether we wanted to hold the price line or not. That was the fundamental issue to be faced. If



prices rose again by 25 per cent during the Third Plan, there would be considerable shortfalls in the physical targets. Apart from this, resources of the order required could not be raised if prices were not stable. The papers on the agenda required that some Rs. 550 crores should be raised from additional taxation by the States for the Plan. It was quite possible that these resources could be raised but, if prices rose a considerable proportion of the funds thus raised might have to be ploughed back into general expenditure such as salaries of Government servants. There could be no proper planning on the basis of shifting prices. If the Council was agreed that the price line must be held, the question arose what methods should be adopted for the purpose.

30. He would like to point out that the rise in prices in India had not been gradual. Occasionally, a serious spurt upward took place leading to speculative activity. This was doing considerable damage to the economy today. For his part, he did not mind at what level prices were stabilised so long as they were not allowed to fluctuate. At present, considerable funds were at the disposal of the speculators. These funds, because of the way in which they were acquired, were also not available for investment.

31. The Deputy Chairman, **Shri V. T. Krishnamachari** observed how the Planning Commission had always said that a proper price policy should be maintained for the success of all Plans. Price policy was a separate issue and could perhaps be discussed separately.

32. The Minister for Home Affairs, **Pandit Govind Ballabh Pant** said that the question of holding the price line did not admit of any argument or discussion. We were all agreed that this was the central basis on which everything else would depend but we had to consider what ways and means we should adopt in order to hold the price line.

33. The Chairman stated that as the Home Minister had just remarked, holding the price line was hardly a matter for discussion. It was Government's firm policy. The only question was how this could be done.

34. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** stated that there were two aspects to the question of prices. One was the necessary increase in prices inherent in our situation and the other the artificial element introduced by speculation, hoarding, lack of production etc. It had to be borne in mind that there had been overall depreciation of all currencies in the world over the last few years. Since the Indian economy was not isolated from the world economy, one could not avoid the effects of the depreciation of world currencies on the rupee. Secondly, we had perhaps been unable, at the political level, to resist the constant pressure for wage increases on the part of Government employees, industrial labour and agricultural workers.

35. While one should, of course, hold the price line, the exact implications of such a policy should be clear in one's mind. It had to be noted that, over the last six or seven years, the Indian currency had depreciated to the extent of 25 per cent, whereas the overall depreciation in world currencies had only been of the order of 3 to 4 per cent. This was an important factor because with a steadily depreciating currency people hesitated to save or to make long-term investments. It would be also necessary to resist the pressures that might be brought on the Government for wage increases.

36. The Finance Minister, Madras, **Shri C. Subramaniam** stated that we should be more concerned with the internal situation and that prices should not be allowed to go on increasing. Once the price line was held, the purchasing power of the currency would remain stable to a considerable extent. His own view was that it should be possible to hold the price line at least in respect of essential, articles.

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37. The Minister for Food and Agriculture, **Shri S K. Patil** stated that while there could be no two opinions that the price line had to be held, there seemed to be some confusion in regard to the manner in which this could be ensured. The main factor in the price situation was agricultural production and, if cloth were included, more than 75 per cent of the component in the price level would be covered as far as the large masses of people were concerned. Again, prices should not be held at such an artificial level that the consequences would be even more disastrous than letting prices to find their own level. By that he meant that, unless agricultural production actually increased, the price line could not be held. This was where good husbandry came in. The farmer had to be activated into producing more and more. Mere State trading or other similar measures would not be a complete answer to a deficit in supplies. It was his hope and ambition that, by the end of the Third Plan period, the country would be self-sufficient in foodgrains. If this objective was to be attained, the thinking would have, from the beginning, to be on what lines agricultural production could be increased.

38. Meanwhile, States were constantly asking that procurement prices should be increased. If prices were thus increased, it would be very difficult to bring them down afterwards. At the same time, it was necessary to ensure that the farmer had sufficient incentive to increase production. The endeavour of each State should be to realise the maximum possible increase in food production. The main task was thus increased production, distribution could come later. Once we became self-sufficient in foodgrains, there would be no need for State trading.

39. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the Minister for Food and Agriculture would seem to think that the price paid to the agriculturists should be a little higher than now in order to give him sufficient incentive for increased production. It was not so clear to him that by merely increasing prices we could achieve increased production. Again, during the Third Plan period at least, our internal production would not be sufficient to meet the country's needs and, therefore, some positive action was called for to stabilise prices during this period. He was not wedded to State trading. If a better method could be adopted he would certainly be agreeable to it.

40. The Planning Minister, Assam, **Shri K. P. Tripathi** stated that increased taxation had been proposed at Rs. 1,650 crores for the country as a whole and Rs. 550 crores for the States. His view was that Plan should not be cut even if that involved increasing deficit financing by another Rs. 250 crores because, otherwise, the employment situation would worsen.

41. The Chief Minister, Bombay, **Shri Y. B. Chavan** stated that attention would have to be paid to the manner in which the price line could be held. The general solution to the problem was increasing food production but, as had been stated by the Finance Minister of Madras, there was going to be some deficit in food supplies during the Third Plan period. Therefore, one would have to think out what measures should be adopted during this period to stabilise prices.

42. The Chief Minister, Madhya Pradesh, **Shri Kailas Nath Katju** observed how the Council had discussed the question of food prices in November, 1958. In order to induce the farmer to produce more, he should be paid a fair price. At the same time, a fair price had to be charged from the consumer. These objectives could be achieved if surplus States could make available supplies of foodgrains to deficit States on a Government to Government basis because, in this manner, speculative tendencies and elements could be eliminated. If the farmer could be given a price incentive of Re. 1 to Rs. 2 per maund he would certainly be willing to produce more. As it happened, the wholesaler was making a margin of Rs. 8 to 9 per maund and the consumer had to pay high prices without the benefit of such prices being available to the producer.

43. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** stated that the Council was generally agreed that a price policy that would enable the successful implementation of a large Third Plan should be adopted and pursued. In his opinion, this matter could be submitted either to a sub-committee of the Council or to experts. If the idea was to control only foodgrains prices, he would say that the reaction of such controls on other crops should also be borne in mind. Similarly, attention had to be paid to the prices of agricultural implements and other material required by the farmer for increasing production. These prices would also have to be controlled.

44. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that, in his opinion, the farmer was not going to wait and see what prices foodgrains would fetch before deciding whether he should produce foodgrains or not. The question really was one of bringing to him and making him adopt modern methods of production: he would go on cultivating foodgrains even if prices fell very steeply, as for example, in 1933.

45. He could also not quite agree with the Minister for Food and Agriculture that distribution could be attended to later. In his opinion, the real problem in the country was food distribution. Cooperative marketing and State trading alone would, in his view, enable the successful implementation of the Third Five Year Plan. Food prices should not be raised or revised during the entire Plan period.

46. The Finance Minister, Orissa, **Shri Rajendra Narain Singh Deo** stated that there was need for stabilising prices. At the same time, one had to ensure that a reasonable price was given to the producer and a reasonable price charged from the consumer. Though minimum prices had been fixed, the maximum had not been controlled. With the formation of the Eastern food zone comprising Orissa and West Bengal, the consumers' price in West Bengal had not come down. In his view, State trading was the only solution to this problem and had to be made universal if it were to prove successful.

47. The Chief Minister, Assam, **Shri B. P. Chaliha** agreed that the real solution lay in increasing food production by the introduction of improved methods. At the same time, the price incentive was also very important. He could not agree with the Chief Minister of Punjab that cultivators did not take into consideration what prices their produce would fetch. As for eliminating speculators, he saw no solution other than State trading. Therefore, while on the one hand we should continue our efforts to popularise improved methods of cultivation, we should, on the other, give the farmers a fair price for their produce. This, coupled with State trading, should be of considerable help in holding prices.

48. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** agreed that wide fluctuations in prices would upset our development plans. There was also a consensus of opinion that something should be done to keep the prices of foodgrains in check. Some Chief Ministers had suggested that the decision regarding State trading should be implemented for this purpose. In Bihar, their experience with State trading had been bad. While he had no particular suggestions to offer, he thought that cultivators should not be deprived of a price incentive. The best course to adopt in regard to price policy might be to set up a committee of experts and consider the suggestions made by them again in the Council.

49. The Chief Minister, Kerala, **Shri Pattom Thanu Pillai** stated that he was compelled to take a view which might not be acceptable to all. Kerala was deficit in food and the Kerala Government had further to sell foodgrains at subsidised rates. They had thought of purchasing some rice from Madhya Pradesh but, considering the price level obtaining there, had to give up the idea. While some stability in foodgrains prices would certainly be helpful, he would fully agree with the Minister

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for Food and Agriculture that the real solution would lie in producing our entire requirements within the country itself. From his experience, he would venture to say that production in one part of the country would not necessarily help people in other parts. The food policy should, therefore, be regional as far as possible. Despite the fact that the land in Kerala was more suitable for cash crops, he had an idea of making the State self-sufficient to the extent possible in foodgrains. The problem before his Government was how to obtain sufficient quantities of rice at reasonable prices. If prices went above Rs. 16 per maund, Kerala would not be able to afford purchasing especially because of the subsidies involved which, again, had been rendered necessary on account of the economic condition of the people of Kerala. He was not sure whether a body like the National Development Council could adequately consider all aspects of a complicated matter like prices.

50. The Chief Minister, Mysore, **Shri B. D. Jatti** agreed that the price line should be held. For the details of the price policy to be pursued, he would prefer that the matter was remitted to an expert body.

51. The Chairman stated that he could not understand why this matter had to be entrusted to an expert committee. There was really nothing for an expert committee except to work out the details of what had been decided in the Council.

52. Member (Agriculture), Planning Commission, **Shri Shriman Narayan** stated that this matter had been thoroughly examined by a Working Group of experts and that their report had been circulated to State Governments. After receiving the comments of the State Governments, a definite policy had been laid down in detail before Parliament. Therefore, he would suggest that, instead of leaving this question again to experts or to a sub-committee, without changing the basic policy, some conclusions be reached as to any minor modifications that might be necessary with regard to details. Again, as the Finance Minister of Madras had said, during the transitional period of the Third Plan, there was bound to be some shortage of food. Sufficient buffer stocks would therefore have to be built up. One had to consider in what manner sufficient stocks could be built up in the country. Such stocks would principally have to come from internal procurement. In his view, every State should be made responsible for its area.

53. A basic food plan for the country as a whole was available in the scheme of State trading in foodgrains. If necessary, the arrangements could be reviewed from time to time and defects remedied as and when indicated. He personally felt that instead of having a general discussion all over again, it would be much better if the defects in the policy laid down by Parliament and accepted by Government could be pointed out and modifications suggested for a more effective implementation of the accepted policy.

54. The Minister for Finance, **Shri Morarji Desai** stated that our difficulties were due to several factors. For one thing, some States were surplus and the others were deficit resulting in price differentials. Prices in deficit States were much higher than those in surplus States. Therefore, the problems of surplus and deficit States were different. As the Finance Minister of Madras had stated, we would not be self-sufficient in foodgrains until the end of the Third Plan and, therefore, food imports would have to continue. Unless we made a determined effort now to increase food production, our dependence on imports would continue even beyond the Third Plan period.

55. Again, even though food production in 1957 was only 62 million tons, imports were only of the order of 3½ million tons and yet the country did not starve. Now we were producing more than 73 million tons and yet again were importing 3 million tons from abroad. Our difficulty was there on account of artificial scarcities created many a time, by several factors. It would, therefore, be

necessary to devise measures to get over these artificial scarcities.

56. It seemed to him that it was unrealistic to say that more incentives should be given to agriculturists. The prices they were receiving today were high enough and gave them sufficient compensation for their labour. He was not sure that further incentives would result in increased production: on the other hand, production might even go down, for such incentives would remove the need for them to exert themselves to produce more. Again, in the matter of incentives, one had to be quite clear as to who benefited. The bulk of the cultivators consisted of smallholders who had very little to sell. Therefore, even if food prices were high the vast majority of cultivators did not stand to benefit. It was the bigger farmers who benefited by higher prices. They were able to obtain these higher prices because they were more influential while the others suffered. Thus, there was the danger that further price incentives might result, in production going down.

57. It was necessary to have a policy with regard to cash crops and correlate it with the policy for foodgrains. It would be necessary to ensure that cultivation of cash crops did not displace cultivation of foodgrains.

58. Until two or three years ago, food prices in India were much less than import prices. Today, internal prices had risen to the same level as import prices. In the case of cotton, our prices were higher than international prices. Therefore, while he would not minimise the importance of taking adequate steps for proper distribution etc., his view was that the principal objective should be increased production. In the matter of agricultural production, the responsibility rested with the States. The States should endeavour to become self-sufficient to the extent possible, for as the Chief Minister of Kerala had stated, it would not be merely enough if some areas alone were surplus. At the same time, it would not be possible for every State to become self-sufficient—Kerala was an example.

59. Professor P.C. Mahalanobis drew attention to the Minister of Steel, Mines and Fuel's statement regarding the general price rise in the world. Even in highly developed countries like Switzerland and Sweden, there was State trading of one kind or the other in foodgrains. In America, too, the price of bread had not risen in a manner similar to other commodities. In India, the problem was one of holding the price line in regard to commodities like foodgrains, coarse cloth and other essential items consumed by the large majority of the people. Even in highly developed countries, the prices of basic commodities were being kept in check. In his view, it would not be necessary for us to take into account the general price rise as it was a world wide phenomenon.

60. He would like to emphasise that the price increases which actually took place in India had no relation to the deficit in supplies. During the Bengal famine, the actual physical shortage of foodgrains was only 5 to 6 per cent whereas prices had increased from 1,000 to 1,500 per cent. This was the danger of leaving foodgrains to the free market. Controls were thus necessary. Again, it was absolutely essential to build up a buffer stock, and he was glad that the idea had now been accepted. Without a buffer State trading would not succeed.

61. The Chairman observed that there was some difference of opinion on food distribution policy but there was broad agreement regarding holding the price line. How to hold the price line was a more intricate problem. As Professor Mahalanobis had just stated, State trading, to be successful, had to have backing by a buffer stock. Even if the deficit in absolute terms was small, the consequences were very bad. In regard to State trading, there was difference in the manner it was looked upon in the surplus States and in deficit States. For example, procurement in surplus States was presumably good but procurement in deficit States was not feasible. Though there

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might be some minor variations the basic question was the same, namely, that the price line should be held and speculation prevented in different primary commodities.

62. It was agreed that further discussion on price policy could be deferred to a later sitting of the Council and that, in the afternoon, discussion should be resumed on the draft memorandum on the Third Plan and related papers.



AFTERNOON SESSION  
MARCH 19, 1960

63. At the suggestion of the **Chairman**, the Council resumed discussion on the question of resources for the Third Plan.

64. The Finance Minister, Madras, **Shri C. Subramaniam** stated that, according to the paper on resources, there would be a balance of Rs. 200 crores available for the Plan from current revenues at the existing level of taxation. He wondered whether this was a realistic figure especially as there were bound to be demands by State Government employees for increased emoluments. The Central Government had set the pattern with their Pay Commission. Then again, there was the recent State Bank strike. He had learnt that a Tribunal was going to be appointed. In his view, the Tribunal should have been appointed only after the strike had been withdrawn. The difficulty now was that strikes took place and immediately a Tribunal or Commission was appointed. This was the impression that had been created and, therefore, it would be very difficult for State Governments not to accede to demands for higher salaries by Government servants.

65. The Finance Minister, Uttar Pradesh, **Shri S. A. Zaheer** stated how, about two years ago, the Central Government had agreed to give financial assistance to State Governments in connection with the salary increases of State Government employees. It was stated at that time that Central assistance for this purpose would continue up to the end of the Second Five Year Plan. He wondered what would happen later.

66. The Minister for Finance, **Shri Morarji Desai** stated that this matter would be examined by the Finance Commission

67. The Finance Minister, Madras, **Shri C. Subramaniam** stated that in his view the figure of Rs. 200 crores was unrealistic. Then again, there was the figure of Rs. 550 crores for additional taxation by the State Governments. He felt that this figure would be the maximum that could be raised by the State Governments.

68. The Minister for Finance, **Shri Morarji Desai** intervened to say Rs. 550 crores was the minimum expected of State Governments and not the maximum.

69. Asked by the Finance Minister of Madras, **Shri C. Subramaniam** whether any allowance had been made for the increased emoluments that the State Governments would have to pay to their employees in arriving at these figures, Deputy Chairman, Shri V. T. Krishnamachari stated that normal increases in administrative expenditure had been allowed for as also certain economies. The present figures were only estimates. Even so, when States did detailed work on the Plan, they would have to endeavour to keep their revenue account in balance. Without this balance, it would be difficult to have any proper Plan.

70. The Finance Minister, Madras, **Shri C. Subramaniam** stated that he was in complete agreement with what Deputy Chairman had stated. However, he was quite clear that for raising resources of the order required, a firm labour and wage policy would be necessary. Otherwise, State Governments would have to go on meeting an ever increasing wage bill. What was happening in one sector did have its repercussions in other sectors. He cited the example of the Wage Boards on Cement and Textiles. While industrial labour was obtaining wage increases in this manner, Government servants, who were educated persons and were doing key work, could not be expected

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to remain content with what they were receiving. It would not be merely the State Governments who would find themselves in difficulties if wages were continuously raised in this manner. The Centre too would be put to difficulties. He would, therefore, suggest that, for the Third Plan, a firm wage policy would be an essential prerequisite. He had earlier pleaded for a price policy. The price and wage policies were closely connected and he would like to know what the Central Governments decision thereon would be.

71. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** stated that the facts as they were should be faced. Generally, when a labour dispute was referred to a Tribunal, there was an upward revision of the wages. He cited the Coal Award as an example. This affected the railways and many other sectors of the economy. If recent experience was any guide, further wage increases were only to be expected. The recommendations of the Pay Commission had been a pointer on in this regard.

72. The Minister for Labour and Employment, **Shri Gulzarilal Nanda** stated that the present situation would not have arisen if there had been no increase in food prices. He would like to make it clear that it was not Government which fixed wages. All that Government had done was to create a machinery for settling disputes about wages. It was really for the employers and the workers to accept or reject the decisions of the Wage Board. Therefore, either Government should have the machinery or dispense with it. The facts regarding price increases were there and, in his view, the real wages earned by workers had not been out of proportion with the general increase in productivity.

73. The Planning Minister, Assam, **Shri K. P. Tripathi** stated that before a wage freeze was applied, it was necessary to ensure fair wages. In his view social justice and wage increases were not contradictory.

74. The Finance Minister, Madras, **Shri C. Subramaniam** said that social justice was equally applicable to State Government employees. If it was a question of capacity to pay, he enquired whether Government's policy was that industries which were capable of paying more should pay higher wages. He could understand a higher wage for increased productivity. He would, therefore, say that any increase in wages over the present level should be related to increase in productivity.

75. The Industries Minister, Madras, **Shri R. Venkataraman** stated that in his view Wage Boards, constituted as they were, were not competent to go into the question of productivity. Their members did not have the equipment or the technical know-how to decide on this matter. For instance, the Textile Wage Board had recommended increases to the extent of Rs. 8 per month to certain textile workers. This wage increase could not be said to have been related to productivity.

76. In the last Labour Conference, it had been suggested that every increase in wages should be related to increase in productivity. He was in complete agreement with the Finance Minister, Madras that without a price freeze, it would not be possible to enforce a wage freeze. Therefore, a practical approach might be that so long as the cost of living index remained within a stated level, any increase in wages should be strictly related to increase in productivity either on a piece rate system or any other system that might be devised for the purpose.

77. The Minister for Labour and Employment, **Shri Gulzarilal Nanda** stated how a decision had been taken regarding wage increases related to productivity. Each industry would be studied separately with a view to raising productivity.

78. The Industries Minister, Madras, **Shri R. Venkataraman** stated that the Wage Board inquiries as well as productivity studies should be linked together. While Government were able to enforce

wages, they could not enforce productivity.

79. The Deputy Chairman stated that the figures given in the resources paper were based on discussions with Working Groups in the States. Resources of the magnitude indicated had to become available in order to enable the proposed plan to be put through. Detailed work would have to be undertaken by the State Governments indicating the manner in which the maximum resources could be raised under revenue account. This was important because the scheme for compulsory education for children in the age group 6-11 alone would call for sizeable funds on revenue account.

80. The figure of Rs. 550 crores suggested for additional taxation by the States was based on the detailed information that the Planning Commission had on the financial position of the various States. He would like to say that it should be quite feasible for the States to raise resources of this order.

81. The Finance Minister, Madras, **Shri C. Subramaniam** stated that each Chief Minister would have to have a mental picture of what contribution his State would have to make to the overall level of additional taxation of Rs. 550 crores. As far as Madras was concerned it was clear to him that he would have to raise an additional Rs. 35 to 40 crores during the Third Plan period or roughly Rs. 8 crores a year. This order of increase seemed to him to be feasible.

82. The Deputy Chairman went on to say that he would request the States to assume responsibility for Rs. 1,150 crores as outlay on their sector of the Plan which would in all cost Rs. 3,650 crores. The sum of Rs. 1,150 crores was the minimum that the States should find if the plan was to be put through. A detailed discussion of the manner in which resources of this order could be raised would take place separately at the official level.

83. The Finance Minister, Madras, **Shri C. Subramaniam** enquired whether the sum of Rs. 300 crores assumed as net surplus of public enterprises other than railways was realistic.

84. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** stated that the surplus from steel would greatly depend on the price policy adopted.

85. The Chairman stated that the surplus from public enterprises might be even more than indicated in the resources paper. Despite the criticism voiced in newspapers and elsewhere. State undertakings were flourishing like the green bay tree and making profits. He even thought it would be a good idea to appoint a commission or a committee to undertake a comparative study of the manner in which enterprises in the public and private sectors were being run.

86. Apart from this some savings should also be possible in respect of construction. He presumed that the cost of projects had been worked out on the basis of the old rates of construction costs. He was sure that savings to the extent of 10 to 15% would be possible by the adoption of modern techniques and by economies generally.

87. The Minister for Works, Housing & Supply, **Shri K. C. Reddy** stated that the National Buildings Organisation had evolved simplifications in designs and methods for economising on construction materials which, if put into practice, would result in considerable savings in construction costs. The matter had been discussed with the Planning Commission who had sent a note on the subject to the various States.

88. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the States too had some interest in small savings. He would, therefore, request that the State Governments should be put

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incharge of administering the Prize Bonds Scheme.

89. The Minister for Finance, **Shri Morarji Desai** stated that the intention was to share the proceeds of the Prize Bonds Scheme half and half with the State Governments.

90. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** stated that instead of selling imported wheat at about Rs. 14 per md. as now, the Government could easily sell it at Rs. 16.50 or so a maund. This would result in some profits for the State. Secondly, in regard to royalties on mineral leases, they were fixed very long ago and bore no relation to the profitability of the mining operations at present. This matter required examination.

91. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** said that the recent amendment in the law had resulted in some revision in royalties insofar as minerals were concerned. It had, however, to be remembered that, in the process of industrialisation, minerals played an important part and, if royalties were raised, the cost of the manufactured product was bound to go up. He thought that what the Chief Minister of Rajasthan had in mind was the proposal to raise royalties on gypsum transported to Sindri for the manufacture of fertilizers. He had consulted the Minister for Commerce and Industry on the proposal and come to the conclusion that it would not be desirable to raise the royalty on gypsum because of the effect that such a step would have on the price of fertilisers.

92. The Chairman stated that his broad impression was that the States had not had a square deal in this matter of royalties. He formed this impression some two or three years ago after seeing some correspondence on the subject. The matter could therefore be gone into again considering all aspects.

93. The Finance Minister, Assam, **Shri F. A. Ahmed** said that he had consulted the Minister for Commerce and Industry as the oil industry in Assam was concerned there had been no revision in royalties since British days.

94. There was general agreement in the Council that the question of mineral royalties should be examined by the Centre in consultation with the State Governments concerned.

95. Then ensued a discussion on betterment levies, surcharges on land revenue and provident funds at the end of which the Chairman stated that he took it that the proposals in the resources paper had been tentatively accepted by the Council. He suggested that the targets in the draft memorandum might be taken up next for discussion. He presumed that the Council broadly agreed with the objectives mentioned in it.

96. The Finance Minister, Madras, **Shri C. Subramaniam** stated that he had to say something on the figures regarding population growth mentioned in Section II of the memorandum. He presumed that the forecast according to which the birth rate would decline from 40 to 34 per thousand at the end of 15 years did not take into account any intensification of family planning measures. This was because the decline postulated was very small compared to what the Japanese had been able to achieve. They had been able to reduce their birth rate by 50 per cent in 10 years.

97. The Chairman stated that the normal experience in other countries was that, as living conditions became better, there was a tendency for the birth rate to fall. Family planning would, of course, be an additional factor. As for Japan, he did not approve of some of their methods to bring down the birth rate. In India, wherever a family planning clinic was opened, crowds of women came to it. He was, therefore, sure that if a sufficient number of clinics were opened, people would avail

themselves of the facilities provided.

98. Professor P. C. Mahalanobis, stated that the figures given in the paper regarding rate of growth of population were only conjectures. When income increased the usual experience was that there was a tendency for the birth rate to fall. Until recently, this was the experience even in America.

99. The Chairman stated that the high survival rate was particularly due to the health measures that had been undertaken in the country. These measures had reduced the death rate considerably.

100. The Chairman then invited the attention of the Council to the paper entitled "Provisional Outline of Perspective of Economic Development—1955-70" which had been circulated with the papers on the agenda. He pointed out how careful many-sided calculations had to go into building up a picture of perspective development.

101. The Finance Minister, Madras, **Shri C. Subramaniam** stated that he had a comment regarding the priority to be accorded to technical education. In his opinion, it should go along with industry, minerals, transport and power and should not be grouped among the other services. The cut proposed under technical education should also be restored.

102. The Chairman suggested that one should not always think in terms of big institutions and universities like the one at Roorkee in connection with technical education. We had now big industrial plants and each of them could be a suitable training centre for engineers at the higher levels and not merely for fitters, turners and foremen. This was the practice followed in other countries.

103. In this connection, the Finance Minister, Madras, **Shri C. Subramaniam** suggested that we should have a training programme in respect of each industry. It should be possible to negotiate with existing concerns that they should provide for training in their plants. As for new enterprises, one of the conditions attached to the industrial licence might be that training facilities should be provided.

104. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** stated that the training of craftsmen, labour welfare and industrial housing had all been given low priority and that this should be reconsidered.

105. The Chairman stated that industrial housing, was of course, important. However, in Germany after the War, the first priority had been given to industrial construction and workers as well as others continued to live in ruined houses or wherever they could.

106. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** agreed that industrial plants, whether in the public or the private sector, should provide for training. The steel plants in his Ministry's charge had made provision for training engineers and it was now proposed to double the number of existing trainees. In the various other industrial units in the country, there was scope for a larger effort in this direction. Such expanded training in industrial units was particularly necessary because the demand for engineers, other than civil engineers, was increasing rapidly.

107. The Chairman stated that some three years ago there had been census of technical personnel. The number of qualified engineers in India then was something like 55,000. Today, we had more than one lakh engineers of all types in the country. The technical education programme in the Third Plan provided for a large increase in the out-turn of technical personnel.

108. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** drew attention to paragraph 60 of



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the draft memorandum, according to which, with the scaling down of the allocation for technical education to Rs. 130 crores, there would not be sufficient funds for adequate hostel accommodation. In his view, hostel accommodation was absolutely necessary in engineering colleges.

109. Member (Education), Planning Commission, **Dr. A. N. Khosla** stated that the provision proposed was below requirements to the extent of 10 to 15 per cent. The plan was to have 6,000 further admissions for the degree courses and 15,000 for the diploma courses. Most of the hostel accommodation as well as staff quarters had been eliminated. One of the major difficulties was that engineering teachers resigned on account of their not being provided with living accommodation: this was especially true in the bigger cities. He also mentioned that the plan was to expand existing institutions wherever possible rather than start new ones.

110. The Chairman stated that our estimates in regard to expenditure on technical education and the like were broadly based on western standards. While there was, of course, no harm in that, it had to be remembered that such schemes were very expensive.

111. **Professor P. C. Mahalanobis** drew attention to the usefulness of correspondence courses on technical subjects. Both the U.S.A. as well as the U.S.S.R. had employed this method to add to the number of technically qualified personnel in their respective countries. He would also urge that the maximum possible use should be made of College and other buildings as well as of equipment by having recourse to double shifts etc.

112. The Minister for Commerce and Industry, **Shri Lal Bahadur Shastri** said that in the industrial enterprises in the public sector training was being given not merely to fitters and foremen but also to engineers proper. For example, the Heavy Electrical Plant at Bhopal had already set up training facilities for 1,800 persons. Besides he had discussions with private industries also on this matter. They were equally keen to provide specialised training in the plants they set up.

113. The Chairman mentioned how a large industrial combine in the private sector in England was spending no less than £30 million a year on training and research. This showed that it paid even private industry to finance training and research as a part of its normal activity. He then invited attention to what had been said in the draft memorandum on simplification of administrative procedures. Many Chief Ministers had complained about delays, references and counter references, sanctions and the like. He invited members to give expression to their views on the subject.

114. The Finance Minister, Madras, **Shri C. Subramaniam** stated how they had simplified procedures in the Madras Government. Normally, the various departments would examine allocations only after the budget had been passed in the third week of March. There was a delay of four months by the time the requisite sanctions etc. reached the district level. What they were doing now in Madras was to initiate action as early as the third week of January in anticipation of the budget. There was also a quarterly review of allocations and expenditures. This enabled adjustments in allocations as between departments especially in cases when some departments progressed more rapidly and were in need of additional funds. Other State Governments might examine the usefulness of adopting the procedure now in force in Madras.

115. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that according to the rules, funds could not be carried forward from one budget to the next. Besides, the Planning Commission came in everywhere. The annual Plans had also to be cleared with them.

116. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the Planning Commission



cleared annual Plans as early as November/December every year well in advance of the budget.

117. The Chief Minister, Kerala, **Shri Pattom Thanu Pillai** stated that the administration required toning up. For example, many big works were held up for want of small quantities of steel. This had actually happened in Kerala.

118. The general consensus of opinion in the Council was that administrative procedures required to be reviewed and speeded up in connection with the implementation of the Third Five Year Plan.

119. In connection with rural unemployment, the Minister for Community Development and Cooperation, **Shri S. K. Dey** stated that small-scale and other industries would have to be spread out to the villages if rural unemployment was to be tackled in an adequate manner. If the Second Plan was any criterion at all, it was clear that urban areas with their overpowering strength, would try to monopolise for themselves the bulk of the resources allocated under small-scale and village industries. Despite the fact that the Ministry of Commerce & Industry were themselves favourably inclined towards the decentralisation of small industries to rural areas, they found themselves completely helpless in the matter because State Governments were already committed towards establishing them in urban areas. He would say that if rural unemployment was to be mitigated, small industries should be dispersed in the villages with improved tools, improved servicing and other workshop facilities. It was not possible at the moment to find even agricultural implements in village areas because such implements were not produced there. The people were not prepared to buy these implements because for getting them serviced they would have to travel hundreds of miles to an urban servicing centre.

120. We were taking electricity to the villages as well as diesel pumps and other labour saving devices. Unless industries also moved alongside, it would be impossible to introduce improvements in the economy of the villages.

121. The Chairman stated that the point raised by the Minister for Community Development and Co-operation was very important. In the name of developing rural areas, we were being really attracted to the confines of large and small towns and neglecting rural areas proper. For other reasons, too, the dispersal of industry was obviously of great importance. One advantage in moving industries to rural areas was that not much of construction work was needed there. It was obvious that articles in daily use like buckets and agricultural implements like ploughs should be made in village areas and not be imported there from thousands of miles away.

122. The Industries Minister, Madras, **Shri R. Venkataraman** stated that as far as village industries were concerned they were all located in villages. But small-scale industries proper had necessarily to be established in and around a city or town because of the nearness of the market, facility for obtaining supplies of raw materials like iron and steel, availability of power and of skilled workmen. All these were necessary before a small scale industry could be established. The small scale industries that were now being established were all producers of ancillaries and small tools. Ancillaries could develop only around a larger industry. Coimbatore was an example. In an area 15 miles around the city, a large number of units had sprung up manufacturing ancillaries and parts required by the textile and other industries in Coimbatore. In his view, small-scale industries could only spread in a gradual manner from a city to a town, and then to a smaller town and then finally to the village.

123. The Chairman thought that power was the most essential requirement for setting up a small-scale industry. The location of the unit would also have to be near a road or a railway station. Otherwise there should be no difficulty in starting small scale industries in rural areas. And if small

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scale industries were not encouraged to spread out to the villages in this manner, it would be very difficult to develop rural areas.

124. The Minister for Commerce and Industry, **Shri Lal Bahadur Shastri** agreed that the main problem was power. But wherever power was available it should be possible to take village industries there. For example, Madras had gone further than many other States in regard to the small scale industries because of the availability of power in that State. For the Third Plan period he thought that there should be a properly worked out scheme for taking small industries to rural areas where power was available. Further, out of the 680 small towns in India having a population ranging from 5000 to 10,000, 326 were electrified. It should be possible to set up small industrial estates in all these small towns. This of course did not mean that larger industrial estates should not be established. For example, the industrial estate at Allahabad had proved a great success as also the one at Guindy in Madras. He did not anticipate much difficulty in the marketing of the products of small-scale industries. The aspect of the question would also be carefully considered in connection with the Third Plan.

125. Member (Agriculture), **Shri Shriman Narayan** stated that we should have legislation to prevent further expansion of industries in the bigger cities.

126. The Chairman said that village industries could be divided into two parts: Khadi and the others. Khadi stood on a special footing and even now required a subsidy. However, there was no particular reason why other village industries should be in need of any subsidy. All they required might be credit and marketing facilities and not a continuing subsidy. No industry could be permanently carried on the basis of subsidies: sometime or other it had to make good.

127. The Minister for Commerce and Industry, **Shri Lal Bahadur Shastri** stated that so far as the handloom industry was concerned some State Governments were particular that the present rates of subsidy should continue.

128. The Industries Minister, Madras, **Shri R. Venkataraman** said that he would like to clarify the position. So far as the handloom industry was concerned, his opinion was that it could not survive without a subsidy because of the very nature of the processes involved. In a textile mill, yarn could go directly into the weaving machines whereas, in the handloom sector, yarn had first to be reeled and bundled and then made ready for weaving. There was an extra element of expenditure involved in the reeling process and unless this was covered by a subsidy it would never be possible for handloom textiles to compete with mill-made cloth.

129. The Chairman stated that it was only the cheaper varieties of handloom which had to compete with mill-made cloth. As far as the artistic products were concerned, they had a good market even abroad and cheapness was not the prime consideration. By and large, he thought that handloom should not require any further subsidies but only facilities. On an enquiry by the Industries Minister, Madras, whether this was tantamount to a decision that the handloom subsidy should be abolished, the Chairman stated that he was only trying to point out what our approach should be to these subsidised industries. Khadi had of course to be considered separately because of its special position. Even so our approach to Khadi should be one of less and less subsidies.

The Council then adjourned till 10 A.M. on Sunday the 20th March, 1960.

**MORNING SESSION**  
**MARCH 20, 1960**

130. The Chairman suggested that Section V of the memorandum on the size and pattern of investment might be taken up for discussion. He would remind Chief Ministers that the proposals contained in the memorandum were tentative and should not be considered as final. In dealing with the pattern of investment, one had to take into account what physical targets were aimed at in important fields like agriculture, industry etc. The individual proposals from the Ministries taken together had added up to a prodigious figure which was clearly beyond one's reach. Naturally cuts had to be made and a great deal of thinking had gone behind the proposals now before the Council. All the same, the proposals that had now emerged were in no sense final. The Cabinet had referred some of these proposals back to the Planning Commission for further consideration in consultation with specially interested Ministries such as Agriculture, Steel, Mines and Fuel and so on. Even the Planning Commission had not finalised their consideration of these tentative proposals.

131. The Finance Minister, Assam, **Shri F. A. Ahmed** stated that according to the present proposals investment in the public sector would be Rs. 5,950 crores and that in the private sector Rs. 4,000 crores. Adding current outlay, the total outlay in the public sector would be of the order of Rs. 7,000 crores. In the light of the allocations proposed, he felt that there was but little scope for major changes in regard to priorities. At the same time, one could not be oblivious of the genuine needs and requirements both of the country as a whole as well as of individual States. In regard to industry, though a provision of Rs. 1,300 crores had been made, in the States sector only Rs. 30 crores had been provided. This was inadequate especially having regard to the fact that, in certain States, very little industrial investment had taken place during the First and Second Plans. Secondly, in regard to agriculture, only Rs. 5 crores were provided for at the Centre. Then again, he felt that flood control should be separated from irrigation and the former made a Central responsibility. This was because States such as Assam were unable to undertake responsibility for flood control measures.

132. Deputy Chairman, **Shri V. T. Krishnamachari** explained that, of the total outlay of Rs. 3,650 crores in the State Plans taken together, financing by State Governments would be only of the order of Rs. 1,150 crores, the remainder coming as Central assistance. In regard to, irrigation and flood control schemes, the entire amount would be advanced by the Centre as loans to the State Governments for the execution of the schemes in question.

133. The Finance Minister, Assam, **Shri F. A. Ahmed** stated that though Rs. 4,000 crores had been anticipated as investment in the private sector during the Third Plan, the Federation of Indian Chambers of Commerce and Industry were asking that organised private industries should be allotted Rs. 3,000 crores which left only Rs. 1,000 crores for the rest of the private sector. He further thought that a firm policy should be laid down by the Government in regard to investment by the private sector. Areas which had not so far benefited from industrial investment should now be enabled to do so. Unless this was done, per capita incomes in backward areas would not increase. Similarly, public sector investment in industries should take place in areas where there were industrial possibilities as evidenced by the natural resources available etc.

134. In regard to inventories, he wondered why a provision of Rs. 400 crores had been made. There was perhaps some scope for reduction under this head.

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135. It would also have to be borne in mind that though per capita incomes were to increase during the Second Plan by 25 per cent for the country as a whole, in some States, the rise in per capita incomes might not exceed 13 per cent. Then again, there were basic facilities like power in regard to which some States were particularly under-developed. Such backward States should, therefore, receive greater consideration in regard to power development.

136. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that the allocation for roads (Rs. 225 crores for State roads and Rs. 25 crores for national highways) was very inadequate. In his view, this allocation should be increased to at least Rs. 300 crores. Many national highways such as the Grand Trunk Road were in a very bad condition and required attention. If the condition of the roads was not good, road transport could not be developed adequately and the revenue from road transport operations would also not increase. Further, the amount of Rs. 25 crores proposed for rehabilitation would not be adequate, considering that much remained to be done for the refugees from East Pakistan.

137. The Chairman stated that he wished to draw the Council's attention to the urgent necessity of building roads in our border areas. This had been mentioned in passing in the draft memorandum. Our frontier areas extended over thousands of miles and it was very difficult to build roads in the mountainous terrain which obtained there. However, the construction of these roads was, a responsibility which had to be undertaken. This burden, heavy as it was, had to be shouldered.

138. In many countries the U.S.A. was an example it was the practice to levy a toll whenever a new bridge or special road was constructed. The tolls collected would more than pay for the initial cost of construction. It might be considered whether some such step should not be experimented with in India.

139. Deputy Chairman, **Shri V. T. Krishnamachari** explained that the toll system was originally in force in several parts of the country. When the tax on motor vehicles was raised, these tolls were withdrawn.

140. The Finance Minister, Madras, **Shri C. Subramaniam** stated that he could very well understand charging tolls for special roads or special bridges. The tolls previously in force had been removed after the fullest consideration because of the inconvenience such a system was causing to the flow of traffic. That was why the motor vehicle tax was increased as also the tax on the fuels consumed by these vehicles. In so far as the plea for increasing the allocation for road construction was concerned, he stated that there was no particular sanctity attached to the figure of Rs. 9,950 crores and that slight variations here and there might be possible. In his view, there should be some flexibility in regard to these figures.

141. He would like to bring to the notice of the Council an important decision that had been taken at the time of formulation of the Second Five Year Plan regarding regional imbalances in development and measures to remove them. He invited attention to page 37 of the Second Five Year Plan Report. The National Development Council had recommended that there should be a continuous study of the problem of removing regional disparities. This matter had also found a place in our Industrial Policy Resolution. Before the Council could approve of the pattern of investment proposed in the draft memorandum on the Third Five Year Plan, it would be necessary to have an idea of the area-wise investment that had taken place in the public and private sectors during the Second Plan period. It would also be useful to know how far the decisions regarding the removal of regional disparities had been implemented. Even with regard to mobilisation of resources, one had to keep in mind the psychology of the people. It would not be merely enough to say that India was one and

that all development taking place in one part of the country would be sufficient for the rest. It was only local improvement and local development that would induce the people to come forward and make further sacrifices for the Third Plan. It was thus necessary to implement the declared policy at least during the Third Plan. He, therefore, thought that the Council should be asked to endorse the draft Third Plan proposals in regard to industry, transport and power only with reference to the actual location of the proposed projects.

142. In regard to the steel expansion programme, he thought that, in view of our not having requisite supplies of high grade coals, low grade coals would have to be used in future. Lignite was available in the South as also iron ore. He agreed that the possibility of using lignite for smelting iron ore was still the subject of experiment and investigation. If the experiments under progress now showed that lignite could be used for smelting iron ore, then the question of locating medium sized iron plants in the Southern region should be considered at present, all the major steel plants were in the North and, on that account, it was difficult for subsidiary industries based on iron and steel to be set up in the South because of the need to transport iron and steel over large distances. Therefore, even for maintaining the few industries that had sprung up in the South, it was necessary to have a modest programme of iron and steel production in the Southern region.

143. The Chief Minister, Kerala, **Shri Pattom Thanu Pillai** said that he was glad that the Finance Minister of Madras had raised the point of regional disparities. In his view, this aspect seemed to have been ignored in the present proposals. Though the Second Plan had a large Central Government investment programme on industries, not even Rs. 1 crore was actually invested in Kerala. Despite certain deficiencies, it seemed to him that it was possible to start quite a large number of industries in Kerala. The present proposals also did not cover the second shipyard about which a decision had previously been taken by the Cabinet. He would, therefore, request the Planning Commission to bear in mind the needs and difficulties of the States while formulating proposals for industrial development during the Third Plan.

144. The Chief Minister, Punjab, **Sardar Pratap Singh Kairon** said that most of the difficulties in the way of industrialisation could be removed if power could be developed on an adequate scale. Before the War, electric power was difficult to sell while now there was a rapidly growing demand for it. In his view, the provision for power should be increased even if that meant a reduction in the allocations for other sectors.

145. Member (Natural Resources), Planning Commission, **Shri C. M. Trivedi** stated that the allocation of Rs. 900 crores for power development had been based on the anticipated requirements in the country.

146. Member (International Trade and Development), Planning Commission, **Shri V. K. Krishna Menon** stated that the question of atomic energy for power production could be taken into account on economic grounds also. Further, the example of Switzerland showed that considerable water power could be developed from small streams and rivulets.

147. On the Deputy Chairman suggesting that atomic power was more expensive than conventional power, the Chairman stated that it all depended on where the power station was set up. Atomic power would not be economical if the plant was put up in an area where coal was available. Despite this, year by year or even month by month, atomic power was becoming increasingly cheaper. From the long-term point of view, it was important to have in mind the development of atomic power in India.

148. The Chief Minister of Bombay, **Shri Y. B. Chavan** stated that on the question of regional



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development, one should not go by industries alone. For example, Andhra and Madras, along with the Punjab, had the highest proportion of irrigated land in the country. Therefore, when considering regional development, one should take into account development in all sectors. Bombay, though it was advanced industrially, because of the special facilities that Bombay city and other areas had to offer, was very backward from the point of view of irrigation.

149. The Finance Minister, Madras, **Shri C. Subramaniam** said that the per capita income in each region provided a better index to the economic backwardness or otherwise of the people there. Further, sufficient attention would have also to be paid to the utilisation of whatever resources were available in each region. It was expected of all States to increase their resources. It would not be possible for them to do so unless there was sufficient development in each State.

150. The Chairman said that it would be a very good thing if a regional survey of the kind suggested by the Madras Finance Minister could be undertaken. To be useful, such a survey would have to be a fairly thorough one. In addition to this survey, he would also like a study made of the comparative progress made by the private and public sectors during the last 10 or 12 years.

151. Professor P. C. Mahalanobis agreed that the regional survey proposed was very important. Some beginning had already been made in that direction, and if the Council gave its clearance, further work would be undertaken in the Planning Commission. Though the Finance Minister of Madras had suggested a study of per capita incomes in different regions, such a study was subject to serious limitations in that there was no way of allowing for income flows into a State from other States. Therefore, it might be better to go on the basis of per capita production. Another aspect which the survey might cover would be the scope for resource utilisation in the different regions taking into account future possibilities. At the same time, all India considerations should not be lost sight of.

152. The Chief Minister of Andhra Pradesh, **Shri Sanjivayya** wondered what steps had been taken by the Planning Commission to proceed to rectify regional imbalances. The Southern Zonal Council had passed a resolution on the subject. This resolution had been communicated to the Central Government as well as the Planning Commission. So far as he knew, no steps had been taken during the Second Plan to remove regional disparities. At least during the Third Plan some steps in this direction were clearly necessary. As for what the Chief Minister of Bombay had said regarding irrigation facilities, it had to be remembered that funds for irrigation projects were borrowed by the State Governments from the Centre and had to be repaid. This was not the case with regard to industries.

153. The Chairman stated that the Madras Finance Minister's point about balanced regional disparities was not only not in dispute but was of high importance. The Council had agreed that there should be a good survey of this matter taking all factors into consideration such as availability of electric power, irrigation and the like. It was his feeling that when this subject came up, attention was always being diverted to some show-piece like a big industrial plant. The Finance Minister, Madras had mentioned steel production in the South. If feasible, this should, of course, be taken up. But the fact was that steel plants could be best developed where the requisite raw materials were available. The big area comprising West Bengal, Orissa, Bihar and Madhya Pradesh an area which corresponded to the Ruhr area of Europe—had all the raw materials required for steel production. In thinking of the programme for steel, we naturally had to plan the expansion of the existing plants. In regard to new plants, we had been considering for years. Bokaro in the Damodar Valley area was one of the best sites available. At this site, it would be possible to locate a steel plant the production from which could, ultimately, be as much as 10 million tons per annum.



154. In regard to general development, as the Chief Minister of Punjab had said power provided the key. In the Punjab as well as in the South, small industries were coming up at a rapid pace because of the availability of power. Even in regard to location of a comparatively small plant like optical glass, Government had finally to agree to its being located in Durgapur because expert opinion was for its being established there. As far as he was concerned, he was putting in his little note of protest whenever any new industry was proposed to be located in Bombay or Calcutta. One had, however, to take into account the economics of production at a particular location and also give due weight to expert opinion.

155. He was convinced that, in course of time, atomic power would become thoroughly economical. Similarly, there was the question of oil. We did not know yet how much of it would be available. Apart from oil, there was gas which again meant power.

156. The Finance Minister, Madras, **Shri C. Subramaniam** stated that in regard to steel, he would plead for the location of an iron/ steel plant in the South only if it was economical to do so.

157. The Finance Minister, Uttar Pradesh, **Shri S. A. Zaheer** stated that Uttar Pradesh, with its vast population, was peculiarly unfortunate in that its per capita income had been declining over the last three years. In regard to consumption of power, it was among the most backward of States. As for allocations under the Second Plan, investment in Uttar Pradesh per capita amounted only to Rs. 40 compared to much higher figures for other States. Now that the Council was discussing regional development, he hoped that all these facts would also be taken into account while finalising the allotment of funds for various schemes.

158. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** stated that, in the initial stages of development, high priority would have to be accorded to locations which had obvious natural advantages. At the same time, it should be ensured that the advantages enjoyed by a location were shared by other areas by the equitable distribution of the product. This would mitigate the feeling of discrimination or concentration that existed. In one way, this had been done in the case of steel. Although, steel was being made in areas where iron ore and coal were available, the price of steel all over the country was the same. In regard to coal, the Ministry had been examining whether there could not be a uniform coal price over the entire country. It had not yet been possible to do this because of the size of the operation involved- perhaps, some effort in that direction could still be made. Similarly, in the case of power, for the decentralisation of industry and the location of small-scale industries in rural areas, he saw no reason why all consumers should not bear the burden so that power could be made available at more or less the same price in every area.

159. As regards the economics of different forms of power production, he would say that hydro-power was highly capital intensive and took a long time to produce. Thermal power was comparatively cheaper and took less time to develop. Even the Soviet Union had been progressively veering round to thermal power stations. For generating thermal-power, low grade coal as well as lignite could be used. Instead of moving low grade coals, the tendency was to generate power at the coal-sites and distribute it.

160. The best use had, of course, to be made of the lignite available in Neyveli. There would be no over-production of lignite once the power station and the fertiliser plant there were commissioned. As for using briquetted lignite to smelt iron ore, the technical feasibility of the process was under investigation. Once the technical feasibility was established, one would have to consider further whether the process would be economic. Depending on whether Neyveli lignite could be successfully and economically used for smelting iron ore, the possibility of an iron/steel plant in the South would

always be kept in mind.

161. The Prime Minister, Jammu and Kashmir, **Bakshi Ghulam Mohammad** said that he was not speaking for Kashmir alone but for all the backward areas in the country. Kashmir, however, provided an example. One had to pay exorbitant prices for steel in Kashmir because the railway system did not extend there. On the other hand, Kashmir had both lignite as well as iron ore. He was not saying that heavy industries should be located in Kashmir: but it should be quite possible to develop small industries there. What he understood by planning was that every part of the country should be enabled to develop. The Planning Commission should therefore see to it that wherever there were possibilities of development adequate provision therefor was made. As an example of a small industry that could be established in Kashmir he would cite the watch industry which did not require big plant or machinery. Nor did it require large quantities of raw materials like steel. Kashmir was ideally suited for the establishment of this industry from the point of view of climate, skilled labour etc. Yet another industry that could be located in Kashmir was the drug industry. The possibilities of each particular region should thus be carefully borne in mind and such industries as were possible developed in every part of the country. It was also essential to ensure that lopsided development did not take place.

162. The Minister for Home Affairs, **Pandit Govind Ballabh Pant** stated that the principle of dispersal of industry on a regional basis had been accepted long ago and that the Planning Commission had kept it constantly in mind. Consequently, there was no room for any difference of opinion on this point. Whenever a big plant was set up, the products it turned out had to be used all over the country. Therefore, the larger interests of the people had also to be kept in view. He personally thought that what was necessary was to ensure production on economical basis. Distribution should, on the other hand, be on an even basis so that every part of the country was able to obtain the finished products and semi-finished materials at almost the same price. This was of greater advantage to the country than going in for uneconomic production based on regional considerations. By this he did not mean to question the soundness of the principle of dispersal which had been accepted by Government as well as the Planning Commission.

163. At present, there was a tendency to be dazzled by the glamour of big things such as big plants, tractors, fertilisers and the like. All these were necessary and the country should indeed have them. But if one looked deeper into this matter, one found that these big plants did not, after all, make such a large difference. For example, the first steel plant in India had been established in Bihar and yet that State continued to be one of the poorest in the country. The per capita income of the people in Bihar had not, generally speaking, been materially affected or assisted by the establishment of the steel plant. Similar was the case of Assam. In spite of its long established oil industry, Assam continued to be one of the poorest States in India. On the other hand, in the Punjab, even though they did not have any big industry, the people living in that State were not only better off but were more advanced than people in other parts of the country. His feeling, therefore, was that we should not be taken in by the glamour of big things.

164. Industrialisation involved the setting up of big and heavy industries but the solution to our problems was not confined to the establishment of big industries. He felt that more could be done in every State without spending too much money by improving agriculture and establishing small scale industries. In the Punjab, they had established such industries in every nook and corner of the State. Their dispersal had also not been difficult. Small-scale industries also afforded employment on a much bigger scale than bigger plants. In the textile industry, handloom weaving provided employment directly and indirectly to 20 lakhs of people while the organised mill industry employed

only 8 lakhs.

165. The best way of organising small scale industries could perhaps be to form industrial co-operatives for the purchase of raw materials at reasonable prices and for marketing what was produced. The emphasis he had laid on small scale industries did not mean that he was opposed to big industries or that he was against the establishment of a steel plant in the South making use of Neyveli lignite. He wanted to appeal to the Members to appreciate our position as it was and the more we concentrated on smaller things the better we could benefit the community at large and also instil in them a spirit of self reliance.

166. The Finance Minister, Orissa, **Shri Rajendra Narayan Singh Deo** said that, apart from the importance of dispersal of industries for removing regional disparities, there were other kinds of disparities which had also to be removed. In the Second Plan, the allocation of outlays between the Centre and the States had been 54 per cent and 46 per cent respectively. For the Third Plan, this ratio had been reversed. This would mean that States which were able to offer larger resources would have bigger allocations and the poorer States which were unable to find adequate resources would have to be satisfied with smaller allocations. In order to remove regional disparities Central schemes would have to be taken up on a large scale in the poorer States. Further, certain schemes although taken up in the State sector should be financed from larger allocations from the Centre. Further, the National Development Council should, in his view, lay down certain principles on the basis of which schemes should be taken up by the Centre for implementation in particular States.

167. The welfare of backward classes and of scheduled tribes was a Constitutional responsibility and considerations of finance should not affect allocations under this head. Similarly, universal primary education, which was also a Constitutional responsibility, should be adequately provided for.

168. He would also say that flood control schemes should be the responsibility of the Centre. Further, once Central schemes had been settled, no changes should be made in them during the currency of the Plan. In the past, many schemes which had originally been in the Central sector had been shifted to the States sector—examples were flood control schemes and appointment of teachers under the unemployment relief scheme.

169. Mineral development, should not be a monopoly of the Centre. The States should also be enabled to participate in the public sector programmes for development of minerals especially as such participation would enable the State concerned to raise larger non-tax revenues. The previous day a reference had been made to the need for revising royalties on mineral leases. He would suggest that the method of consultation with the Centre should not be through correspondence on an ad hoc basis.

170. The Minister for Commerce and Industry, **Shri Lal Bahadur Shastri** stated that the Home, Minister had already laid great stress on the development of small scale industries. He was convinced that there was considerable scope and possibilities for expansion so far as small and medium industries were concerned. The development of these industries would result in the dispersal of industrial units and also provide considerable employment.

171. An enquiry had recently been conducted into the paper industry. This enquiry showed that as against the normal economic capacity of 100 tons a day, it appeared that factories with a daily output of 10 and even 5 tons could be set up on an economic basis. This applied not merely to paper but also to the production of paper pulp and paper making machinery. The capital requirement of a small paper plant would be only Rs. 25 to Rs. 29 lakhs and such a plant could realise a net

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profit of Rs. 5 lakhs a year, which meant a return of 18 per cent. Considering our increasing requirements of paper, it should be possible for us to set up 35 to 40 paper factories during the Third Plan period in different parts of the country where the requisite raw materials were available. A similar enquiry into the machine tool industry showed that it would be possible to have small units turning out machine tools on an economic basis.

172. In his view, it would be quite easy for the States themselves to invest the amounts required for paper and machine tool factories; but, in case assistance was needed, the Central Government would be prepared to assist. He had also been impressing upon the Planning Commission the need to pay greater attention to making adequate provision in the Third Plan for the development of small-scale and medium industries.

173. The Industries Minister, Madras, **Shri R. Venkataraman** stated that on the subject of paper, there was some difference of opinion among experts. According to one view, paper pulp could be turned out economically only in a big factory. He would, therefore, suggest that the Central Government should take up a pilot scheme in regard to paper manufacture.

174. Member (Industry), Planning Commission, **Shri T. N. Singh** stated that his information was that it would be economical even to have a digester along with a pulp and paper plant. It all depended on the raw material used. In regard to dispersal of industries, he would say that the Planning Commission as well as the Ministry of Commerce and Industry fully recognised its importance. As for the dispersal of industrial units in the private sector, he recalled how representatives of the State Governments participated in the work of the Licensing Committee at the Centre. One could think of other methods of ensuring proper dispersal of private sector industries. Any suggestions on this subject would be fully considered. In this connection, he would point out that there had recently been a tendency on the part of some State Governments to compete for the location of private industrial units in particular States. This had resulted in some private industrialists obtaining very advantageous terms. He thought that such competition should be avoided.

175. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** stated that of the fertiliser target of 1 million tons of Nitrogen by 1965-66, 200,000 tons had been allocated to the private sector. He did not know how the private sector target was going to be attained. Rajasthan wished to have a fertiliser factory. Nobody from the private sector had so far come forward. The deposits of gypsum that they had in the State were now going to the factory at Sindri. He hoped that this did not mean that Rajasthan would have to go without a fertiliser factory. His proposal was that the Rajasthan plant should be in the public sector.

176. As regards the other items mentioned in the draft memorandum, he attached particular importance to the economic exploitation of the copper deposits in his State.

177. The Chairman stated that these were among the special points which the Cabinet had referred to the Planning Commission for further consideration.

178. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** pointed out that in paragraph 36 of the draft memorandum certain questions had been posed by the Planning Commission. One of the questions was whether it would not be desirable to route community development funds for irrigation and reclamation which are to be used at the block level through the State departments of agriculture rather than directly to blocks. In Rajasthan, expenditure on community development projects was being incurred by the panchayat samitis. On the question whether the number of village level workers should be increased in the blocks, he would say that there was no need to increase their number. In Rajasthan, they were imparting short term courses, of training to primary school teachers during

the summer vacation. These teachers would be able to render the kind of service now available from village level workers. Instead of having additional village level workers, what he would prefer to see was an agriculture expert in each block. Such experts would be able to give better guidance to the villagers than village level workers.

179. Another point he would like to make was that, since the Third Plan would call for increased taxation, the proper atmosphere for levying such taxes should prevail in rural areas. This could be ensured by ensuring the provision of what the villagers wanted done such as minor irrigation works, repair and construction of roads, schools, and medical facilities. It would not be enough to tell them that some big projects were being taken up somewhere and that they should pay for such construction. The local improvement programmes he had first mentioned would be undertaken and put through by the panchayat samitis. If Rs. 100 to Rs. 150 crores could be allotted for these basic facilities in rural areas, the necessary climate for enthusing the people would be created.

180. Another step they had taken was to institute a system of stipends for all students who passed their examinations in the first division. These stipends ranged from Rs. 100 to Rs. 150 per mensem and were granted only to the children of poor parents. This measure had already proved very popular.

181. The Finance Minister, Madhya Pradesh, **Shri Mishrilal Gangwal** stated that his request to the Planning Commission was that the resources effort of Rs. 1,150 crores demanded of the States should not be increased. States which were financially weak were not in a position to undertake additional resources mobilisation. He was not complaining against the Centre, but in the Second Plan, the original financing scheme was that for a Plan of Rs. 150 crores for the Madhya Pradesh, the State should raise Rs. 41 crores and the rest should be met by the Centre. In actual fact, the Centre had made available only Rs. 100 crores with the result that the State had to increase its contribution to Rs. 50 crores.

182. The Chief Minister, Bombay, **Shri Y. B. Chavan** referred to the effect that the recent Finance Bill curtailing certain concessions in income tax to cooperative societies would have on their development. According to the Taxation Enquiry Commission, these concessions were to be made available to cooperative societies for an initial period of 10 years. In his view, it was too early to give effect to the proposed measure. He conceded that the measure gave exemption to agricultural societies. But it was very difficult to say which were the agricultural societies because, normally, their practice in Bombay was to consider those societies to be agricultural ones the members of which were cultivators. In Bombay, a large number of sugar cooperatives had come up. It was not clear whether these sugar cooperatives would be classed as agricultural societies or industrial societies. Anyhow if these societies were taxed at this initial stage, further development of the co-operative processing sector would be halted. He would, therefore, request that the income tax concessions to cooperative societies should be extended for some more time.

183. The Industries Minister, Madras, **Shri R. Venkataraman** referred to consumer co-operative societies which would also be hit by the proposed measure in Parliament. If consumer societies were taxed merely because they had a profit exceeding Rs. 10,000 they would no longer be able to sell at the present prices. They would be compelled to increase prices and would consequently be unable to compete with other retail sellers. There was also the danger that many of the smaller consumer co-operatives, which had been coalescing into larger societies and were functioning better, would tend to disintegrate. He went on to say that while there might be a case for taxing road transport co-operatives, other types of co-operatives should be exempted from the operation of the



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proposed measure if they were to develop.

184. The Chief Minister, Madhya Pradesh, **Dr. Kailash Nath Katju** stated that he was in complete agreement with the Chief Minister, Punjab in regard to the development of small scale and cottage industries. Secondly, he would lay great emphasis on social services. He was glad that the Chief Minister of Rajasthan was of a like view. Finally, he would request that the establishment of a fertiliser factory in Madhya Pradesh should be considered.

185. The Minister of Community Development and Cooperation, **Shri S. K. Dey** remarked how, in the memorandum under consideration, it had been stated that the highest stress in the Third Five Year Plan had to be on agricultural production. It had been repeatedly stated that the land in this country was capable of additional production to the extent of 100 to 300 per cent over the present levels. It had been stated that improved technology should be introduced in the villages. He wished to stress once again that we had to think of improved technology from a much wider angle and not regard it merely as a question of providing financial assistance to villagers for mere agricultural programmes. There would have to be a plan of action by which the villagers could be made to share the institutional and other facilities as well as the advances made in all sectors of the economy during the Third Five Year Plan period in order to bring about a change in their outlook. Everybody had felt that because there was a provision of Rs. 200 crores for community development in the Second Plan, this expenditure would bring about a change in the outlook of rural people. He was sure that the Chief Ministers present would share his feeling that everything possible was being done by the Development Commissioners and others but, without the establishment of industries in rural areas, the progress achieved would remain limited. A tremendous improvement could be effected by the establishment of industries in rural areas so that the entire country-side might get developed. Similarly, it was important to locate scientific institutions, research laboratories and engineering colleges also in rural areas. Whenever such industries/ institutions were set up in rural areas, the whole country-side within a radius of 10 to 15 miles sprang into new life. As an example, he would cite the prosperity of the rural areas round the sugar factories in Uttar Pradesh.

186. In actual practice, during the Second Five Year Plan, very little had been done in this direction. Unless there was a drastic change in policy, the experience might be the same in the Third Plan period. He was convinced that whether it was electricity big or small industries research institutions or housing, communications or education, all these had to be dispersed in the rural areas. He was prepared to work out a concrete programme for such dispersal in consultation with the Central Ministries concerned provided a policy decision was taken in the Council that the people in the villages ought to obtain their due share of development expenditure.

187. The allocations on community development in the Second and Third Plans should be regarded only as a small nucleus to which resources under other sectors would have to be added if we really wished to bring about a fundamental change in the outlook of the people in the villages and give them that technical bias which alone would eventually lift up our stagnant economy. He did not want, later on, to have to answer questions from right and left, from the public, in Parliament and elsewhere whether he had not introduced family planning, better health services, better education and the like in village areas. This was because it was not possible to do all this with the allocation of Rs. 300 crores during the Third Plan on community development. However, provided it was ensured that in every single block there were certain essential developments going on and that the villages had their due share of the investments in the economy, it would be possible to transform life in rural areas.

188. In regard to cooperatives, no progress would be possible unless the primary society was



converted into a service cooperative. The Agricultural extension organisation throughout the country continued to be riddled with service functions which should have been handed over to cooperatives long ago. A primary society would not be a viable unit if it merely disbursed credit. It would be possible for a cooperative society to meet costs only if the distribution of fertilisers, approved seeds, iron and steel, cement, kerosene and other requirements of the village were entrusted to it. This was not being done in spite of the efforts that had been made. We had been looking at the cooperative movement as something which had been sponsored by Government and thinking that one could ensure its health by increasing the number of Government functionaries. Here again, it was essential to lay down a policy decision that the cooperative movement was essentially a people's movement and that it should be developed as such.

189. The Minister for Finance, **Shri Morarji Desai** said that cooperative societies had first to come into existence before they should be turned into service cooperatives.

190. The Minister for Community Development and Cooperation, **Shri S. K. Dey** stated that the 170,000 cooperatives in the country were now merely distributing what they received from the Reserve Bank or the State Governments. By merely changing its sign board, a credit cooperative did not become a service cooperative.

191. The Industries Minister, Madras, **Shri R. Venkataraman** stated that, in so far as Madras was concerned, they had entrusted the distribution of fertilisers to cooperatives. Similar arrangements were being made in regard to insecticides and the like. It was also proposed to distribute seeds through the cooperatives.

192. The Minister for Community Development and Cooperation, **Shri S. K. Dey** stated that even where State Governments had taken the policy decision that the Agriculture Department should use the cooperative organisation for distribution of seeds and fertilisers that decision was not being implemented.

193. The Finance Minister, Madras, **Shri C. Subramaniam** stated that State Governments were competent to look after these things. The State Governments might be inefficient in certain fields but this kind of approach would only antagonise them.

194. The Minister for Community Development and Cooperation, **Shri S. K. Dey** said that he was merely pleading with State Governments.

195. The Chairman stated that conditions varied very much between State and State and between parts of the same State. Therefore, no general statement would be applicable to all cases. He pointed out how the Minister for Home Affairs had drawn attention to certain aspects which were so obvious and yet were liable to be overlooked. He had pointed out how a State like the Punjab which by and large, had no big industry had a high per capita income and was, perhaps, the most prosperous State in India. This was partly due to good agriculture and partly due to small scale industries.

196. While he was strongly in favour of heavy industries, it had to be realised that a big plant here and there did not make any great difference to the millions of our population. In Canada, they had made tremendous advances during the last 10 or 12 years in petroleum, heavy industries etc; yet all this increased production did not match in value the wheat produced in the single province of Ontario. Thus, in addition to big plants and heavy industries, we should go in for scientific agriculture, small-scale industries, small irrigation projects, small hydro electric power stations and the like. There was enormous scope for growth in all these directions.

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197. While there was so much talk about the public and the private sector, the fact remained that a vast field was open to the private sector. Apart from a few big industries, there were no impediments in the way of the private sector to expand. He was, therefore unable to understand why there should be any argument or quarrel over a few big plants.

198. The Chief Minister of Rajasthan had referred to the need for provision of drinking water, schools, health facilities, roads etc. in village areas. In regard to drinking water especially, his impression was that the sum suggested of Rs. 100 to Rs. 150 crores for the whole country was much too large. This was a sum we could hardly afford. He personally felt that by spending Rs. 10 crores a year, drinking water facilities could be made available almost all over the country. In this connection, one should not think only of digging old-style wells. We could install pumps and avoid using pipes except in small towns. Costly reservoirs could also be avoided.

199. He agreed with the Minister for Community Development and Co-operation that industries should as far as possible be located in rural areas. It had, however, to be borne in mind that in practice, there were genuine difficulties. For example, a research centre, because of its requirements of a big library and the like, might not be easy of location in rural area. There were similar limitations in regard to other plants and institutions. Nevertheless, much could be done in this direction, though in the beginning this policy might involve some additional expenditure.

200. It was the declared policy of Government to have service co-operatives. The very word 'service' meant that the cooperative should render services and not merely disburse credit. There had been a certain slowness in converting credit co-operatives into service co-operatives. In States like Madras and Andhra, considerable advance had been made but, in some places, progress had been rather slow. In his view, the old co-operative official was a difficult person to move. If one did not want to make any progress in co-operation, one had only to call a conference of co-operative officials and ask their advice.

201. The Finance Minister, Madras, **Shri C. Subramaniam** stated how, on the previous day, the Council had agreed that a price policy would be necessary for the Third Plan. He wanted to know whether the Council itself should consider measures for implementing this policy or leave it to the Planning Commission to work out the details.

202. After some discussion on the subject, it was agreed that the Chief Ministers or their representatives should meet in New Delhi on the 17th April, 1960 and discuss price policy. It was also agreed that State Governments would communicate their views and suggestions on the subject to the Planning Commission by the 5th April, 1960. The Planning Commission might also circulate a paper on price policy but the State Governments would not wait for it for sending in their own suggestions.

The meeting then adjourned.

*Planning Commission***CONCLUSIONS AND RECOMMENDATIONS OF THE FOURTEENTH MEETING  
OF THE NATIONAL DEVELOPMENT COUNCIL-MARCH 19 AND 20, 1960.**

The National Development Council considered the Planning Commission's draft memorandum on the Third Five Year Plan and the estimates of financial resources for the Plan. It also considered related issues, such as, price policy, priorities and the conditions to be fulfilled in carrying out a plan involving a total investment of Rs. 9,950 crores and a total outlay in the public sector of Rs. 7,000 crores.

**2. Objectives of the Third Plan.**—The Council agreed that the main tasks to be undertaken during the Third Plan should be :

- (1) to secure during the Third Plan a rise in national income of at least 5 per cent. per annum, the pattern of investment being designed also to sustain this rate of growth during subsequent plan periods;
- (2) to achieve self-sufficiency in foodgrains, and increase agricultural production to meet the requirements of industry and exports;
- (3) to establish basic industries like steel, fuel and power and, in particular, machine-building capacity, so that the requirements of further industrialisation can be met within a period of ten years or so mainly from the country's own resources;
- (4) to ensure a substantial expansion in employment opportunities; and
- (5) to bring about a reduction of inequalities in income and wealth and a more even distribution of economic power.

The Council noted that the Plan assumed a rise in the rate of investment from about 10 to 11% to 14.5% of the national income and in the rate of domestic savings from about 8 to 12% of the national income. The Council also noted that according to the preliminary estimates which had been made, the physical programmes envisaged in the Draft Memorandum were expected to lead to an aggregate increase in national income of the order of 27 to 28% over the period of the Plan.

**3. Conditions for a large plan.**—The Council emphasized the following as being the essential conditions for securing the successful implementation of a large plan of development:

- (1) a rapid increase in agricultural production and fuller use of the country's manpower resources;
- (2) public enterprises being carried out with economy and efficiency and yielding the maximum returns feasible;
- (3) laying down and carrying out an integrated price policy;
- (4) construction programmes and costs being kept to the minimum;
- (5) high levels of administrative efficiency and determined efforts to raise standards in administration; and
- (6) realising the maximum employment potential inherent in the plans of the public and

## Summary Record of Discussions of the NDC Meetings

the private sector.

The Council stressed the need for the utmost economy in construction programmes, especially through the adoption of austerity standards and proper planning of supplies and materials, such as, steel.

**4. Price policy.**—The Council agreed that the Third Plan could only be formulated on the basis that the price line would be held and agreed that measures for implementing an overall price policy should be considered at a special meeting of the Chief Ministers to be held on April 17, 1960. In the course of discussion, it was stressed that variations in prices, particularly in food and agricultural prices, from year to year and fluctuations at shorter intervals, not only affected the physical targets which could be realised but also led to reduction of resources available for development.

**5. Financial resources.**—The Council generally agreed to the proposal that to finance a total outlay of Rs. 7,000 crores in the public sector there should be additional taxation of the order of Rs. 1,650 crores, of which Rs. 1,150 crores might be raised by the Central Government and about Rs. 500 crores by the State Governments. After reviewing the scope for measures of taxation, the Council proposed that more detailed discussions between the Planning Commission and individual States should proceed on the basis of the proposals made by the Planning Commission regarding financial resources.

**6. Priorities.**—The Council agreed that the first priority during the Third Plan should be given to agriculture. At the same time, there had to be very considerable stress on the development of basic industries, specially steel, machine-building, fuel and power, on which the capacity of the economy to develop in future largely depended. In regard to technical education, it was suggested that extensive training facilities should be organised at all large industrial plants, whether these were in the public sector or in the private sector.

**7. Allocations in the public sector.**—The Council considered the allocations which had been suggested by the Planning Commission for preliminary planning in the public sector in the Third Plan and noted the suggestions made by Chief Ministers for increasing allotments for power, roads, village and small industries, rehabilitation and technical education.

**8. Balanced regional development.**—The Council agreed that the possibilities of industrial development which existed in regions comparatively less favoured by mineral resources should be fully explored. The Council emphasized that important as large projects were there should be greater stress on the development of agriculture, small-scale industries, small hydro-electric plants, etc., since in these fields the conditioning factors which limited large-scale industrial development did not apply. The Council also generally favoured measures by which as large a proportion of the benefits of the Plan as possible could reach out to rural areas and to small towns.

**9. Village and small industries.**—The Council agreed that in the development of village and small industries the emphasis, should be on positive measures to assist them to become self-supporting rather than on subsidies. While the special position in this respect of Khadi was recognised it was suggested that in regard to Khadi also future development should be organised on the basis of subsidies becoming a gradually diminishing element.

**10. Mineral royalties.**—In view of the criticism that royalties for mineral leases had been fixed in many cases several years ago and needed to be reviewed in the light of more recent changes, the Council suggested that the question should be fully considered by the Central Government in consultation with the States concerned.

**PARTICIPANTS**

**PLANNING COMMISSION**

Shri Jawaharlal Nehru	..	..	..	Chairman
Shri V.T. Krishnamachari	..	..	..	Deputy Chairman
Shri Gulzarilal Nanda	..	..	..	Minister of Planning
Shri Morarji Desai	..	..	..	Member (Finance)
Shri V.K. Krishna Menon	..	..	..	Member (International Trade & Development)
Shri C.M. Trivedi	..	..	..	Member (Natural Resources)
Shri Shriman Narayan	..	..	..	Member (Agriculture)
Shri T.N. Singh	..	..	..	Member (Industry)
Dr. A.N. Khosla	..	..	..	Member (Education)
Prof. P.C. Mahalanobis	..	..	..	
Shri S.N. Mishra	..	..	..	Deputy Minister of Planning
Shri L.N. Mishra	..	..	..	Parliamentary Secretary to the Minister of Planning
Shri Vishnu Sahay	..	..	..	Secretary

**STATES**

Andhra Pradesh	..	..	..	Shri D. Sanjivayya, Chief Minister
				Shri P. Ranga Reddi, Planning Minister
				Shri K. Bramhanand Reddi, Finance Minister
Assam	..	..	..	Shri B.P. Chaliha, Chief Minister
				Shri K.P. Tripathi Planning Minister

## Summary Record of Discussions of the NDC Meetings

				Shri F.A. Ahmed, Finance Minister
Bihar	..	..	..	Dr. S.K. Sinha, Chief Minister
				Shri L.P. Sahai Dy. Minister of Industries
				Shri Ambika Saran Singh Dy. Finance Minister
				Shri Dunga Prasad Dy. Community Development Minister
Bombay	..	..	..	Shri Y.B. Chavan, Chief Minister
				Dr. Jivraj Mehta, Finance Minister
				Shri S.K. Wankhede, Planning Minister
Jammu and Kashmir	..	..	..	Bakshi Ghulam Mohammad, Prime Minister
Kerala	..	..	..	Shri P. Thanu Pillai, Chief Minister
Madhya Pradesh	..	..	..	Dr. K.N. Katju, Chief Minister
				Shri M.L. Gangwal, Finance Minister
				Shri S.L. Tewari Public Works Minister



**Fourteenth NDC Meeting**

Madras	..	..	..	Shri C. Subramaniam, Finance Minister
				Shri M. Bhaktavatsalam, Home Minister
Mysore	..	..	..	Shri B.D. Jatti, Chief Minister
Orissa	..	..	..	Shri R.N. Singh Deo, Finance Minister
Punjab	..	..	..	Sardar Partap Singh Kairon, Chief Minister
				Dr. Gopi Chand Bhargava, Finance Minister
				Rao Birinder Singh, Irrigation & Power Minister
Rajasthan	..	..	..	Shri Mohanlal Sukhadia, Chief Minister
				Shri Haribhau Upadhyaya Finance Minister
Uttar Pradesh	..	..	..	Shri S.A. Zaheer, Finance Minister
West Bengal	..	..	..	Dr. B.C. Roy Chief Minister
				Shri T.K. Ghosh Agriculture Minister

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### UNION MINISTERS

Shri G.B. Pant	..	..	..	Minister of Home Affairs
Shri Jagjivan Ram	..	..	..	Minister of Railways
Shri Lal Bahadur Shastri	..	..	..	Minister of Commerce and Industry
Sardar Swaran Singh	..	..	..	Minister of Steel, Mines and Fuel
Shri K.C. Reddy	..	..	..	Minister of Works, Housing & Supply
Shri S.K. Patil	..	..	..	Minister of Food and Agriculture
Hafiz Mohammed Ibrahim	..	..	..	Minister of Irrigation and Power
Dr. P. Subbarayan	..	..	..	Minister of Transport and Communication
Shri S.K. Dey	..	..	..	Minister of Community Development and Co-operation
Shri B. Gopala Reddy	..	..	..	Minister of Revenue & Expenditure
Shri B.R. Bhagat	..	..	..	Dy. Minister of Finance
Shri A.M. Thomas	..	..	..	Dy. Minister of Food