

SURRENDERING OF VOTING RIGHTS BY COMPANIES AND INDIVIDUALS

1668. SHRI K. L. N. PRASAD : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Union Government have recently decided that companies or individual share-holders who pledge their shares above the value of Rs. 50,000 in banks, would have to surrender their voting rights ; and

(b) if so, how far this decision will help the Central Government in achieving the desired results ?

THE MINISTER OF REVENUE AND EXPENDITURE (SHRI VIDYA CHARAN SHUKLA) : (a) and (b) With a view to discouraging the use of bank finance for cornering of shares and acquisition of control over well established companies, Government have decided that henceforward public sector banks will get shares pledged with them transferred to their names and will keep or exercise voting rights in respect of shares so registered in their names keeping the public interest in view. Moreover, no public sector bank shall grant advances against shares to a borrower hedged in by any condition on the exercise of voting rights or containing an obligation to issue proxies. The decision will not apply to cases where the overdraft limit against pledge of shares by a borrower from a particular bank does not exceed Rs. 50,000. It will also not apply in the case of advances to share-brokers unless the advance against any particular share runs beyond a period of three months. The Reserve Bank of India has on the 28th August, 1970 issued a directive to commercial banks asking all of them to follow a similar policy in this regard. Government, in consultation with the Reserve Bank, are examining the question of evolving a proper machinery to ensure that the exercise of voting powers by banks as a result of this decision, and by public financial institutions, viz., Life Insurance Corporation of India and Unit Trust of India which hold shares in their investment portfolios, follows a uniform and consistent pattern based on principles of sound public policy.

Government are of the view that this decision will be conducive to the healthy growth of the corporate sector and increase confidence and general investment interest in it.

PUBLIC CONTROL OVER PRIVATE FIRMS

1669. SHRI INDER SINGH : Will the Minister of FINANCE be pleased to state :

(a) whether Government have finalised any plan for public control over private firms which have received funds from public financial institutions ; and

(b) if so, the details thereof ?

THE MINISTER OF REVENUE AND EXPENDITURE (SHRI VIDYA CHARAN SHUKLA) : (a) and (b) Arising out of the recommendation of the Industrial Licensing Policy Inquiry Committee, Government have accepted the 'joint sector' concept in principle and also decided that it would be ensured in future that there is a greater degree of participation in management, particularly at policy levels, in the case of major projects promoted in the private sector involving substantial assistance from public financial institutions.

To secure a greater degree of participation in management the public financial institutions would also, as part of their financial assistance arrangements, stipulate exercise of option for converting loans given and debentures issued in future into equity within a specified period of time. As for loans given and debentures issued in the past, the financial institutions concerned would have discretion to negotiate conversion in cases of default.

VIEWS EXPRESSED IN THE "LOK UDYOG" JOURNAL ABOUT CENTRAL PUBLIC SECTOR UNDERTAKINGS

1670. SRI INDER SINGH : Will the Minister of FINANCE be pleased to state :

(a) whether Government's attention has been drawn to the views expressed in the latest issue of the "Lok Udyog", the official mouthpiece of the Bureau of Public Enterprises about the shocking state of performance in the top and middle sector of management in the Central public sector undertakings ; and

(b) what are the reactions of Government to the views expressed in the journal ; and the steps proposed to be taken by Government to remedy the situation ?