

ANNUAL REPORT (1965-66) OF THE
KERALA FINANCIAL CORPORATION

THE MINISTER OF STATE IN THE MINISTRY OF TRANSPORT AND AVIATION (SHRI C. M. POONACHA) : On behalf of Shri B. R. Bhagat, I lay on the Table a copy of the Thirteenth Annual Report of the Kerala Financial Corporation for the year ended the 31st March, 1966, under sub-section (3) of section 38 of the State financial Corporations Act, 1951, read with clause (c) (iv) of the Proclamation (G.S.R. No. 490) issued on the 24th March, 1965, in relation to the State of Kerala. [Placed in Library. See No. LT-7053/66.]

AUDIT REPORTS ON THE ACCOUNTS OF THE
KERALA FINANCIAL CORPORATION FOR THE
YEARS 1961-62, 1962-63 AND 1963-64

SHRI C. M. POONACHA : Sir, on behalf of Shri B. R. Bhagat, I also lay on the Table a copy each of the following papers, under sub-section (7) of section 37 of the State Financial Corporations Act, 1951, read with clause (c) (iv) of the Proclamation (G.S.R. No. 490) issued on the 24th March, 1965, in relation to the State of Kerala :

- (i) Audit Report on the Accounts of the Kerala Financial Corporation for the year ended the 31st March, 1962.
- (ii) Audit Report on the Accounts of the Kerala Financial Corporation for the year ended the 31st March, 1963.
- (iii) Audit Report on the Accounts of the Kerala Financial Corporation for the year ended the 31st March 1964.

[Placed in Library. See No. LT-7054/66 for (i) to (iii).]

ANNUAL ADMINISTRATION REPORT (1965-
66) OF THE TEA BOARD

THE DEPUTY MINISTER IN THE MINISTRY OF COMMERCE (SHRI M. SHAFI QURESHI) : Sir, I lay on the Table a copy of the Twelfth Annual Administration Report of the Tea Board for the

period 1st April, 1965 to 31st March, 1966. [Placed in Library. See No. LT-7037/66.]

ALLOTMENT OF TIME FOR CONSIDERATION OF THE MOTION RE
THE STATEMENT ON GOLD
CONTROL

MR. CHAIRMAN : I have to inform Members that under rule 172 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I have allotted two hours for the consideration of the motion regarding the statement on Gold Control.

STATEMENT RE GOVERNMENT
POLICY IN REGARD TO THE
FUTURE OF THE MANAGING
AGENCY SYSTEM—*contd.*

MR. CHAIRMAN : On September 5, 1966, Mr. Pathak, Minister of Law, laid a statement on the policy in regard to the future of the Managing Agency system. Any Member wishing to put questions can do so now.

श्री रामकुमार भुवालका (पश्चिमी बंगाल) : क्या माननीय मंत्री यह बतलाने की कृपा करेंगे कि क्या यह सच है कि पटेल कमेटी की रिपोर्ट में कमेटी के माननीय सदस्यों ने यह सिफारिश की है कि जूट तथा पेपर इन्डस्ट्री में मैनेजिंग एजेंसी सिस्टम नहीं हटाया जाना चाहिये ? और क्या यह सच है कि पटेल कमेटी के सदस्यों ने यह सिफारिश की है कि सीमेंट, काटन टैक्सटाइल और शूगर, इन तीन प्रकार की इन्डस्ट्रीज से मैनेजिंग एजेंसी सिस्टम धीरे-धीरे हटाया जाय ? अगर यह सच है तो क्या कारण है कि जब सरकार ने ही इस पटेल कमेटी को बनाया इस कमेटी ने काफी छानबीन करके रिपोर्ट पेश की अपनी सिफारिशों के साथ फिर भी अगर इस पटेल कमेटी की रिपोर्ट पर ध्यान न देकर सरकार दूसरी बात करने जा रही है, तो फिर इस पटेल कमेटी को बनाने का क्या कारण था ?

बिधि मंत्री (श्री गोपाल स्वरूप पाठक):

जो मैंने स्टेटमेंट कल पढ़ा, हाउस की टेबुल पर रखा, उसमें वजह लिखी हुई है कि क्यों इन दो इन्डस्ट्रीज को जिस को पटेल कमेटी ने एक तरफ कर दिया था, उसको भी शामिल कर लिया इन पांचों में जिनकी मैनेजिंग एजेंसी एबालिश की जायेगी। उसके अन्दर वजह लिखी है, अगर आनरेबल मेम्बर उसको पढ़ें तो उसमें वजह मालूम हो जायेगी।

श्री रामकुमार भुवालका : क्या माननीय मंत्री जी यह बतलायेंगे कि क्या यह भी सच है कि इस समय सारे देश में विरोधी पार्टियों द्वारा सारा काम बन्द करो का नारा लगाया जा रहा है, उसके कारण से कई महीनों से उत्पादन में काफी कमी हो रही है। अगर सरकार भी उसी तरह से मैनेजिंग एजेंसी सिस्टम को खत्म करने का आदेश देने जा रही है तो क्या सरकार ने यह सोचा है कि इससे इन्डस्ट्रीज में उत्पादन ज्यादा होगा जबकि इस समय मुद्रास्फीति में काफी कमी हो रही है और सारी जगह बर्करों का आन्दोलन जारी है?

श्री गोपाल स्वरूप पाठक : सरकार हर चीज का ख्याल रखती है। मैनेजिंग एजेंसी को डिसकरेज करना और उसको कम करना सरकार की पालिसी है, किन्तु इसके साथ ही साथ उसका यह भी ख्याल है कि देश की इन्डस्ट्रीज और इकौनौमी में फर्क ने आने पाये और उसमें नुकसान न होने पाये।

SHRI M. GOVINDA REDDY (Mysore): Sir, the terms of reference of the I.G. Patel Committee were with regard to only five industries. May I know, Sir, whether other industries are under the consideration of the Government and whether the question of continuing or discontinuing the managing agency system in the other industries is being examined?

SHRI G. S. PATHAK : Yes, Sir.

SHRI BANKA BEHARY DAS (Orissa): Sir, this system of managing agency is

the most important instrument of concentration of economic power, and has become a clog in the wheel of industrial progress. According to the Monopolies Inquiry Commission Report, even if there would have been no managing agency system, the industrial growth of the country would not have been impeded. May I know, Sir, from the hon. Minister, according to the statement that he has laid on the Table, whether the managing agency system even in these five industries is not going to be abolished within the coming two to three years, because it is said therein that a date will be fixed and from that date within the next three years the managing agency system will be abolished? And from the percentages of share capital held by companies managed by managing agents to the total for the industry as a whole—I mean these five industries—I may tell the hon. Minister that in cotton textiles they control 49.2 per cent; in jute they control 54.9 per cent; in sugar they control 47.3 per cent; in tea it is 38 and in paper it is 46.2. In view of this high concentration of economic power, does the Minister think that it should be abolished as early as possible, preferably within one year? And my second question is that the decision that has been mentioned in the statement that has been laid, does not go to all other industries beyond the five mentioned therein, and according to a figure with me I can say to the Minister that these are the topmost five big business houses of India those managing agents have been having this much of controlling interest in all concerns owned by them. In the case of Tatas it is 74 per cent. In the case of Birlas it is 82 per cent. In the case of Martin Burn it is 91 per cent. In the case of Bangur it is 45 per cent, and in the case of Thapar it is 58 per cent. May I know from the Minister if he realises that, in spite of this fact, if they go to abolish the managing agency system in all those five industries only, there will still be a huge sector, there will still be a large number of industries where the managing agency system will continue and as a result control of economic power in the hands of these five topmost business houses of India will continue for ever? In view of these facts may I know, Sir, from the hon. Minister whether he is going to lay on the Table a further statement saying

[Shri Banka Behary Das.]

that the managing agency system is abolished in all other industries also?

SHRI G. S. PATHAK : Sir, to the first question as to within what time the managing agencies in these five industries will terminate, the answer is that the time is prescribed in section 324 of the Companies Act, and all action will be taken in accordance with that section. There will be a draft Proclamation placed before each of the Houses in the winter session. A date will be mentioned in that Proclamation. That Proclamation will be subject to the scrutiny of both the Houses, and the Houses can even modify that Proclamation. That is my answer to the first question.

SHRI BANKA BEHARY DAS : The Company law can be amended to expedite this.

SHRI G. S. PATHAK : Well, everything can be amended; every law can be amended, I agree, but the question is that, at the present moment, so long as the law is not amended, I have to proceed in accordance with the existing law.

With regard to the other matters, about which considerable information has been given to me by the hon. Member, I shall check up that information.

SHRI BANKA BEHARY DAS : It is from an official document; nothing else.

SHRI G. S. PATHAK . Yes, I shall check up that information, but so far as the policy of the Government is concerned, the position today is that, at the present moment, there are about 800 companies.

SHRI BHUPESH GUPTA (West Bengal) : 869.

SHRI G. S. PATHAK : . . . 869 companies in which there are managing agents, out of which 300 managing agencies will disappear as a result of the abolition of the managing agencies in respect of the five industries that I have mentioned. With regard to the balance the policy is that there will be a review in respect of the established industries. Particulars are being collected and they will be examined,

and it will be seen whether action should be taken under section 324 or section 326, and it so happens that the people who are engaged in the industries are aware of the policies of the Government, which are to the effect that, as a general rule, subject to exceptions, the managing agency system will be discouraged. The applications for managing agencies are getting fewer and fewer, and the results I have mentioned in that paper. In one or two years no managing agency has been approved by the Board.

SHRI P. N. SAPRU (Uttar Pradesh) : When the managing agency system is being abolished in certain concerns, has the Government considered the possibility of giving to the employees of the concerns the status of shareholders, so that the distinction between shareholders and employees may disappear and the shareholders and employees, together, may elect their own directors? And this would be an experiment in the direction of, what I would call, industrial democracy, something like the Yugoslav pattern. Has the Government considered this possibility?

SHRI G. S. PATHAK : Sir, the Company Law Administration, which is under my charge, has not yet considered that aspect of the matter.

SHRI BHUPESH GUPTA : Now we are told in the Statement that even after another three years the majority of the existing managing agencies will be continued, subject to the review of the matter and the policy of the Government. How is it that even now the Government is delaying the matter when in the course of the debate on the Companies Bill in 1956 from both sides of the House opinions were expressed that the managing agency system should be abolished and eliminated lock, stock and barrel as quickly as possible? Is the hon. Minister aware that the then Finance Minister, Shri C. D. Deshmukh, more or less, shared the sentiments expressed in both the Houses from both sides of the House and gave an undertaking that the managing agency system would be eliminated expeditiously? Now, therefore, it seems that the Government is acting under certain extraneous considerations and it is acting under certain influential pressures in this matter. Otherwise there

is no justification why the opinion that Parliament so clearly and categorically expressed in the past, should have been disregarded, at least partially, in this matter.

Also I should like to know from the hon. Minister why this period of three years grace is granted even to these five concerns? Is it because the Government wants to give them an opportunity to arrange their matters and affairs in the meanwhile in such a manner that when the managing agencies are abolished, these concerns would have lost nothing and their grip and control would be retained in some other form including the institution of treasurer and secretaryship provided for under the Company Law? This kind of granting of grace period of three years is repugnant to good public policy and I should like to know why again there should be a review, because this matter has been reviewed again and again. Therefore, the Government should clarify its position whether in this matter there is some pressure or influence being brought to bear and whether some monopolist concerns approached some influential Ministers of the Government to get time? Is there any truth in that?

MR. CHAIRMAN: Put your question, Mr. Gupta.

SHRI BHUPESH GUPTA: They should tell us, Sir. They should tell the truth to you. We want to know whether they met representatives from these undertakings, these lines of industries, and other industrial concerns and whether those representatives made representations in the course of the past years again and again that the managing agency system should be retained as long as possible, and whether the Government is not yielding to this kind of suggestions and pressures. This is all that I want to know.

SHRI G. S. PATHAK: Sir it is quite wrong to say that Government is influenced by any extraneous considerations or is acting subject to influential pressures.

SHRI BHUPESH GUPTA: Taking into consideration the Congress elections.

SHRI G. S. PATHAK: The only consideration by which the Government is

actuated is the consideration of the rapid industrial progress of the country and the economy of the country.

SHRI BHUPESH GUPTA: What about the Hindustan Steel Limited.

SHRI G. S. PATHAK: Let me finish, please.

SHRI BHUPESH GUPTA: It should have been finished a long time back.

SHRI G. S. PATHAK: The period of three years which has been prescribed by the law is being given so that the industries concerned may be able to switch over to another form of management without disturbing their working or without disturbing their industrial activities.

SHRI BHUPESH GUPTA: To produce more of their Mundhra, I suppose.

[THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) in the Chair.]

شری عبدالغنی (پنجاب): کیا وزیر صاحب فرمائینگے کہ انہوں نے جو کمیٹی کی رپورٹ ہے اس سے کچھ حد تک ایگری کیا ہے اور فرماتے ہیں کہ تین سال میں تین سو منیجنگ ایجنٹس غائب ہو جائینگے اور ۵۶۹ رہینگے تو ان ۵۶۹ میں ایسے کتنے ہیں جن کی ایک ایک کی سالانہ آمدنی ۵۰ لاکھ روپے سے اوپر ہے۔ جیسے دلی کلاتھ مل کے بھرت رام چرت رام ۸۰ لاکھ روپے کے قریب کھا جاتے ہیں تو جتنے منیجنگ ایجنٹس تین سال کے لئے رہینگے اور جتنے منیجنگ ایجنٹس تین سال کے بعد بھی رہینگے وہ کتنے کروڑ روپے دیش کے ہضم کرتے رہینگے اور کیوں کرتے رہینگے اس کا کوئی کارن ہے؟

†[श्री अब्दुल गनी (पंजाब) : क्या वजीर साहब फरमायेंगे कि उन्होंने जो कमेटी की रिपोर्ट है उससे कुछ हद तक एग्री किया है और फरमाते हैं कि तीन साल में 300 मैनेजिंग एजेंट्स गायब हो जायेंगे और 569 रहेंगे तो इन 569 में ऐसे कितने हैं जिनकी एक-एक की सालाना आमदनी 50 लाख रुपये से ऊपर है जैसे दिल्ली कलाथ मिल के भरतराम चरतराम 80 लाख रुपये के करीब खा जाते हैं तो जितने मैनेजिंग एजेंट्स तीन साल के लिये रहेंगे और जितने मैनेजिंग एजेंट्स तीन साल के बाद भी रहेंगे वह कितने करोड़ रुपये देश के हजम करते रहेंगे और क्यों करते रहेंगे, इसका कोई कारण है ?]

श्री गोपाल स्वरूप पाठक : में ये पांच सौ से ज्यादा जो कम्पनियां हैं इनकी तपसील इकट्ठी कर रहा हूँ। पहले मैं इनको क्लासिफाई कर रहा हूँ कि इतनी इंडस्ट्रीज में कितनी कम्पनियां हैं और दूसरी इंडस्ट्रीज में कितनी कम्पनियां हैं। उनका कैपिटल भी देखा जायेगा, इंडस्ट्रीज की नेचर भी देखी जायेगी और उसके बाद यह इम्तहान होगा कि इनको किस तरीके से कम किया जाय, डिस्क्रेज किया जाय बहुतों को खत्म किया जाये। (Interruption) जो कुछ इतिला दी है मुझे अब्दुल गनी साहब ने, वह इतिला में चैंक करूंगा कि सही है या नहीं। गालिबन वह सही होगी, मैं यह नहीं कहता कि गलत है। फिर मैं इसको अच्छी तरह से स्टडी करूंगा और देखूंगा कि किस-किस को पहले खत्म किया जाय और किस-किस को बाद में किया जाय और इस बात का लिहाज रखा जाय कि कौन सी इंडस्ट्री ऐसी है जिस की जरूरत देश को है और जिस को खत्म करने से देश का नुकसान होगा तो जब तक ये सब चीजें इकट्ठी नहीं हो जायंगी तब तक मैं क्या कह सकता हूँ।

† [] Hindi transliteration.

SHRI BHUPESH GUPTA : After collecting the election funds ?

SHRI ABDUL GHANI : The Minister was replying to my question.

SHRI ARJUN ARORA (Uttar Pradesh) : The hon. Minister announced that the managing agencies of 300 out of the 369 companies.

SEVERAL HON. MEMBERS . Not 369 but 869 companies.

SHRI ARJUN ARORA : Yes, 869, I am sorry for the mistake and I thank you for the correction. He said that the managing agencies of 300 out of the 869 companies will go in 3 years' time from the date which the Government will fix within one year, that is to say it will take four years. May I know if the hon. Minister has any plan for the abolition of the managing agencies in the rest of the industrial units, that is to say, in the remaining 569 companies ?

SHRI G. S. PATHAK : I have already given the answer to this question and I have said that a review shall be made and . . .

SHRI BHUPESH GUPTA : The review has already been done. I tell you the review was done long ago.

SHRI G. S. PATHAK : No, no. How do you know that ?

SHRI BHUPESH GUPTA : How do you know ?

SHRI G. S. PATHAK : Because I am making the review.

SHRI BHUPESH GUPTA : But we have been here longer and we know it has already been done.

SHRI G. S. PATHAK : Let me finish my reply.

SHRI BHUPESH GUPTA : How can you know ? The whole thing has been settled. Every time this is raised you talk of review. But Mr. C. D. Deshmukh did not say that repeated reviews would be called for. We were told that by 1965 the whole thing will be over.

SHRI G. S. PATHAK : The difference between my hon. friend's views and mine is due to the fact that I have also to take into consideration the interests of the economy and of the industries of the country. Therefore, I cannot disturb the economy and the industries of the country by an ideological approach.

SHRI BHUPESH GUPTA : Sir, it is a serious question and . . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : I will come to you later. Now Mr. Thengari.

SHRI D. THENGARI (Uttar Pradesh) : Apart from these five industries there are others the hon. Minister says which are under consideration of the Government for the abolition of their managing agency systems. While taking this decision, what are the factors that are going to weigh with the Government? Secondly, now that they are dispensing with the managing agency system and some new arrangement will have to be provided for their management, may I know in the new arrangement what difficulties would be there for the employees also being given participation in the management?

SHRI G. S. PATHAK : So far as participation of the employees is concerned I have already given the answer when I gave the reply to Dr. Sapru's question.

SHRI P. N. SAPRU : May I explain? I do not want what is called participation. I want the employees to be treated as shareholders. I want industrial democracy and self-government in industry. We have to study in this connection the Yugoslav pattern.

SHRI BHUPESH GUPTA . Sir, may I . . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) : Have patience, Mr. Gupta. Have you finished, Mr. Pathak?

SHRI G. S. PATHAK : So far as the factors which will be taken into consideration are concerned, the first factor will be public interest

श्री राजनारायण (उत्तर प्रदेश) जिम्मेदार
आप ही जानते हैं ।

श्री गोपाल स्वरूप पाठक : जी हाँ, मैं
भी जानता हूँ ।

And there are many other factors. We cannot confine ourselves only to one factor. That will be so when action is taken under section 324. When action is taken under section 326—it is continuously being taken and many managing agencies are being eliminated by action under section 326—the factors which are to be taken into consideration are mentioned in the section itself.

SHRI G. MURAHARI (Uttar Pradesh) : I would like to know from the hon. Minister who has been repeatedly saying that he would take the interests of the economy and public interest into consideration before he terminates the managing agency system whether it is not a fact that public interest and the economy of this country demand the elimination of this managing agency system as soon as possible. This problem of managing agencies has been engaging the attention of the Government for the last so many years and repeatedly the Government has been saying that they are going to abolish the managing agency system but today the Minister again comes here and says that he is going to give three years for these managing agencies to terminate themselves and then in the rest of the industries these 500 odd managing agencies will be given a further review. I would like to know why the Government thinks it necessary to have a review of those industries. Is it not a fact that the managing agency system itself is an evil and may I know whether the hon. Minister has some suspicions in this regard and whether he thinks that perhaps these 500 odd managing agencies are going to be beneficial to those industries?

SHRI G. S. PATHAK : To the extent that public interest demanded the abolition of the managing agency system managing agencies have been reduced. In 1959 there were more than 5,000 managing agencies but today the number of managing agencies that exist has been given in the statement. Now the people engaged in the industries themselves do not make applications for approval of managing agencies to the same extent as they used to do before because most of the applications are being rejected on the ground of public interest.

SHRI M. M. DHARIA (Maharashtra) : In view of the fact that the existing monopolies in our country have come up because of the managing agency system.

SHRI G. MURAHARI : Sir, he has not answered my question at all.

SHRI M. M. DHARIA : . . . may we know from the Government of India why the Government is not thinking of amending the present law so that they need not have to wait for four years to abolish the managing agencies in the five industries mentioned by the Government and along with that may we also know from the Government when we have accepted this principle of abolition of the managing agency system why we should spend some more years to review the managing agency system in the other industries? May we have valid reasons from the hon. Minister?

[THE DEPUTY CHAIRMAN in the Chair]

SHRI G. S. PATHAK : Madam, the reason is that the law enacted by Parliament requires first the consideration of this problem of managing agency on an industry-wise and business-wise basis. Now when consideration is paid to this problem on that basis it requires examination of many details; it requires an examination of the effect of abolition of managing agencies on the industry and on the economy of the country. These are the various aspects.

SHRI G. MURAHARI : What was the Government doing all these years?

THE DEPUTY CHAIRMAN : Let him answer.

SHRI G. S. PATHAK : Let me answer his question. And because of these various examinations—it has to go to several Ministries—from different standpoints, it takes some time. It is not in public interest that on some ideological basis you abolish a system of management which has remained in existence in the country for such a long time. Time has to be given to those engaged in the business to switch over to other forms of management. Therefore, when action is taken under section 324 it does take time to consider

what would be the effect of the abolition of this on the industry and on the economy of the country and the Patel Committee itself has suggested that we should hasten slowly.

SHRI BHUPESH GUPTA : Madam, You were not here when . . .

SHRI K. SUNDARAM (Madras) : Madam, he has been getting too many turns.

THE DEPUTY CHAIRMAN : Anyway, he will put the question briefly.

SHRI G. S. PATHAK : He has already put questions to me.

SHRI BHUPESH GUPTA : It does not matter. Why? Are you afraid of my questions? You can reply.

Madam, he has said that in view of the industrial progress of the country and for the sake of the economy he is not abolishing the managing agency system.

SHRI G. S. PATHAK : I have not said in those terms.

SHRI BHUPESH GUPTA : That was your argument. I do not know the police court arguments but that is how I understood. Now you have said in the statement that as a result, the number of managed companies which stood at 5,055 when figures were collected for the first time in 1959 has come down to 869 as on 1st April, 1966. Do I understand that as a result of elimination of managing agencies in these concerns the country's economy has at all suffered in any manner? If after eliminating nearly 4,500 or more managing agencies out of the 5,055 the country's economy has not suffered, is it not *prima facie* a reason by itself for the remaining to be done away with and that if they are also eliminated nothing will be lost? Therefore, Madam, as we understand it, the statement itself makes out a case for the elimination of the managing agency system as a whole immediately and therefore the argument about the country's interest and economy should not be advanced in this manner. Besides, is it also not a fact that in the Second and Third Five Year Plans, which came after the Compa-

nies Bill, it was stressed that concentration of economic wealth should be done away with and that necessary steps should be taken and the entire policy envisaged in the various Plans points to the need for elimination of the managing agency system? Therefore, both expedience and public policy demand complete elimination of the managing agency system. I would like to know how they view this matter.

SHRI G. S. PATHAK: Now, Madam, the country's economy has not suffered because of the manner in which action has been taken, because of the close examination that was made and because of the selection that was made, selection based upon considerations relating to the economy and to the industry. If there had been abolition at one stroke of the pen without taking into consideration the relevant factors the country's economy would have suffered.

(Many hon. Members stood up.)

THE DEPUTY CHAIRMAN: I have got the names here. Mr. Kaul.

SHRI M. N. KAUL (Nominated): Madam, it is well known that the business community is always ahead of the Government plans. Is the hon. Minister aware of the danger that after the abolition of the managing agency these very persons may reappear as sole selling agents which is more profitable because under the managing agency system if there are profits in the company then they get their commission but as sole selling agents their commission is assured? What is the hon. Minister thinking on this matter and what steps Government have taken to plug this loophole?

SHRI G. S. PATHAK: It is a purely hypothetical question as to what the unemployed managing agents would do in the future, what the reaction of the Government would be and how the loopholes if any are created would be met. That is an entirely hypothetical question.

12 NOON.

SHRI CHANDRA SHEKHAR (Uttar Pradesh): Madam Deputy Chairman, it is a policy question and a very important question. Is it not a fact that due to this

managing agency system our people have been exploited for hundreds of years, and as the hon. Minister has said because this system has been continuing for hundreds of years or for a long time, it must continue for some more time, is it the contention of the Government, or is it the policy of the Government that the exploitation which continues in this country for decades should stop immediately or do the Government think that they should give some more time for these monopolists and managing agents to exploit the people who are suffering from their exploitation for decades together? What is the policy of the Government? The Government should declare its policy.

SHRI G. S. PATHAK: The policy of the Government is that where exploitation occurs . . .

SHRI BHUPESH GUPTA: What is exploitation?

SHRI G. S. PATHAK: Why are you putting the question to me? The policy of the Government is that exploitation, wherever it occurs, should be removed, but it is also the policy of the Government that, when efforts are made to remove any evils, the industry and economy also should not suffer. Therefore, we are trying to remove the evil wherever the evil exists and every time we are also taking that into consideration.

SHRI CHANDRA SHEKHAR: Is it the policy of the Government to help exploitation by continuing the managing agency system in the country?

(No reply)

THE DEPUTY CHAIRMAN: Mr. Niren Ghosh.

SHRI NIREN GHOSH (West Bengal): I would like to be clarified by the Minister. Will he clarify whether the Government is at all serious about abolishing the managing agency system, because my information is this? You have given extension, by five or six years, to certain firms managed by Tatas and Birlas. You have given them extension of time up to five or six years. That is one question. Secondly, he was saying no more new approvals are given. From the statement it is seen that

[SHRI Niren Ghosh]

out of 99 applications you have approved of more than 77 applications. Thirdly, how can you abolish the managing agency system if you do not abolish the interlocking of directorships? In one company if he is the director, he becomes the managing director or manager of another company and he is running a number of companies, serving as a director or as a representative of the company. So, informally, as a rule, by other methods that firm controls the other firm. He is called either as the Secretary, Treasurer, Managing Agent or Manager of the company. May I know whether you will abolish interlocking of directorships as a whole? No person should serve as a director in more than one company. Fourthly, you have given three years' time to these five industries. What about the rest? Are you prepared to lay down a time-limit, by which the entire managing agency system would be abolished? Fifthly, you say that it is in the public interest to abolish it. You say so. Hon. Member, Mr. Sapru's question comes up in another form. The employees can become shareholders. The employees as a whole can also serve on the board of directors of the company. You should make a special provision so that the employees and workers of the company can serve on the board of directors. Are you going to do that?

THE DEPUTY CHAIRMAN : That will do.

SHRI G. S. PATHAK : So far as the 77 approvals are concerned, I am certain that the period fixed will on some date expire . . .

SHRI BHUPESH GUPTA : That, of course, we know. All of us will expire one day.

SHRI G. S. PATHAK : In a case where section 324 is applied, in all such cases, the period will terminate and in some cases there will be termination even before the expiry of the period fixed, there is a possibility. So far as the policy of the Government is concerned, it is laid down. It appears clear from the law itself. We will act under section 324 if we think that it is

the proper way of acting. Otherwise, we are continuously acting under section 326. We first see the public interest. We see whether the person is a fit and proper person. We see whether the terms on which the managing agency is being obtained are reasonable and proper and then we impose conditions.

SHRI BHUPESH GUPTA : We see how they contribute to the Congress election fund.

SHRI AKBAR ALI KHAN (Andhra Pradesh) : That is irrelevant.

SHRI G. S. PATHAK : With regard to the rest, that is, other than these five industries, I have already made a statement that we are taking into consideration all the various matters with regard to other industries.

(Interruptions)

THE DEPUTY CHAIRMAN : Shri Santokh Singh.

SHRI SANTOKH SINGH (Delhi) : Madam, the managing agency system has been accompanied by some evils as it has been said in this House, for the last hundred years. May I know what are the other forms of management likely to be brought into existence after the abolition of the managing agency system?

SHRI G. S. PATHAK : I would refer the hon. Member to the Companies Act. It specifies four forms of permissible management. I need not detail, what is laid down in the section of the Act itself.

(Several hon. Members stood up.)

THE DEPUTY CHAIRMAN : I tell you that this business has been going on from 11.30. It is now past twelve and I cannot indulge in carrying on this issue for more time. Now, there are two other points, one raised by Mr. Rajnarain and the other by Mr. Mulka Govinda Reddy. They say that they have taken the permission of the Chair. Mr. Mulka Govinda Reddy.