

Reddy, Shri Mulka Govinda
 Roy, Shri Biren
 Singh, Shri D. P.
 Sinha, Shri Ganga Sharan
 Solomon, Shri P. A.
 Subba Rao, Dr. A.

The motion was adopted by a majority of the total membership of the House and by a majority of not less than two-thirds of the Members present and voting,

MR. DEPUTY CHAIRMAN: Now, we take up the Merger Bill.

The question is:

"That the Bill to provide for the merger into the States of Assam, Punjab and West Bengal of certain territories acquired in pursuance of the agreements entered into between the Governments of India and Pakistan and for matters connected therewith, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill.

Clauses 2 to 11 were added to the Bill.

The First Schedule and the Second Schedule were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill,

SHRI JAWAHARLAL NEHRU: Sir, I move:

"That the Bill be passed."

The question was put and the motion was adopted.

THE INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL, 1960

THE DEPUTY MINISTER OF FINANCE (SHRIMATI TAKKESHWARI SINHA) : Sir, I move:

"That the Bill further to amend the . . .

SHRI K. SANTHANAM (Madras): Sir, this is a Bill which requires careful consideration. I asked our Chief Whip and he said that it was not to be proceeded with today.

DR. H. N. KUNZRU (Uttar Pradesh): It is an important Bill and it cannot be taken up today.

SHRI N. M. LINGAM (Madras): We were definitely given to understand that it was not going to be taken up today.

MR. DEPUTY CHAIRMAN: It is on the agenda. It has been circulated long before. Sufficient time has been given.

SHRI K. SANTHANAM: We want to speak on the Bill.

MR. DEPUTY CHAIRMAN: It has been circulated. Sufficient time has been given.

SHRI K. SANTHANAM: I was about to get all the reports and other things, to study the Bill, and make a speech. When I asked the Chief Whip, he said that it would not be proceeded with today. That is why we are in this helpless position.

MR. DEPUTY CHAIRMAN: What are the intentions of the Government?

THE MINISTER OF REVENUE AND CIVIL EXPENDITURE (DR. B. GOPALA REDDI) : Sir, we want to proceed with the Bill. It was passed by the Lok Sabha day before yesterday. We want to proceed with the Bill.

SHRI K. SANTHANAM: We require : hours for this.

MR. DEPUTY CHAIRMAN: No time has been allotted for this Bill.

SHRI DAHYABHAI V. PATEL (Gujarat): It is already 4 o'clock. How can we get the allotted time? There is no hurry to get it through now. Certainly it can be taken up in the next session. The heavens are not going to fall.

(Interruption.)

MR. DEPUTY CHAIRMAN: Order, ■order,

SHRIMATI TARKESHWARI SINHA: Sir, there are many concessions being ■ given to the loanes, who would really utilise these loans. Many applications are pending before us. Only after this Bill is passed we could give them the advantage or concession. This is an enabling measure giving many concessions to the person who applies and gets the loan. Many applications are pending. Therefore, I would submit to the House that if they could proceed with this Bill, we could expedite matters. Members are interested in seeing that these loans may be expedited for the benefit of the country.

MR. DEPUTY CHAIRMAN: I think we will proceed with the Bill.

SHRI K. SANTHANAM; I suggest that we shall sit tomorrow.

MR. DEPUTY CHAIRMAN; Not tomorrow. We will sit for half an hour more, if necessary.

SHRI K. SANTHANAM: Are we to pass this Bill, important Bills in this way?

(Interruption.)

MR. DEPUTY CHAIRMAN: Order, order. The Bill has been circulated and sufficient time has been given.

SHRI K. SANTHANAM: It was, but we were given to understand . . .

MR. DEPUTY CHAIRMAN: I do not know who gave you to understand it. The Bill is on the agenda.

SHRI FARIDUL HAQ ANSARI (Uttar Pradesh): Hon. Shri Santha-nam said just now that the Chief Whip assured him that the Bill would not be taken into consideration.

SHRI AKBAR ALI KHAN (Andhra Pradesh): What has my friend got to do with that? It is a party matter.

AN HON. MEMBER: We are generally opposed to it at this stage.

MR. DEPUTY CHAIRMAN: We shall take up the Bill.

RAJKUMARI AMRIT KAUR (Punjab) : May I just submit this? I have nothing against the Bill and I will give my consent to the Bill. I quite understand that there may be appli[^]cations pending and to give them loans .the Bill has to be passed. But I do not think that it is not right in principle not to give Members a fair chance for study and enough time, if anybody wants to speak. „[^]

SHRI R. S. DOOGAR (West Bengal): I dispute it . . .

MR. DEPUTY CHAIRMAN; We will sit for some extra time. It has been circulated and the Bill is on the agenda. Why should it be postponed?

SHRI K. SANTHANAM: It is not a technical point only. I am raising a substantial point. This is an important point. This is not a one-clause-Bill. There are many clauses and the whole Industrial Finance Corporation Act is sought to be changed. Are we not to discuss it? Are we not to consider it carefully? Are we simply to rubber-stamp it?

MR. DEPUTY CHAIRMAN: We will sit beyond five o'clock for some extra time.

SHRI K. SANTHANAM; I want four hours for this Bill.

(Interruption.)

MR. DEPUTY CHAIRMAN: Order, order.

SHRI K. SANTHANAM: Let the Ministers at least sit for four hours because of the mistake they are making.

MR. DEPUTY CHAIRMAN: We will give some time.

SHRIMATI TARKESHWARI SINHA: Sir, I move: "That the Bill further to amend the Industrial Finance Corporation Act, 1948, as passed by the Lok Sabha, be taken into consideration."

The Industrial Finance Corporation Act was passed in 1943 to set up an institution for providing medium and long-term credit to industrial concerns in India. The idea is that in due course the Industrial Finance Corporation would give loans to medium and large-sized industrial concerns. Subsequently, the State Financial Corporations Act was passed in 1951, primarily for the help of smaller industrial units. The Industrial Finance Corporation Act was amended in 1949, 1952, 1955 and 1957. The main amendments effected on the last occasion were to authorise the Corporation to guarantee deferred payments in respect of import of capital goods from abroad and to enhance the Corporation's borrowing powers.

The House would have already noticed the significant improvement during the last year in the overall business of the Corporation, as revealed in its Annual Report for the year ended 30th June, 1960, which was laid on the Table of the House a few weeks ago. I would like particularly to invite the attention of the House to the all-time record total loans approved by the Corporation amounting to Rs. 1792 crores. Another good feature is that out of fresh loans approved this time, the share of industries situated in relatively less industrially developed States like Andhra Pradesh, Assam, Delhi and Rajasthan is quite sizeable. The profits of the Corporation during the last year have

also recorded a substantial increase over that of the previous year. The Corporation has been able to augment its reserves appreciably. During the last three years, the Corporation has paid back to the Central Government over Rs. 25 lakhs on account of the subvention received by it in earlier years for the discharge of its liability to pay a guaranteed dividend. The House may also be aware that, for the first time since its inception, the Corporation has secured a foreign exchange line of credit of \$ 10 million from the Development Loan Fund of the U. S. Government for sub-lending to industrial concerns in India. This will further increase the usefulness of the Corporation.

The progress already achieved by the Corporation is substantial and the role it is expected to play in the coming Third Plan period would be a significant one. It is, therefore, desirable (to equip the organisation at this stage adequately to serve the interest of industry in a wider field. This Bill is largely intended to achieve this object.

I now turn to explain briefly some of the amendments before the House. It is proposed to amend Section 23 of the Act to widen the scope of the business which the Corporation may transact. The Corporation is at present authorised to guarantee loans floated by industrial concerns in the public market, but not loans raised by such concerns from banks. It seems but proper that facilities should be provided in suitable cases for industrial concerns to secure bank accommodation on the guarantee of the Corporation. Again the Corporation now can guarantee deferred payments for import of capital goods from outside India, but it cannot guarantee deferred payments in respect of capital goods manufactured inside the country. It seems desirable to extend the scope of guarantee of deferred payments to the purchase of indigenous capital goods also.

There has been a demand from business circles that the Corporation

should have powers to guarantee credit arrangements made by Indian industrial concerns with foreign institutions like the Export-Import Bank of the U.S.A. It is proposed to meet this demand by authorising the Corporation to guarantee loans in foreign currency, subject to the prior approval of the Central Government.

Under the existing Charter, the Corporation is empowered to underwrite the issue of stocks and shares, etc., by individual concerns, but is precluded from subscribing directly to such issues. In the context of rapid industrial development of the country, industrial concerns in the private sector have to raise large amount of capital. It is felt that with the association of an institution like the Industrial Finance Corporation, industrial concerns will be in a position to raise more capital with relative ease, reducing thereby their dependence on the Corporation for direct loan assistance. It is, therefore, proposed to amend the Act to permit the Corporation to enter this new field of direct subscription to capital issues.

The grant of long-term loans to industrial concerns still continues to be the most important business of the Corporation. These loans carry only a fixed rate of interest for the entire period. Where a venture, which has received a sizeable loan from the Corporation, makes very large profits and declares handsome dividends, it seems quite reasonable that the Corporation can share in the prosperity of the concern. To achieve this purpose, it is proposed to make it permissible for the Corporation to conclude, in suitable cases, loan arrangements containing the option to convert loans etc. granted by it into share capital of the loanee concern. This right of conversion of the whole or a part of the loan into share capital, which the Corporation will, no doubt, exercise judiciously and in suitable cases, will help it to augment its funds for further financial assistance to other deserving enterprises.

I now come to another important change proposed by the Bill. Under the present Section 24 of the Act the Corporation cannot guarantee loans or grant loans and advances, or subscribe to debentures of a single industrial concern if the total amount exceeds Rs. 1 crore, without the guarantee of the Central Government for the repayment of the loan with interest. The Government owns nearly 20 per cent, of the share capital of the Corporation and has guaranteed the balance of the share capital. The Government gives the Corporation substantial loans from time to time. In addition, the Government has guaranteed all the bonds issued by the Corporation. It has also guaranteed the foreign currency loans raised by the Corporation from the Development Loan Fund of the U.S.A. It is, therefore, pointless for the Government to guarantee, over again, the individual loans etc. exceeding Rs. 1 crore which the Corporation gives occasionally to industrial concerns in India. It is accordingly proposed to dispense with the provision in the present Section 24 for the Central Government's guarantee whenever the Corporation lends more than Rs. 1 crore to a single party. Nevertheless, in order that proper control over such business is exercised, the amendment now before the House provides for Government's prior approval being obtained by the Corporation before grant of these relatively large loans.

I may, before I conclude, mention briefly some of the other amendments in the Bill. The cold storage industry is proposed to be included in the definition of industrial concerns eligible for financial assistance from the Corporation. The House will, I hope, welcome another provision in the Bill which seeks to bring the provisions of Section 42 of the Act relating to the framing of rules by the Government in accordance with the practice approved by the House.

There are a few other amendments which are of a minor or of a drafting

[Shrimati Tarkeshwari Sinha.] nature, and I need not take any further time of the House to discuss them.

With these remarks, I commend the Bill to the House for consideration.

The question was proposed.

SHEI. SURESH J. DESAI (Gujarat): Mr. Deputy Chairman, I welcome this Bill before the House. After the initial trouble the Corporation had when it commenced its operations, in recent years the Corporation has been working quite well. The total loans sanctioned by the Corporation last year, in 1959-60, has been to the tune of about Rs. 17-92 crores, while the maximum so far sanctioned in the year 1955-56 was about Rs. 15-13 crores. The gross income of the Industrial Finance Corporation in the first year was about Rs. 5 lakhs only. Last year it rose to about Rs. 2J, crores. That shows the progress the Corporation has made. Out of the subvention of about Rs. 53 lakhs which the Corporation had to take to meet certain dividend obligations which it had guaranteed, the Corporation has already paid Rs. 25 lakhs back. The total loan so far sanctioned by the Corporation has been about Rs. 84 lakhs, and these loans have more or less been equitably distributed to all the major industries. Of course the sugar industry has got about Rs. 25 crores. Out of Rs. 84 crores which is the total sanctioned, the disbursements have been to the tune of Rs. 50 crores, but then there are reasons for that also, why the remaining Rs. 34 crores have not yet been distributed. The sugar industry has got the major portion of the disbursements but out of that Rs. 20 crores have gone to cooperative societies, and that would be certainly a matter of gratification.

The Corporation has so far earned more than Rs. 9 crores by way of interest, and it is very creditable that the outstanding interest is only about Rs. 11 lakhs so far. This would show

that the Corporation has been functioning very well in recent years.

vViiile welcoming the Bill, I would like to give my observations on the implications of some of the provisions of the Bill. Firstly, the amendments which are sought to be made in the Bill expand very greatly the sphere of activities of the Corporation. Consequently the responsibilities of the Corporation have also increased. Secondly, the whole character of the Corporation is more or less changed. I will explain the two points further. There are six main amendments in this Bill. Firstly, the Corporation will be guaranteeing loans raised by industrial concerns from scheduled banks. Secondly, the Corporation will also be guaranteeing deferred payments in connection with the purchase of capital goods within the country. Thirdly, the Corporation will be guaranteeing the loans raised in foreign currency. Fourthly, the Corporation will be able to subscribe to the stocks or the shares of an industrial concern. Fifthly, the Corporation will have the option to insert a provision in the contract that the loans which it will be advancing can be converted into stocks and shares. Sixthly, one proviso is sought to be substituted in place of the existing one which will enable the Corporation to grant a loan of more than a crore of rupees to any single industrial concern with the sanction of the Government. Previously, it was necessary that the Government should guarantee repayment of the principal and payment of the interest. Now these amendments more or less . to change the character of the Corporation and the activities of the Corporation will also be expanded. To my , mind these provisions are not objectionable by themselves but there are practical difficulties which will arise when these provisions are implemented. For instance, it is said that if an industrial concern has mortgaged all its property to the Corporation and then it requires some loan from a scheduled bank, the Corporation should guarantee that loan from

the scheduled bank. To my mind there is a contradiction involved in this. Firstly, if it is a well-managed company, then only the Corporation will step in to give loans. The presumption underlying this is that that company must be a well-managed company; otherwise, the Corporation will not step in to guarantee the loan. From my experience of different joint stock companies, I find that in case of a well-managed company, even against raw material, that are in the godown, loans can be taken. When the goods are in process, then also the banks advance loans to an industrial concern. When the finished goods come into the godown, then also they advance loans. Of course, this is in the case of well-managed companies. Loans can be obtained by them for financing the manufacturing process. Then the company will perhaps require loans for expansion work but in that case, it can float further capital and the Industrial Finance Corporation will guarantee that also. Therefore, in the case of well-managed companies—perhaps in most of the cases, I do not say in all the cases—there will hardly be any necessity for the Corporation to guarantee a loan from a scheduled bank. From my experience I found that in one case the total manufacturing operations were completely financed by scheduled banks. If it is a well-managed company, loans are obtainable from the bank even against raw materials or goods in process or finished goods. Therefore, there will hardly be any necessity for a well-managed company to get a guarantee from the Corporation for its loans from a scheduled bank. But if it is a badly managed company, then naturally it will require a guarantee. But immediately the point arises, if it is a badly managed company and if it has mortgaged all its assets to the Corporation and if the Corporation has to step in to guarantee further loans from a scheduled bank, how will that uncovered loan be paid in case that company gets into further trouble and the bank asks for the return of the loan? Of course, the Corporation will have

to pay it up because that will be the first charge. In that case, what will happen to that uncovered loan given by the Corporation? I would like to be enlightened by the hon. Minister on this point.

Secondly comes the question of guaranteeing loans in foreign currency. Will this guarantee be equivalent to the guarantee by the Government? There is a legal point also. After all, most of the money which the Corporation deals with is Government's, more than 90 per cent. The Corporation gets loans and advances from the Government. Even the bonds of the Corporation are guaranteed by the Government—bonds to the tune of about Rs. 25 crores. The Corporation deals in Government money. But at the same time, if the Corporation gives a guarantee, for instance, to the Export and Import Bank of America, will it be equivalent to the guarantee of the Government? After all, the Corporation can guarantee on its behalf and not on behalf of the Government.

SHRI P. D. HIMATSINGKA (West Bengal): That will depend upon the party.

SHRI SURESH J. DESAI: Then there is the question of subscribing to the stocks and shares of an industrial concern. There is also the provision that the Corporation will have the right to insert an option in the contract so that the loans can be converted into shares or stocks. I will take up these two provisions together. Both are welcome measures, and I certainly welcome them. But a difficulty will arise. After all, the Corporation is a sort of a banking institution. It rotates its capital. The capital goes to one concern, comes back, goes to another concern, comes back and again goes to a third concern. It goes on rotating. But if the money is tied up in the stocks and shares of a company which may not be doing well later on, what will happen to that capital? After all, the Government is there

[Shri Suresh J. Desai.] behind the Corporation ultimately to give any amount of loan to it or to guarantee any loan given by the Corporation to some company. But that is not the proper way of financing the Corporation. -The proper way is that the loans should rotate one by one. It should go to one party, to the second party, to the third party and so on. So, though this provision is certainly welcome and I would not object to the Corporation acquiring stocks and shares, but at the same time, it changes the very nature of the Corporation and that point should be kept in mind.

Then I come to the proviso in clause 6(2) which reads: —

"Provided that the aforesaid limit of one crore of rupees may be exceeded with the prior approval of the Central Government."

The original proviso was thus: —

"Provided that the aforesaid limit of one crore of rupees shall not apply to any such arrangement when any loans, advances or debentures are, on the recommendation of the Corporation, guaranteed by the Central Government as to the repayment of the principal and the payment of the interest."

The hon. Minister said in the other House that it was an additional privilege which was given to some big borrowers and that was taken away. I disagree with her entirely. The original proviso was with a view to preventing the Corporation from giving loans in a light-hearted manner; otherwise, the funds of the Corporation will be endangered. If it went on giving one or two or three crores of rupees to a few parties, the whole money will be locked up and the distribution of the money among the large-scale industries and medium-scale industries as also among the various industries like chemical, engineering, sugar, cement, cotton,

paper, etc. will be affected. In order to see that there is an equitable distribution of funds among these various industries as also to prevent the locking up of the capital in a few big concerns, this provision was necessary. The only safeguard now proposed is that the approval of the Government will be necessary. Some people say that even the proviso about the approval of the Government should go away and that the Corporation should be enabled to give loans exceeding one crore of rupees at its own discretion. The reason given is that the Chairman of the Corporation in his last speech pointed out that 50 per cent, of the applications were still pending with the Government, because the Government delayed giving the sanctions. The delay is there but certainly, after all, when the loan is more than a crore of rupees, Government have got to consider it carefully. The previous proviso was kept there with this end in view, namely that the Corporation would screen the applications properly and the Government would also consider them very carefully so that what would happen would be that loans exceeding one crore of rupees would be given only after due, careful consideration. That was the reason for the previous proviso, namely that no loans would be given in a light-hearted manner. Now the only provision is that the prior sanction of the Government should be there. I would wish the hon. Minister to assure the House that this provision about prior sanction should also be made use of very carefully so that proper check is maintained and the funds of the Corporation are not locked up in a few big concerns but are equitably distributed among the conventional industries also, also among the new industries that are coming up in the country.

Then, Sir, the last point which I would like to make is that the whole character of the Corporation is sought to be changed. Now it is a sort of an anomalous position. I refer to the

amendment in clause (e) on page 3 of the Bill which reads: —

"(e) acting as agent for the Central Government or, with its approval, for the International Bank **for** Reconstruction and Development in the transaction of any business with an industrial concern in respect of loans or advances granted, or debentures subscribed, by either of them;"

So the Corporation can act ^{^v} en as an agent of the Central Government. I do not know whether the Corporation will now be an agency of the Government or an autonomous body, whether the Corporation is a banking company ■ or an investment company, whether it is a holding company or whether it is ort of commercial concern; the whole character of the Corporation becomes anomalous. The character of the Corporation is again going to be changed by piecemeal legislation. There was the amendment of the Ad in 1949, then an amend- ment in 1952. then in 1955. then in 1957 and again 1960. By this piecemeal legislation the character of the Corporation is again sought to b_e changed. Personally I would wish the Corporation to expand its activities and play its vital role in the context of the Third Five Year Plan. After all the Industrial Finance Corporation can be a very important agency in the development of industries in the Third Five Year Plan. I would wish it to expand its activities further, but I would at the same time wish the Finance Minister to have a clear picture of what the role of the Corporation is, what is the true character *of the* Corporation and what role he envisages it to play in the Third Five Year Plan. If the whole picture is set clear before the House, it would be much better. Now—as I said before—the powers of the Corporation axe sought to be enlarged and expanded. In that case the question arises about parliamentary control also. I know the Corporation submits a very good and a very detailed annual report and submits it very promptly

also. As compared to other Government concerns, other public sector enterprises . . .

SHRI GOPIKRISHNA VIJAIVAR-GIYA (Madhya Pradesh): Till what time are we sitting, Sir?

MR. DEPUTY CHAIRMAN: Till we finish this Bill; we have to finish this Bill.

SHRI DAHYABHAI V. PATEL: May be through the night; does not matter; today i_s the last day.

SHRI SURESH J. DESAI: As I was saying, the Corporation sends the report promptly also. At the same time I would suggest, if it is possible, that every three months or every six months a statement can be placed before both Houses of Parliament so that Parliament can know about the working of the Corporation from time to time, of the loans given, of the advances made, of the guarantees given, the shares and stocks subscribed, or of the agreements entered into so that the loans can be converted into stocks and shares, giving the names of the different concerns and the loan³ given to them. Such a statement should be placed before both the Houses of Parliament every three months or every six months so that we might not have to wait till we receive the annual report. If it is done, Parliament will be able to exercise better control over the Corporation.

Thank you, Sir.

MR. DEPUTY CHAIRMAN: Mr. Santhanam. If Members cut short their speeches, we can finish the business quickly.

SHRI **DAHYABHAI** V. PATEL: We can sit through the night, if necessary.

SHRI K. SANTHANAM: I do not believe in obstructing the House **or** speaking without any purpose.

Sir, the Industrial Finance Corporation is one of our key institutions,

[Shri K. Santhanam.] and the present Bill is not a formal Bill; it makes changes of substance. In such circumstances, Sir, I think the Government is doing an utterly wrong thing to insist that this Bill should be passed this evening.

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

Sir, I have no desire to question your ruling, but I feel very bitter that the Government should treat the Rajya Sabha with such scant respect. We have no power over money demands. The entire justification for the existence of the Rajya Sabha is for it to function as a revisory body, to revise the hasty legislation or wrong legislation passed by the other House. Unless we are able to concentrate on all the legislation that comes before us, to give our attention, to make constructive suggestions and try to improve the legislation, we have no justification at all. Sir, I do not take my membership lightly. I attach great importance to it, and so I feel, as a matter of self-respect and dignity, that such Bills should be rushed through in this manner. Sir, as I said, it is not my business to prolong the debate, but I shall try to point out how this Bill hastily wants to undermine the soundness of the Industrial Finance Corporation.

Sir, it is a common rule of good sense that no two institutions should encroach upon each other. Simply because the Industrial Finance Corporation has not been, under the law, enabled to do certain things, they have set up the National Industrial Development Corporation of which Mr. G. L. Mehta is the Chairman. It is the purpose of the National Development Corporation .

SHRI BABUBHAI CHINAI (Maharashtra) : No, he is the Chairman of the ICIC—Mr. G. L. Mehta.

SHRI K. SANTHANAM: Then I am sorry; that is another thing. I am talking of the National Industrial

Development Corporation. It is the business of that Corporation to invest in shares just as it is the business of the other Corporation to guarantee foreign loans. Am I correct Madam Deputy Minister? Probably it is not there in the written speech.

SHHIMATI TARKESHWARI SINHA: It is a fact, but it does not encroach all the same; it does not encroach on the functions of Industrial Finance Corporation.

SHRI K. SANTHANAM: Why have we set up an institution to guarantee foreign loans and when we have set up another institution to invest in shares and promote new industrial undertakings, is it right that the institution which was intended only to finance, only to help the new companies to stand upon their feet should encroach on the other's functions? Let me read the Statement of Objects and Reasons:—

"The Corporation, however, cannot guarantee loans raised by an industrial concern from scheduled banks or State Cooperative Banks;"

Sir, why should the Industrial Finance Corporation guarantee the loans which the industrial undertakings may take from scheduled banks or Cooperative Banks? Can the Industrial Finance Corporation be watching the stability of the finances of the scheduled banks who may give the loans?

SHRI P. D. HIMATSINGKA: That is not necessary; they will watch the industrial concern that takes the loan.

SHRI K. SANTHANAM: No, it has to guarantee such loans. These loans may be short-term loans: in a short period of time the industrial concern concerned may have to pay back the loan, and if it fails to do so, the liability will fall on the Industrial Finance Corporation. It has also to keep a very strict watch on the affairs of the industrial concern the loans raised by which it has to guarantee.

Sir, this guarantee is to be over and above the loans which have already been given. It is an additional liability. I think it is wrong to make an institution have an interest in an industrial concern in more than one way.

tain, it is said: —

"The Corporation has also now no right to guarantee deferred payments for acquisition of capital made in India."

For what purpose is the Corporation to grant loans and advances? Is it not exactly for buying capital goods? When it is there to give loans for the purpose, why should it again guarantee for the same purpose?

Again, Sir, it says: —

"...as the Corporation is not authorised now to guarantee foreign exchange loans sought by Indian concerns from institutions abroad..."

A.s I said, there is a special institution which has got funds from America and for which lot of funds are given also by the Government of India. This is an institution which is intended, purely, to provide Rupee financing to our industrial concerns. Why should the Corporation indulge this form of guarantee? Is it right?

Again, Sir: —

"The Corporation is not authorised to subscribe directly to the share capital of an industrial concern although it can underwrite the issue of stock, shares, etc., and retain, up to seven years, without Government permission longer with Government permission, such stock, shares, etc., as it may have to take up in discharge of its underwriting obligations."

Just see the consequence of this provision. There is an industrial con-

cern. This Industrial Finance Corporation can first subscribe to the capital of this industrial concern, ; underwrite the shares, keep the shares for seven years and then again advance loans to the same concern, guarantee the loans of that concern in India and again give a further guarantee for the same concern for all the loans which it borrows from abroad Sir, it is not said that the one-crore limit ordinarily will include all these stocks, shares, etc. It will include only the advances and the guarantees; it will not include the shares. Therefore, the one-crore limit even without the permission of the Central Government can be exceeded by subscribing to the capital. If I am mistaken the hon. Minister can correct me.

DR. B. GOPALA REDDI: At the end.

SHRI K. SANTHANAM: Sir, is it right that the Industrial Finance Corporation by the left hand gives in one way and by the right hand gives public funds to industrial concerns in many forms. The public will not be able to detect whether it is patronising a few particular concerns at the expense of other concerns, whether it is working in the national interest because what you find in the account of loans and advances you will not be able to correlate it with the amount of share investment, amount of guarantees given in India and the amount of guarantees given abroad.

Again, Sir, it is said: —

"Under the existing provisions of the Act, the Corporation is entitled only to the payment of loans/debentures with stipulated interest and cannot share the profits of an industrial concern...."

I think when the Industrial Finance Corporation was founded, it was not intended to make it a speculative concern. It is now going to invest in stocks and shares for profits. Is it entering the speculative market. Well,

[Shri K. Santhanam.] the speculation may turn out to be either way, but in any case it will demoralise its position as an impartial promoter of industrial enterprise and will get, more or less, entangled in motives of profit and speculation. I think it is an altogether unhealthy provision in this Bill.

Then, Sir, there is a provision that loans and advances can be given for, what is called, the cold storage industry. The cold storage industry deals with perishables—fruits, vegetables, fish, etc. It should not be the business of the Corporation. They should go in to the ordinary banks for accommodation. It is not the business of the Industrial Finance Corporation to go into such matters. These are very highly speculative industries where the profit and loss vary considerably. I do not think it is in the interest of sound finance, it is not consistent with the objectives of the Industrial Finance Corporation to go into this business.

Again, Sir, it is said that it should now be also able to give loans for not only promotion of industry but for its maintenance. Therefore, I would earnestly appeal to the House that though we may be few, I think we should take a stand on principle—not that we should oppose it, not that we should throw out the Bill—and tell the Government that this is a Bill which deserves a close scrutiny in the interest of the future development of our finances and of our industry, and that we do not at this late hour, at 5 o'clock on the last day, want to give a blank cheque to the Government. I would even now appeal to the hon. Deputy Minister that she would do well to agree to its postponement to the first day of the next Session.

SHRI BHUPESH GUPTA (West Bengal): Does she agree?

SHRIMATI TARKESHWARI SINHA: No.

" SHM K. SANTHANAM; No, she does not. I am sure that if I were on

those Benches I would never have failed to respond to such an appeal and I would have not-er tried to rush a Bill of any consequence in this man'.

SHRI BHUPESH GUPTA: Those days are gone.

SHRI DAHYABHAI V. PATEL: Were you pushed out?

SHRI K. SANTHANAM: I do not think I was ever pushed out. Therefore, Sir, I would earnestly appeal to the Minister, and if she does not respond, I think the hon. Members present within the House, not only in their own interest but also in the interest of the absent Members would do well to say, "We shall not consider it at this stage. Please bring it again when we are in proper numbers and we would have sufficient time to study it". You know, Sir, how busy we were during the last two days. Our minds were all distracted. We were all engaged in the Constitution (Ninth Amendment) Bill and the Preventive Detention Bill. Therefore, there was no chance for us to study the reports and to study the original Act and the Cull implications of all the clauses. My hon. friend, Mr. Desai, who is particularly studious in all these matters, has raised so many points which deserve the closest consideration. How can it get any kind of consideration now? Therefore, Sir, I again plead and, if she does not agree, I want to lodge an emphatic protest against the disrespectful manner in which this House is treated.

SHRI BHUPESH GUPTA: I support you.

Sir, the hon. Member belongs to the ruling party and is a former Minister. He has made a humble appeal to his colleague. She may be a lady but he has made an appeal. Would she listen to that? Though the hon. Member may not be on the Treasury Benches, still he belongs to her party. Will you kindly ask her if she would listen to his appeal?

THE VICE-CHAIRMAN "(SHRI M. P. BHARGAVA)-She will reply.

SHRI BHUPESH GUPTA: It is not a question of a routine reply. An appeal has been made on the last day of the Session. Will th:> hon. lady reply to her party-man whether his appeal is enable or not? If it is reasonable, will she accept it so that we can adjourn and go home? And if it is reasonable, will she not accept it? If she accepts it, then we can adjourn now and go.

THE VICE CHAIRMAN (SHRI M. P. BHARGAVA): She need not reply to it now,

S;;ra BHUPESH GUPTA: And they too can go. There are the elections,

SHRI DAHYABHAI V. PATEL: Sir, there are ways and ways of doing ,thing3. There is a bad way of doing i a good thing and there is a good way of doing even a bad thing.

SHRI BHUPESH GUPTA: But they do a bad thing in a bad way.

SHRI DAHYABHAI V. PATEL: The person whom one holds most dear is perhaps one's own mother. You can address your mother as mother. You may not say: You are my father's wife. That is not exactly the right way of doing it.

SHRI BHUPESH GUPTA: And you are saying: My maternal uncle's sister?

SHRI DAHYABHAI V. PATEL: Sir, a very reasonable appeal has been made by an hon. Member who cannot be considered by any stretch of imagination to be either irresponsible, light-hearted or not studious. His request is that we should be given some time to consider a Bill of this serious nature and that request certainly deserves more attention than the light-hearted mariner in which the Finance Ministry seems to consider it. Sir, we have been rushed with legislations this session, and all financial¹

legislations. I do not know whether in the wake of the new Finance Minister's coming—he has taken charge only two years ago—he is bringing with him all the habits that he had in Bombay of doing everything by legislation and doing that fast and rushing them through. And what is the result? Soe in how many cases appeals have gone to the High Courts and the Supreme Court? In how many cases have the judgments gone against him? Why try to do things like this? A serious important Bill like this should have been referred to a Select Committee. I blame the Government most seriously for this, for not bringing this up on the very first day of the session with a motion for reference to a Select Committee. Sir, for three days of this session we had the Dowry Bill. We had discussed it last session also. Then we had for three days the Bill to prevent cruelty. I do not think they are bad measures. But certinly this House deserves more consideration than to have financial legislations rushed through like this at the fag end when we have had a heavy debate on our head just now. See how much financial legislation have we had this session? We had the Companies Act, we had the Preference Shares (Regulation) Bill passed, we had the Forward Contracts (Regulation) Amendment Bill passed. What is this? I know with their majority the Congress Party can get this passed. But then why call us at all? There may be some good man like Shri Santhanam who would sound a note of warning, but that would be lost. So why call us for this purpose here? They can as well pass it in their Congress Party and issue an ordinance *tomorrow*. But there Is such a thing as propriety and there is such a thing as the right way of doing things. It is not proper to rush legislation through in this manner. This is against the very concept of democracy. Democracy means doing everything by the vote. But it is not done by forcing the votes. You do everything by the vote and by consent. Even the Business Advisory Committee was not called together till half of the session.

[Shri Dahyabhai V. Patel.] was over. I enter my strong and emphatic protest, against the manner in which this House is treated in this matter. The Business Advisory Committee was told these were the things to be done in this short period. If we require more time, what happens? This is not the way to do things.

Then, Sir, I come to the measure. If that is before the House now. My hon. friend, Shri Desai, has given a studious and good analysis of this measure. Are we in a position now to consider the points that he has raised just now in this House in this hurry? And then, with my experience of the ruling Party and of the people who are in power at the moment, and their growing greed for more and more power, on the lives and the ordinary ways of the common citizen, and particularly of businessmen, I have my apprehensions, as to how the powers that this Corporation is going to get, will be used. Is this going to be a measure for political pull? Or the people who are their favourites going to get the loans from the Corporation?

AN HON. MEMBER: They are getting it.

SHRI DAHYABHAI V. PATEL: And those who are not favourites, they will have to make their pilgrimages to the capital, as they have to do for licences for industries and for so many other things. These are very serious considerations and should be taken not

The hon. Minister was asked a question as to how much loan had been given by a certain corporation similar to this one. . And the answer was that a crore of rupees had been given to an Ahmedabad firm and the rest were all Government companies. I repeated the question and then I was told that information was being collected. I do not know when this information will come. I do not know whether the Minister got wiser and thought I would raise it again and so I was told that the information asked

for would be collected and would be given to me later. Then there is the question of subscribing.

(The Minister of Parliamentary Affairs entered the Chamber)

SHRI BHUPESH GUPTA: There your target has come.

SHRI DAHYABHAI V. PATEL: Unfortunately he is not the direct target. He comes in only indirectly. I sympathise with him in his task. He has a difficult task to carry out. His task is to see that the business goes on. He does not regulate it. And when he is told to rush things, he has to do it.

I was talking about the power that the Corporation is being given to invest in shares. I think this is a very objectionable proposal, from two points of view. First of all, that will mean locking up a lot of capital of the Corporation which should normally remain fluid and available in order to give loans to people.

Sir, do I understand that the proposal to adjourn now is being accepted? If so, I shall sit down.

SHRIMATI TARKESHWARI SINHA: You may continue as long as you like. Nobody is stopping you.

[MR. DEPUTY CHAIRMAN in the Chair]

SHRI DAHYABHAI V. PATEL: With these confabulations so visibly going on there. I was suspecting that the hon. Minister of Parliamentary Affairs was advising the hon. Minister not to rush this measure through. That was only my presumption.

MR. DEPUTY CHAIRMAN: You go on, Mr. Patel.

SHRI DAHYABHAI V. PATEL: Very well, Sir. I was saying just now something about the powers given to the Corporation. But I began by saying, Sir, that the way in which we are being hustled into this measure

was not proper and I protested against it. Look at the amount of financial measures that were rushed through this session. Would the heavens have fallen if they had held this over to the next session? My view is that a Bill of this nature should have gone to a select committee. This is a very serious measure and it has got many implications. I know the anxiety of the Government. I know there are some people in the Government who are serious about helping industry. I am willing to help them. But there is the other side also. You want to help industries. By all means do it. We all want to help industries. We want industries to grow. We want industries to grow in order that more employment may be provided. But there is another side to it also. Helping industries and giving them finance means power and there are some people who enjoy showing their power. They will say: "Here we are, we have got the power. We hold you in strangle hold. We will give you this loan. Or we will not give you the loans. You make your pilgrimage to Delhi. Come afterwards. Or come after ten days, or come after fifteen days." Is there room or not for this sort of thing here? I am not satisfied. We cannot discuss these things fully in the short time now available.

I was talking about this Corporation investing in shares. That is objectionable on two grounds. First of all a lot of capital will be locked up and it will not be available to people who apply for loans, except to the person who got it once. The funds of the Corporation should be liquid and should be circulating, not locked up in a few companies, perhaps with favourites. That is wrong. If it is with favourites it is doubly wrong. If not, that principle itself is wrong. The funds of the Corporation should remain circulating and fluid. That is one objection. And once you become the major holder of the funds, you will have a strong hold on the industry. That is very objectionable. I object to that very much.

823 RS.—6.

5 P.M.

I am glad, Sir, that this Corporation is going to give guarantees on foreign loans. This is a welcome feature. I am not denying the existence of welcome features in the Bill but I am only objecting to the manner in which this is done. Even at this late stage, when it is five p.m. and it is time for us to take our papers and go home, I would appeal to the Minister not to rush through like this. What is going to happen if it is considered at the next Session? You could take it up on the next day?

SHRI P. D. HIMATSINGKA: Now that there is no time, I do not want to speak at length. It is a welcome measure. It is an enabling measure which will give the Corporation scope for helping such industries as they think proper. My friend, Mr. Desai, has explained the provisions of the Bill and I do not want to take the time of the House in going through the different provisions of the Bill. It is a very good step for enabling the Corporation to be of greater and greater use to light industries.

SHRI BHUPESH GUPTA: Sir, you should consider the point that was made—unfortunately we did not want to speak—from this side and also by Mr. Santhanam. It needs consideration. On the last day of the session, when we are absolutely at the fag end, a finance Bill of this type which demands a discussion of policy and so on is brought before us. Mr. Santhanam and Mr. Desai referred to this. Why is it so? Why don't you give us a little more time to ponder over such matters especially when in the beginning we had ample time? Things were not planned properly. You have to look after this. What can we do? We can only place before the House the difficulties that we face. I have found, Sir,—I say it in the last day of the Session—that there is an attempt to bypass us, not bypass us constitutionally because you cannot do it. There is always an attempt to bypass us, to see that somehow or the

[Shri Bhupesh Gupta.]

other the constitutional requirement, the legal requirement, is fulfilled. Right from the beginning, I have always made it a point, and sometimes I wrote letters to the Secretary and others saying that business should be so arranged that proper things are taken at the proper time, that things which require little discussion, things which can be disposed of easily are spread over and things which require greater discussion get time for discussion. This is not done. It is in the interests of the entire House. Whether we support a measure or not is a different matter. The entire responsibility for this, if I may say so, greatly attach.es on the Minister for Parliamentary Affairs. He should take the initiative and he should move in this matter but unfortunately he comes up against something, comes up against jams and certain obstacles. He should tell us what those difficulties are. He should tell you at least what those difficulties are. It has not been done. We have been working under very great pressure for the last three or four days. You know the pressure and you had to ring the bell—We had discussion on three or four important measures, the Preventive Detention Bill, the Constitution Amendment Bill and the Merger Bill. We could not get time to prepare for this Bill and, therefore, we had to keep quiet. I am glad the hon. Finance Minister has come. He did not listen to what I had been saying. I was saying that such measures should be brought in time so that we could get a little time to discuss them, consider them and give our opinions, our reflections on them. We did not have any time. I was also telling as to how, during the last three or four days, we have been busy. Just at the fag end, when people are on their toes to leave the House, an important measure comes. Is it right? We are not reconciling to the position that we are just a Second Chamber or whatever it is, so that we have to blindly ditto anything you like or any Member likes. We want to assert ourselves a little within the four

corners of the Constitution. We are trying to do our best from this side of the House and hon. Members are trying from that side but how is it that it is not at all taken into account by the Government? I do not want to say much. Many of us could not participate in the discussion. Government can always pass a Bill, I know it, but Government, when it brings a Bill before the House, expects that the other side should have at least reasonable time. We did not have it. The hon. Finance Minister is here. I do not wish to lodge a personal complaint because I do not know how matters are set. The Minister for Parliamentary Affairs is supposed to deal with us, some 700 Members and a Secretariat. His job is very limited. Why can't he deal with it? He is a very nice man, and a very very elegant personality. I like him but I suppose the Ministers come in the way. If that is the case, let him take us in confidence; let him call a conference of various groups. Let him talk to you in the beginning of the Session. Sir, the last submission I have to make is this. The Minister for Parliamentary Affairs should talk to you, the Chairman, and also meet us and discuss this matter before the business for the Session is drawn up. That is all that I have to say. We are very sorry that we did not participate.

SHRI K. SANTHANAM: I am not speaking but am only making a clarification. I made a statement that it was the Chief Whip who had told me that this Bill would not be taken up in this Session. I am sorry that this was done due to my ignorance. I did not know that the Minister for Parliamentary Affairs is also the Chief Whip. It was the Deputy Chief Whip who told me this.

SHRI BHUPESH GUPTA: Between the Chief and the Deputy we are in this position.

SHRI M. P. BHARGAVA (Uttar Pradesh): Mr. Deputy Chairman, I want to say a few words. I have just listened to the speeches made by hon.

Members about this Bill. The agenda for today's work was circulated two days before.

MR. DEPUTY CHAIRMAN: We need not spend any more time on that, Mr. Bhargava.

SHRI M. P. BHARGAVA: I will refer to something else also. This Bill was circulated two days back and there were two full days for the Members to bring to the notice of the House that this need not be taken up. This was not done. There have been several occasions when the time allotted by the Business Advisory Committee was not utilised in full. I will give two instances. These things happened in this very Session. The Motor Vehicles (Amendment) Bill was, at the request of the Opposition Members, given two hours and when the Bill came up for consideration, it collapsed in two minutes. Similarly, for the regulation of Preference Shares the Opposition wanted two hours but that again collapsed in two or three minutes.

SHRI BHUPESH GUPTA: Is the hon. Member speaking from recollection of what happened in any meeting? I would like to know.

SHRI M. P. BHARGAVA: I am giving facts.

SHRI BHUPESH GUPTA: Who insisted in the Business Advisory Committee that two hours should be fixed for the Motor Vehicles (Amendment) Bill?

SHRI M. P. BHARGAVA: In the Business Advisory Committee, they thought

SHRI AKBAR ALI KHAN (Andhra Pradesh): Let us not go into all these. Let us get on with the Bill.

MR. DEPUTY CHAIRMAN: It is not necessary, Mr. Bhargava.

SHRIMATI TARKESHWARI SINHA: Mr. Deputy Chairman, I am thankful to the hon. Members who have given

general support to this Bill. Some hon. Members have said that this Bill is being tried to be rushed through. The usual practice is for us to circulate the Bills 24 hours before discussion and this Bill was circulated accordingly and was in the hands of hon. Members yesterday morning. Members had more than twentyfour hours to give attention to this Bill. Many Members have complained that they were preoccupied with other things, with more important things but that is not the fault of this Bill or the Government because this Bill is entitled to the same attention as any other Bill or any other measure which comes to the House.

SHRI BHUPESH GUPTA: Does the hon. Minister think that the Prime Minister is entitled to the same attention as she gets or *vice versa*?

SHRIMATI TARKESHWARI SINHA: I do not consider anything.

SHRI AKBAR ALI KHAN: I think this Bill does deserve consideration and we would have been very happy if we could have had this Bill in the earlier part of the Session. Now, we must accept it; we cannot say that we cannot take it up just now.

MR. DEPUTY CHAIRMAN: Normally two days should be given.

SHRIMATI TARKESHWARI SINHA: Well, Mr. Deputy Chairman, nobody is "prohibi'ing the Members of this House from giving full attention to this Bill and to discuss this Bill as long as they like.

SHRI DAHYABHAI V. PATEL: Does she mean that we should sit till 7 o'clock every day?

SHRI BHUPESH GUPTA: Sir, we are human beings and we have to read other things. They have got too many Ministers to speak on different Bills but we have to speak on every single Bill. We are only a few.

SHRI DAHYABHAI V. PATEL: And we have not got a secretariat behind us to help us.

SHRI J. S. BISHT (Uttar Pradesh): Let her come to the merits of the Bill.

SHRIMATI TARKESHWARI SINHA: Not many points were raised about the merits of the Bill. That is my difficulty.

Sir, this Bill has been given general support by hon. Members. My hon. friend, Mr. Desai, who spoke first, raised certain pertinent points. Some other Members also said that the I.F.C. was working in such a way that only the favourites got benefits from the I.F.C. For the information of hon. Members I might tell that ever since the inception of the Industrial Finance Corporation the total loans approved come to Rs. 84-61 crores and the number of industrial concerns in respect of which the loans were approved was 204. Sir, 204 industrial concerns were considered as desirable concerns for getting the benefit of loans from the Corporation. Of this number, 120 were new undertakings, that is, factories and industries which went into production after 15th August. So to say that the funds of the Corporation are being distributed among only the favourite few is a very unfair remark on the part of the hon. Member.

The second point raised by Mr. Desai was about the distribution of these funds. He said that the funds should be distributed among more industries. We welcome the suggestion of my hon. friend; we also want that these funds should be distributed for the maximum benefit of all the industries but I may inform the House here, that the classification of loans approved under the principal industries nearly covers all the major industries of this country. Sugar, paper, cotton textiles, chemicals, cement, rayon and engineering, these are the principal industries to which loans have been sanctioned. Out of Rs. 84-61 crores worth loans approved, loans which have been utilised amount to a sum of Rs. 50-73 crores and loans which have not been utilised amount to Rs. 33-88 crores. Of these loans declined or not to be made

available amount to Rs. 10'95 crores; loans approved subject to compliance of provisions of the Act and directives amount to nearly Rs. 10-42 crores and disbursement awaiting completion of the necessary formalities comes to Rs. 12-51 crores. So the hon. Member can understand the reasons why these loans have not been distributed or disbursed. It is not the fault of the Corporation if the loanees themselves do not come forward or decline them. Sir, the progress achieved in the disbursement of loans by the Industrial Finance Corporation in the last three years has been very very remarkable. In 1957-58 they distributed nearly Rs. 8'33 crores as loans; in 1958-59, Rs. 7-48 crores and in 1959-60, Rs. 8-41 crores. We certainly welcome the suggestion of the hon. Member and we shall see that more industries which can really utilise such loans and which can be considered as desirable parties or desirable units, are considered for advancing these loans.

The other point raised was about the guarantee of loans by banks. While the hon. Member, Mr. Desai has welcomed this, my hon. friend, Mr. Santhanam, has not welcomed this proposal. The Corporation can already guarantee loans raised by industrial units in the open market. But that is not possible for many industries; it is difficult for them to do that. It is very easy for the State Governments or the Government of India or certain financial institutions to go in the market and raise loans but it is difficult for the industrial units to do that. Those people who are concerned with industries realise it very well that it is rather difficult for them to go into the open market and raise loans for their capital. So they generally depend on the banks. It was really anomalous that the Industrial Finance Corporation which was guaranteeing the working capital raised in the market by the industrial units could not guarantee the capital raised by them from the banks. This is a good thing that is being done, that the Corporation can now guarantee loans

advanced by banks. Certain industrial units, were feeling great difficulty. Industrial concerns which had taken loans from the Corporation against mortgage of their entire clocked assets sometimes experienced—and even now they experience—difficulty in obtaining capital from commercial banks due to their inability to provide suitable security to the banks for such accommodation. Such concerns having mortgaged their blocked assets with the Corporation may not have the necessary security, or raw materials or other things left free for use as security, and sometimes they may not find themselves on the approved list of the banks. In the circumstances it was felt that in order to remove this difficulty the Corporation must take up the responsibility of guaranteeing loans raised by industrial concerns from the banks.

SHRI K. SANTHANAM: May I ask the hon. Deputy Minister, whether the mortgage is not undermined by this further loan? After all there are limits up to which loans could be given on mortgaged securities. If besides the mortgage they give guarantee for further loans, that mortgage becomes useless.

SHRIMATI TARKESHWARI SINHA: I am trying to explain the same thing. When a particular industrial unit has mortgaged its entire assets with the Corporation, it is very difficult for that unit to get loans from banks. To remove this difficulty, the Corporation now will be guaranteeing loans raised by the unit from the banks. And it is within the discretion of the Corporation. The Corporation will not be blindly guaranteeing all sorts of loans given by the bank. The Corporation will go into the merits of each individual case and see whether the particular loan raised by a unit from a bank is entitled for its guarantee being given. The Corporation is bound to be vigilant about it because the Corporation has always been, and should be, responsible to the Government so far as its working is concerned. It was

really a very very anomalous situation that while the Corporation could guarantee loans raised in the open market by the industrial units, it could not guarantee loans raised from the banks.

Another point was raised about the guaranteeing of foreign loans and the hon. Member also referred to the Industrial Credit and Investment Corporation. The jurisdiction and function of the I.C.I.C. do not contradict the working of the Industrial Finance Corporation at all. The loan agreements entered into by the I.C.I.C. have not only the approval of the Government but they are generally guaranteed by the Government. In this case there are certain international agencies for whose loans Government certainly have to give their approval because for every international loan agreement the prior sanction of the Government has to be taken before the deal is finalised. But the Government cannot extend a direct guarantee of all credits obtained from the various institutions like the Export-Import Bank and others. The Government really cannot guarantee all the loan agreements entered into between a private party and the Export-Import Bank and such agencies. Now, the need was felt not only by the parties in India but by the other parties also, by people who were advancing these loans, that certain agencies like the Industrial Finance Corporation should guarantee such loan agreements. Therefore I think the House should welcome this proposal that the Industrial Finance Corporation has come forward in this field for guaranteeing loans provided by the international agencies. I might inform the House that the Export-Import Bank has already agreed to give one such loan for a considerable amount.

Many hon. Members raised the point that they had no opportunity of discussing this measure before. May I inform the House that the House had various opportunities of discussing these proposals once in 1949, in 1952, in 1955 and in 1957? In future also

Shrimati Tarkeshwari Sinha.] if the House desires to discuss the working of the Industrial Finance Corporation, the House has various opportunities when it can discuss these things and suggest improvements in the working of the Industrial Finance Corporation. Another point was raised by Mr. Desai that in regard to loans to be converted into shares, the Government should see that the funds of the I.F.C. are not locked up. We shall not do that and instructions will be issued from time to time to give proper guidance to the Corporation. For that clause 8 of the Bill is before the House. It seeks to fulfil the very purpose. After the rules are framed by the Government for the benefit of the Corporation, the House will be entitled to know those rules, discuss those rules and approve or disapprove of those rules. The House can decide whether it likes the particular rules made for the benefit of the Corporation by the Government. It will have every opportunity of discussing these rules and pointing out the improvements, if any, desired in those rules. Therefore, there need be no apprehension on the part of Members that there will be some difficulty if we give the Corporation enhanced powers for giving loans and for giving guarantees. I do not think that difficulty will ever arise.

Apart from this, so far as converting the loans into shares and scripts are concerned as, I said in my speech, some of these units, to which the Corporation had advanced loans, had made tremendous profits and they are likely to make great profits, because of the coming industrialisation of the country. Now, it is quite desirable that the Corporation must share the benefits of the profits. If the seed it has sowed is good and if the seed germinates into a nice tree which is giving good fruits, the Corporation is entitled to a little benefit. Therefore, this provision has been made as an enabling provision. It is an enabling provision, which the Corporation can exercise, maybe at its discretion, to

convert the loan into any share which it thinks profitable. It can even directly buy shares in a particular concern. It has also the option to sell those shares. Seven years is the maximum time-limit which has been fixed. Apart from that, the Corporation can always have the discretion of selling those shares when it likes. Certainly there is an element of risk. Any good business involves an element of risk. And it is for the Corporation to see, like any other good business house, that the shares which they buy are sound ones. For that the Government will also be very vigilant, because they will have to take the approval of Government before they can buy those scripts. They have also the option of selling those shares. The I.C.I.C.I. is doing it: The L.I.C. is doing it and making a profit. Why should the I.F.C. be denied that privilege? I do not think that hon. Members should have any apprehension about this. The Corporation will be vigilant and we shall see that the funds of the I.F.C. are not locked up. And the hon. Member himself said that the funds should be made liquid. This is the way how the funds can be made liquid.

SHRI DAHYABHAI V. PATEL: Does the Finance Minister think that by converting the loan into shares, she is making the fund liquid?

SHRI BABUBHAI CHINAI: By reselling it at a profit.

SHRI DAHYABHAI V. PATEL: That is a questionable matter.

SHRIMATI TARKESHWARI SINHA: If I could not make myself understood by the hon. Member, I am sorry. But I have been saying this very thing, that the Corporation must have some outlet, some profit if the Corporation's money has already been invested in a particular concern as a loan. If we go by the technical connotation of 'liquid' fund, I do not think that it will make the Corporation's funds liquid. But the scope of the Corporation will be made more

elastic in its operation. That is how the funds will be made more easily available for the Corporation with a view to expanding its business, and also earn a little more, and assist the needy ones. We, therefore, agree with the good work that the Corporation has been doing. The House will see that in future also many more industries will come up.

I have already said in my speech that it is the policy of the Government to pay attention to the under developed regions. Industrial units are coming up in the underdeveloped regions. Government will see, while giving approval to the Corporation's proposals, that these underdeveloped regions are kept constantly in view.

I have nothing more to add. I thank once again the Members who have supported this Bill.

SHRI J. S. BISHT: I just want a point to be clarified about the development of underdeveloped regions and about encouraging now entrepreneurs to have new industries. Why should not the Government change the rule by which the I.F.C. is bound to advance loan only up to 50 per cent, of the assets? Why does it not increase it to 75 per cent? For instance, especially with these new machines, new buildings and new everything, indirectly you are going to guarantee those banks who are advancing them the loans. Why go by the roundabout method and not adopt the straight method of advancing up to 75 per cent, of the assets?

THE MINISTER OF FINANCE (SHRI MORARJI R. DESAI) : Sir, may I say a few words by way of explanation? About this matter we shall certainly give thought to it and consider it and see what can be done. But I just wanted to say that there was no intention of hurrying this Bill through this House.

SHRI DAHYABHAI V. PATEL: It has been hurried.

SHRI MORARJI R. DESAI: I see actually what has been the feeling and I should not have done it. We thought that this was a simple Bill, simple in the sense that it is not a long Bill and does not require any very great explanation. It is meant to help the industries and the work of the Industrial Finance Corporation, which has been doing very good work. I have not had one complaint against the Corporation during the last three years. Everybody has spoken well of them and they have been doing their work well. Even the Report ending 30th June, 1960 has already been submitted. That is how this Corporation has been doing work. It is in order to facilitate their work that this Bill has been brought here. It is unfortunate that it had to be brought at the end of the Session. We shall take notice of whatever Members have said and we shall be more careful in future about such Bills. That is all that I can say.

SHRI BHUPESH GUPTA: Thank you.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill further to amend the Industrial Finance Corporation Act, 1948, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill. There are no amendments.

SHRI K. SANTHANAM: Only one word. Of course. I do not want to repeat whatever I said in my speech. I hope the hon. Finance Minister will have the courtesy to read it.

MR. DEPUTY CHAIRMAN: In connection with what clause?

SHRI K. SANTHANAM: Clause 6.

MR. DEPUTY CHAIRMAN: I will put clauses 2 to 5 to the House and then you can speak. The question is:

[Mr. Deputy Chairman.]

"That clauses 2 to 5 stand part of the Bill."

The motion was adopted.

Clauses 2 to 5 were added to the Bill.

Clause 6—Amendment of section 24

SHRI K. SANTHANAM: Here a new proviso has been substituted. It says: —

"Provided that the aforesaid limit of one crore of rupees may be exceeded with the prior approval of the Central Government."

I do not know why this proviso is introduced. Already there are allegations that the very rich people are getting all the advantages of planning and other facilities. But whatever that may be, I would suggest to the hon. Finance Minister that it should be made a very rare exception. The one crore of rupees investment in stocks and shares must be counted, not only the guarantees technically speaking. According to the strict interpretation the guarantees, advances and loans are to be counted for this one crore. I think there is a mistake drafting. It should have been included. Ordinarily this I.F.C. should not invest in any industrial concern—including shares, guarantees, foreign guarantees, local guarantees and everything—more than one crores, except rare exceptions, when the Central Government may give them permission.

SHRIMATI TARKESHWARI SINHA: Very few concerns have got loans for more than one crore of rupees. It is very rare. Very few units have got such big loans. We shall always see that such big loans are distributed in future very carefully.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 6 stand part of the Bill."

The motion was adopted.

Clause 6 was added to the Bill.'

Clauses 7 and 8 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRIMATI TARKESHWARI SINHA: Sir, I move:

"That the Bill be passed."

The question was put and the motion was adopted.

MESSAGES FROM THE LOK SABHA

I. THE TELEGRAPH LAWS (AMENDMENT) BILL, 1960.

II. THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL, 1959.

SECRETARY: Sir, I have to report to the House the following Messages received from the Lok Sabha, signed by the Secretary of the Lok Sabha: —

(I)

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Telegraph Laws (Amendment) Bill, 1960, as passed by Lok Sabha at its sitting held on the 23rd December, 1960."

(ID)

"In accordance with the provisions of Rule 101 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to inform you that the following amendments made by Rajya Sabha in the Code of Criminal Procedure (Amendment) Bill, 1959, by Shrimati Subhadra Joshi, at its sitting held on the 19th August, 1960, were taken into consideration and agreed to by Lok Sabha at its sitting held on the 23rd December, 1960: