

(viii) Notification No. 223, dated the 5th October, 1957, publishing the Customs Duties Drawback (Zip fasteners) Rules, 1957.

[Placed in Library. See No. LT-351/57. for (vii) and (viii)]

(ix) Notification No. 225, dated the 11th October, 1957 relating to the allowance of drawback in respect of duty-paid Menthol, Terpenhydrate etc., used in the manufacture of cough syrup.

(x) Notification No. 226, dated the 11th October, 1957, publishing the Customs Duties Drawback (Cough Syrup) Rules, 1957.

[Placed in Library. See No. LT-323/57 for (ix) and (x).]

AMENDMENT IN THE COMPANIES (CENTRAL GOVERNMENT'S) GENERAL RULES AND FORMS, 1956

SHRI B. R. BHAGAT: Sir, I also lay on the Table, under sub-section (3) of section 642 of the Companies Act 1956, a copy of the Ministry of Finance (Department of Company Law Administration) Notification S.R.O. No. 3038, dated the 28th September, 1957, publishing an amendment in the Companies (Central Government's) General Rules and Forms, 1956. [Placed in Library. See No. LT-319/57.]

AMENDMENT IN THE INDIAN ADMINISTRATIVE SERVICE (PAY) RULES, 1954

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI B. N. DATAR): Sir, I beg to lay on the Table, under sub-section (2) of section 3 of the All India Services Act, 1951, a copy of the Ministry of Home Affairs Notification S.R.O. No. 3391, dated the 17th October, 1957, publishing an amendment in Schedule III to the Indian Administrative Service (Pay) Rules, 1954. [Placed in Library. See No. LT-353/57.]

Bill

I. STATEMENT BY SHRI T. T. KRISHNAMACHARI ON HIS VISIT TO THE U.S.A., CANADA, THE U.K. AND WEST GERMANY

II. RAILWAYS PASSENGER FARES RULES, 1957

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): Sir, I beg to lay on the Table a statement by Shri T. T. Krishnamachari on his recent visit to the U.S.A., Canada, the U.K. and West Germany. [Placed in Library. See No. LT-339/57.]

II. Sir, I also lay on the Table a copy of the Ministry of Finance (Department of Revenue) Notification S.R.O. No. 3387, dated the 18th October, 1957, publishing the Railway Passenger Fares Rules, 1957. [Placed in Library. See No. LT-380/57.]

THE INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL, 1957

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): 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, as the House is aware, was established in 1948 under the Industrial Finance Corporation Act, 1948 for the purpose of making medium and long term credits available to industrial concerns in India. The Act was amended earlier in 1949, 1952 and 1955. The amendments effected in 1955 were mainly concerned with the recommendations made by the Industrial Finance Corporation Enquiry Committee set up by Parliament and certain procedural and other matters were also dealt with. The Bill under consideration today proposes to make some amendments to the Industrial Finance Corporation Act which the experience of its working has shown to be necessary, and I should like to give a brief account of the changes contemplated.

[Shri B R Bhagat]

With the increase in the industrial activity of the country, the demand for finance from the Corporation has increased considerably in recent years. Up to the end of October 1957, the Corporation has sanctioned 259 loans for a total sum of Rs 55.12 crores of which Rs 27 crores were sanctioned in the last two years. Of this, 151 loans were sanctioned in new undertakings, that is, the factories which went into production after the 15th August, 1957. The Corporation has up to the end of October, 1957 disbursed about Rs 29 crores out of which about Rs 10 crores was disbursed during the year ended 30th June, 1957 alone.

The main purpose of this Bill is to increase the borrowing powers of the Corporation to enable it to meet the increasing demand for its funds by the industrial concerns, to enable the Corporation to guarantee deferred payments by industrial concerns for capital goods imported from abroad in view of Government's decision to make liberal use of this facility in order to relieve the strain on our foreign exchange, and to secure that the incidence of any loss or gain accruing in exchange fluctuations on its borrowings in foreign currencies, which at present falls on the Central Government, is passed on to the loanee concerns. It is also proposed to enable the Corporation to provide finance to the 'hotel' industry which is now becoming an increasing source for earning foreign exchange. This opportunity has also been availed of to make certain other changes in the Act which are of a consequential or procedural nature.

The existing borrowing powers of the Corporation have proved inadequate to meet the increasing demands made by the industrial concerns on the Corporation. Under section 21 of the Industrial Finance Corporation Act, the Corporation can borrow from the public, the Reserve Bank and the Central Government only up to five times its paid-up capital plus reserves.

The present paid-up capital is Rs 5 crores and the reserve stands at Rs. 5½ lakhs. This fixes a ceiling of Rs 25.28 crores on the total borrowings of the Corporation. They have so far borrowed from the public, the Reserve Bank and the Central Government Rs 21.31 crores of which Rs 10 crores are from Central Government. There is a provision for a further loan of another Rs 5 crores during the balance of the Second Plan period from the Central Government. It will thus be observed that the Corporation's borrowing limits will soon be reached and unless the borrowing powers are enhanced, it cannot borrow any further. The business of the Corporation, as I have said earlier, is increasing rapidly. It is, therefore, imperative to place it in a position to raise substantial finance in the near future. This could be achieved by increasing the paid-up capital and keeping the multiple of five in the provisos to sub-sections (1) and (4) of section 21 of the Industrial Finance Corporation Act or by increasing this multiple suitably. The present share capital of the Corporation is held by the Central Government, the Reserve Bank, the Life Insurance Corporation, some scheduled banks, insurance companies, co-operative banks, etc. In the existing conditions of the money market, the Corporation is unlikely to raise any additional share capital without substantially increasing the present minimum guaranteed dividend of 2½% which may have to be subsidised by Government. The position regarding the guaranteed dividend is that except for the year ended 30th June 1953, the Corporation had to ask for subsidy from the Central Government to meet the dividend liability. The hon Members will be glad to know that the Corporation has been able to meet the existing dividend liability in respect of the year ended 30th June, 1957 and it is anticipated that the Corporation may not have to approach the Government for the subvention for the current year either. It is, therefore, not practi-

cable to increase the share capital. Government, therefore, propose to increase the borrowing powers not by raising the paid-up capital but by increasing the multiple from five to ten times. This is not considered to be on the high side and will bring the provision at least in line with that of similar institutions like the Warehousing Corporation.

As hon. Members are aware, Government have recently been encouraging industrial concerns to arrange deferred payments for their imports of capital goods. Exporters abroad are inclined to agree to deferred payments but require guarantees from Government or semi-Government institutions in respect of these deferred payments. Business circles have, therefore, approached Government with the request that the Industrial Finance Corporation may be permitted to guarantee such deferred payments by industrial concerns. The Industrial Finance Corporation at present is not permitted to give such guarantees and it is therefore proposed to amend the Act to enable the Corporation to do so.

Then, Section 27(4) of the Act provides that any loss or profit accruing to the Corporation in connection with any borrowings in foreign currency of its repayment on account of any fluctuations in the rate of exchange should be reimbursed by or paid to the Central Government, as the case may be. There is no reason why the incidence of such risks should not be passed on to the industrial concerns who are going to be ultimately the beneficiaries. At present the IFC has to bear it. Government, therefore, consider that those risks should logically be borne by the industrial concerns on whose account those foreign exchange transactions take place. They may in their turn cover themselves against these risks by recourse to whatever special arrangement or scheme Government may devise for this purpose.

Among other changes which are proposed to be made, there is the explanation defining the expression "processing of goods" being added to

section 2(c) of the Act on the lines of the amendment made last year in the State Financial Corporations Act, 1951, which both Houses agreed to some time ago. This will enable a large variety of industries to avail themselves of the Industrial Finance Corporation's loan assistance.

Then, sub-section (2) of section 23 of the Act is being amended with a view to enabling the Corporation to provide credit particularly to new industrial concerns when they are not in a position to offer adequate securities but deserve encouragement from the point of view of the national economy, and this has been the often expressed view of both Houses. In order that the Corporation does not run undue risks in such cases, the credit will be made available on the guarantee of the Central or State Government, a scheduled bank or a State Co-operative Bank. I am sure that the House would welcome this step contemplated by this new Bill.

We are also including a provision in Section 17 of the Act on the lines of the provision in the State Financial Corporations Act, 1951, enabling the Reserve Bank or the Central Government to depute any person to attend the meetings of the Board of Directors of the Corporation, if the Director nominated by them is unable to attend any such meetings.

Similarly section 22 of the Act empowers the Corporation to accept deposits only from the public. As some doubt has been expressed whether the existing provision would enable acceptance of deposits from State Governments, local authorities etc. the section is being amended to make this more clear.

Under sections 25 and 30A of the Act, the Corporation is being empowered to appoint one or more Directors on the Boards of borrowing industrial concerns. The Directors so appointed are required to look after the interests of the Corporation in the companies to whom the Corporation has given loans. It is thus quite reasonable that

[Shri B. R. Bhagat.]

such persons should get some protection against legal suits, etc. for any act which is done in good faith. Accordingly, a new section 38A is proposed to be inserted to achieve this object. This provision will also facilitate the appointment of suitable non-officials on such Boards and it is considered advantageous to associate such persons with this work.

I would not weary the House by referring to other amendments which, as I have said earlier, are of a consequential or procedural nature.

With these words, I now commend the Bill to the House for its consideration.

Mr. CHAIRMAN: Motion moved.

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

SHRI KISHEN CHAND (Andhra Pradesh): Mr. Chairman, I welcome this Bill in so far as that after the experience of two or three years any difficulties found in the working of the Industrial Finance Corporation are going to be rectified by this amending Bill, but I will confine my remarks to only two or three amendments which have been proposed in this Bill.

I begin first with the permission for increasing the borrowing limit to ten times the paid-up share capital, you know that in almost all banking companies, there is an unwritten convention of keeping a certain ratio between the share capital of the bank and the deposits that they receive, and that ratio by convention, is about ten. But in the case of a commercial bank or a joint stock bank, at least 50 per cent of its deposits are invested in Government securities, and so it comes to this that in a commercial or joint stock bank, the public money which it receives is only 5 times the share capital of the concern. I think that by permitting the Industrial Finance Corporation to increase this ratio from five to ten, we

are making the foundations of this Corporation a little shaky, and it will become a large liability. After all, the entire share capital of this concern is guaranteed by the Central Government, and if there is a large amount of borrowing from the public, from the joint stock banks or the Reserve Bank or the Life Insurance Fund, as the share capital of the entire Corporation will be much smaller in comparison to the total lending amount, in case of defective lending where eventually the Corporation loses money, the borrowed money will have to be reimbursed by the Central Government, and therefore the position of the Corporation will become slightly weak. I do hope that the Finance Minister will see his way to increase the share capital of the Corporation. He has in his remarks pointed out that this is not possible. The Industrial Finance Corporation has been guaranteed a dividend of 2½ per cent. by the Central Government. You know that at present the money market is very tight, the rates of interest are going up, and it is not possible for even the best companies in India, even the best industrial concerns, to get debenture capital at 6 per cent. or even more, and when this is the situation, it is very essential that the guaranteed rate will have to be increased, but the Reserve Bank is a Government concern, the life insurance fund is being managed by the Central Government, and therefore I do not see any very great difficulty in the increased share capital. If the total share capital is going to be subscribed by the Reserve Bank of the Life Insurance Corporation, I do not see why the Finance Minister should think that there is going to be any difficulty in obtaining the additional share capital. So, I would suggest to him to increase the paid-up share capital of the Industrial Finance Corporation from Rs. 5 crores to Rs. 10 crores and retain the ratio of five times the paid-up share capital as the total borrowing limit from the market.

Then, Sir, I come to the question of the guaranteeing of the deferred

payments. Today during the Question Time it was pointed out that the interest rate in the United Kingdom has gone up tremendously and that the increase in the interest rate will affect the money market of other Continental and European countries, and if we take the plant on deferred payments from those countries naturally when they are given deferred payments they are going to charge interest on the balance amount due from the industrial concern and the interest charged on the balance amount will certainly be guided by the rate of interest prevalent in the Continental and European countries. As I pointed out, Sir, the interest rate in the United Kingdom has gone up, naturally the interest charged on these deferred payments will be pretty high. Even now on deferred payments as against cash payments, prices demanded are 10% to 15% higher than the cash prices. The interest charged on these deferred payments is $7\frac{1}{2}\%$ to 9%. And if the interest rate in the London market goes up it is possible that the interest asked by countries giving us deferred payments may go up as high as 12%. The result of all this will be that the price of machinery and plant which we are importing on deferred payment basis will go up very high. We will be paying 15% extra on the capital value and we will be paying interest at the rate of 9% to 10% spread over a period of 7 years.

SHRI J. S. BISHT (Uttar Pradesh): It will be 12%.

SHRI KISHEN CHAND: I am glad to be told that it will be higher than 9% to 10% and that it will be as high as 12%.

SHRI H. N. KUNZRU (Uttar Pradesh): Why shall you be glad?

SHRI KISHEN CHAND: I am not really glad, that they are going to charge this but I am glad that it was pointed out and that adds to my argument, it strengthens my argument because it is 12% and I was arguing on the basis of 9%. My whole contention is, that we should be very care-

ful in taking machinery and plant on deferred payment system. Personally I am against it and I do not think our country should take any machinery and plant on deferred basis because the cost is going to be so heavy that we will not be able to pay the amount in the next seven or eight years. Our exchange position is very difficult and its solution is a very much larger question. What alternative can I suggest? Just now we are concerned with the Industrial Finance Corporation (Amendment) Bill and here I am only concerned with the point that by giving a guarantee it is quite possible that these foreign concerns, when they are collaborating with an Indian concern—the Indian concern wants that machinery and plant at any cost and at any price—it is quite possible that because our bargaining position is weak instead of paying only 10% or 15% extra as against the cash price, we may be paying 25% to 30% extra. I would like to know from Government and from the hon. Finance Minister whether this Industrial Finance Corporation is going to carefully examine before guaranteeing the deferred payments whether the price that has been agreed upon is a fair price. Is it a correct price? If the Industrial Finance Corporation is just guaranteeing any price, any agreement that is reached between the industrialists in India and the machinery suppliers in the foreign country, then there is a possibility that we may be paying a very high price. I think there should be a thorough examination by the Central Government and by the Finance Ministry that the price which is being agreed upon is a fair price, that it is as near the cash price as it is possible.

SHRI P. D. HIMATSINGKA (West Bengal): They do it.

SHRI KISHEN CHAND: The hon. Member says that they are doing it. My information is that the Central Government is not scrutinising about the price but the Central Government is scrutinising about the industry whether the industry is necessary or not.

[Shri Kishen Chand.]

The Central Government is examining whether the industry should be set up or not but the Central Government is not examining the price that is being offered by the foreign manufacturer for this machinery and plant and the terms accepted by industry.

SHRI P. D. HIMATSINGKA: The purchaser will be careful enough to see that he does not pay more.

SHRI KISHEN CHAND: My contention is that the purchaser is not careful about paying a high price. The hon. Member has no experience of that matter and he does not realise that the industrialist only thinks that he gets 20% depreciation in the first year and additional 20% in the first year, so that in five years he will recover the price whether he pays 100% or 150%. Even if the price is 50% higher according to the present income tax and the depreciation allowed by the Income Tax Act he will recover all the price that he pays, whether he buys at a high price or a low price. He is going to recover it in the shape of depreciation in the next five years and therefore the Indian Industrialist is very keen to get the machinery at any price and at any cost. But when we consider from a national point of view, when we are looking to the interest of the whole country, we must be careful and the Central Government should be careful that we do not pay a higher price. Whatever price is fixed that will have to be paid. Does the hon. Finance Minister think or the Central Government think that our foreign exchange position will become so much better in the next five or six years that we will be able to pay this high rate? For myself, I do not see that in the next five or six years our foreign exchange position is going to be any better. If it does not become better and tagging this additional burden, it may become still worse. The result will be that if it becomes still worse the value of the rupee may go down the moment the value of rupee goes down the burden of foreign exchange becomes heavier. We will be paying more

rupees in exchange for the value of the foreign currency. The result will be that the price of machinery and plant in our country will go up still further and more money will have to be allowed as depreciation and therefore the cost of products will go up. The result of all this argument is that just giving a blanket power to the Industrial Finance Corporation to guarantee the deferred payments is not proper because further if you read the clause there is another sentence "provided that no such guarantee shall be given without the prior approval of the Central Government." I would like to know, will this prior approval of the Central Government mean that in case there is a loss and the industrial concern is not able to pay the deferred payment or the Industrial Finance Corporation is not able to recover from the industrial concern the value of the deferred payments, will the Central Government reimburse to the Industrial Finance Corporation? What is the nature of this guarantee provided by the Central Government to the Industrial Finance Corporation, that should be cleared? Because if the Central Government guarantees, the liability of the Central Government will become still heavier. Therefore, Sir, I submit in a nutshell that I do not think it is fair to guarantee the deferred payments by the Industrial Finance Corporation. If the foreign country wants to give machinery and plant on deferred payment basis, they must have proper reliance on the concern which is negotiating with them. Bringing in this Industrial Finance Corporation to guarantee it, the Finance Minister, is going to give a loophole to the Indian industrialists who may go into speculative business and purchase machinery at a very high price resulting in a great burden on the Indian nation.

SHRI J. S. BISHT: Does the hon. Member know that there are insurance companies who by charging 4 per cent or 5 per cent. will give the guarantee even if we do not give it here?

SHRI KISHEN CHAND The hon Member has pointed out, and I think very rightly pointed out, that if this guarantee is not given by the Industrial Finance Corporation they can approach an insurance company in a foreign country. But my contention all along has been that if the Indian industrialist feels that the responsibility rests on him he will be more careful in bargaining and it is possible that the rate of interest plus the insurance charges both together may not be as high as they will become when the amount is guaranteed by the Industrial Finance Corporation. It will become an easy method of obtaining the credit, resulting of course, in paying a higher amount of money.

Sir, there are other clauses in this Bill to which I would like to refer, but just now I will speak only on one more point and then finish my speech. That relates to the hotel industry. Sir, by a new definition we have added the hotel industry to the list. In these days there is the important question of relative priorities. We are short of industries and we are in urgent need of rapid industrialisation of the Country. But if into the scope of the Industrial Finance Corporation we go on adding other items which are relatively not so important, the result will be that if the funds of the Corporation are frittered away on non essential industries like the hotel industry, naturally there will be less funds available for the more important industries of our country. Therefore, I do not see any reason why the hotel industry should be added to the list of industries to which the Industrial Finance Corporation can advance money. This is not such an essential industry. I think there are enough hotels in our country catering to all the needs of the foreigners and the inland visitors. By adding this industry to that list, I am not sure whether the real industrial concerns will not suffer on account of the diversion of the funds of the Corporation to the hotel industry.

SHRI PERATH NARAYANAN NAIR (Kerala) Mr Chairman, I feel strong-

ly that there is no immediate need for a measure of this kind. I feel that this Bill represents a shift in the policy of the Government and to my mind it is a dangerous shift in that it is in the direction of pampering the private sector of our economy at the cost of the public sector. I am not saying this on any ideological grounds. As a realist I accept the mixed economy adumbrated in the Plan and assented to by Parliament. In the balanced development of our economy that we are planning, the private sector has been allotted its due place. In the Second Five Year Plan, if I remember correctly, about Rs 800 crores it said to be the target for investment in the private sector. My information is that this target has been almost realised. Already, under the Second Five Year Plan, more than about Rs 760 crores have been invested in the private sector and my own information is that the capital goods requirements which are necessary for the fulfilment of the targets in the private sector during the Second Five Year Plan have also been almost reached. We know that during the final year of the First Five Year Plan and during the last two years, our foreign exchange resources have been mostly utilised by the real scramble which the private industrialists exhibited in importing as much of the capital goods requirements as possible, at the earliest possible moment. Our difficulties of foreign exchange have actually been aggravated because even the capital goods required in the final years of the Second Five Year Plan have been imported in the earlier years. My point is that so far as has been visualised in the Second Five Year Plan, the industrial requirements both in capital goods and funds, of the private sector, have been met. Now I do not see any reason why the Industrial Finance Corporation should go out of its way and stand guarantee for deferred payments like this.

[MR DEPUTY CHAIRMAN in the Chair]

That is not all. I may be told that after all, these payments are to be

[Shri Perath Narayanan Nair.] made, say, after four, five or six years, and that we are not entering into any immediate commitments. But our plans today are for five years and what is to be achieved in the private sector and what is to be achieved in the public sector in the five years, have already been laid down. And in the subsequent years also this plan will have to be worked out and our requirements both in the private sector and in the public sector will have to be worked out. It will be a most dangerous leap in the dark to be incurring commitments without knowing *exactly how we will be able to discharge our commitments or what our foreign exchange resources will be*, say after the lapse of six or seven years. We have absolutely no reliable data to go on. They have not been worked out.

What is more, who are the private industrialists who have come to this deferred payment agreement with the industrialists of other countries? They are all top men. They have enough confidence in the suppliers of machineries and in the suppliers of capital goods in other countries. The Industrial Finance Corporation has been established predominantly to help the industrial concerns that are actually struggling for finance and not our top men who have their own resources and who can be left to the lions, who because of their worldwide influence can persuade big industrialists in other countries also to give them funds. I am not saying these things just in a doctrinaire manner. We have the experience of the last few months and we know how our top industrialists have been going out to other countries, to the U.S.A. and to the United Kingdom and other countries, saying that there is such abundant goodwill on the part of big industrialists there to help us, only the Government of India must be on their behaviour. Well, that is something on which this House and the public outside must bestow some thought. These big industrialists who do not accept the public sector in our economy, who are opposed to

it, want in their own way to create some imbalance in the balanced development which we are planning for our country. They have no faith in the Government of India. They will not lend us money to finance the undertakings in our public sector. But they have confidence in our private industrialists and so they are prepared to lend them. So far so good. But if they are prepared to lend to the private industrialists, if they have so much confidence in them, then why call upon the Industrial Finance Corporation or the Government of India to stand guarantee for them? I say *the major industrialists in the country* who have entered into this deferred payment agreement, have ample resources and they have been securing loans on their own. If it is absolutely necessary in order to achieve the targets in the private sector, if the targets set in the Second Five Year Plan are not capable of being fulfilled unless we give them this assistance, if we are up against such a difficulty, then I can understand it. But that is not the case now. The private sector, for the time being at any rate, is not in that position. That is so far as the target in the Second Five Year Plan is concerned. But if it is for non-plan outlay and other things, we have to scrutinise them. We have accepted that in our balanced development a certain place must be occupied by the private sector. Then why create this imbalance? What is the fun of these industrialists saying that there is so much goodwill on the part of private industrialists in other countries, that they are prepared to lend to private industrialists here, only the Government of India do not behave properly? The Government of India have laid down their industrial policy. It is to be a mixed economy. The private sector is being assured of its due place, but the dominant emphasis is on the public sector. But I submit, if you accept this and give these guarantees, then the dominant emphasis that is there on the public sector will no longer be there. You will enter into commitments on behalf of the private sector which are not called for under

The borrowing capacity of the Industrial Finance Corporation is sought to be increased from five times the paid up capital and the reserves to ten times. There again I feel no immediate necessity has been established for any such enlargement of powers. As the Deputy Finance Minister has explained, even the existing resources of the Corporation have not been exhausted. Five crores of rupees is the paid up capital and a few lakhs is the reserve and five times this comes to nearly Rs. 25 or Rs. 26 crores and my information is that only Rs. 17 to 18 crores have been utilised, and this still leaves a margin of about nine crores of rupees. It would be quite different if it is established that the Corporation is starved of funds and is not in a position to help deserving industries but, has it been established anywhere that deserving industrial concerns had not been helped by the Corporation because of paucity of funds? The need may arise after one year or two years but my point is that that need has not arisen now and so, this Bill is not called for at this juncture. I have other reasons also for emphasizing this point because we have got the experience of the working of this Corporation for the last six or seven years. Now, the House and the whole country knows that it has not been a very happy record. There have been all sorts of irregularities connected with the administration of this Corporation but now we are told by the Deputy Minister that the Corporation has turned a new chapter, that of late, after these enquiries and the probe of Parliament, after the criticisms in the country, the Corporation has taken on to new activities and that there is nothing to complain of now. May be it is so, I do not know, but it would be quite as well if the country and the Parliament is also given some time to study whether the Corporation has really turned the corner. From Press reports and from our own experiences, we know that in the last few years, loans were distributed to concerns

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[Shri Perath Narayanan Nair.]
Rs. 26 crores to Rs. 30 or Rs. 35 crores. That would have been all right and the Corporation also, irrespective of the progress made during the last two years, would be on guard as the whole country would be looking at it especially in view of the fact that it did not give a proper account of its working. If the Corporation has turned the corner, well and good; we will not grudge the giving of additional resources to the Corporation but I only say that it is not called for at the moment.

Now, Sir, there are some other points also in regard to the granting of loans on inadequate securities, on the guarantee of State Governments and other things. Personally I think it is not called for and I am inclined to the view that this speculative nature will enter into the loan transactions also. It is not necessary. I also do not propose to go into the minor things about the Directors, etc., but my point is that while giving these additional powers just now, we are making a leap in the dark. It is not called for and it is not in the interests of the planned development of our private sector. All the essential needs of the private sector during the second Plan can be met without having recourse to this amending Bill and so I am opposed to it.

Thank you, Sir.

SHRI C. P. PARIKH (Bombay): Mr. Deputy Chairman, I support this amending Bill but there are some remarks which I would like to make. First of all, the previous speaker has said that the private sector has secured all its targets and, practically therefore has secured all the machinery and all the equipment necessary from abroad. That is the impression which has also been created in the public mind and this impression has been bolstered up by the press also that the private sector has got about 90 per cent. of its requirements in respect of foreign equipment. I think, Sir, the sooner the Finance Minister dispels this impression and clears up the posi-

tion, the better it will be. Otherwise, a wrong impression is created in the mind of the public and even in the press. When you look at the list of industries remaining to be developed, you will find that it is still very large. It is a good sign that the Finance Minister appreciates this position and this amending Bill has been brought forward. I think it will be much better if he were to give correct figures regarding the investments in the private sector that were envisaged and the actual investments. These figures can be given only by him. He should tell us what has been achieved and what remains to be achieved. If that position were explained, it would be clear to Members who have spoken so far. The public at large and the Press—one big paper, one important paper—are making unnecessary criticism over this. Now, Sir, with regard to the matter of deferred payments that has been objected to by my hon. friend, Mr. Kishen Chand—who also knows business—I do not know how—because he is in the Opposition Benches—he is making remarks which are not at all conducive to the regulation, control, management or acquisition of business. He said that deferred payments are not necessary. When the Government has no foreign exchange to give, then how to get foreign goods? These are the problems that have to be faced. He says that deferred payments can be arranged between party and party. Now, when a concern receives goods on deferred payment, to be paid after five or seven years, naturally that exporting country or the exporter has to be satisfied that this concern will pay back its money. He may have to go into litigation with this concern and also this concern may change hands after three or four years. There are so many other things. The man or the country which is selling to this country on deferred payments is, in my opinion, obliging this country because the European countries have enough worries of their own . . .

SHRI KISHEN CHAND: And charge 50 per cent extra.

SHRI C. P. PARIKH: You may have to pay. The hon. Member, Mr. Kishen Chand does not know that we have paid for imported goods three or four times the price and if we have to pay 15 or 20 per cent. higher prices we may pay that price. Otherwise, import those goods at three times higher price. I think he conveniently forgets that. So many industries have been developed in this country where the price reduction has been terrible and the foreign countries that have looted have been now prevented from acting in that manner. Now, we are developing those industries and if we have no exchange, then the deferred payment is the only system by which we can do it. And I do not think we can get enough of our requirements even by paying the suppliers 15 per cent. higher prices. I say he has not mentioned this consequence. We have also to make a sacrifice in the matter of quality while accepting the imported goods, because other countries are dictating. We are the borrowers and, therefore, those countries which are selling us goods will dictate in the matter of price, will dictate in the matter of interest, will dictate in the matter of quality also. We want to manufacture these goods. We want to industrialise. We have two options left before us and we have to exercise an option and then the reasoning will be more clear.

Now, Sir, one point on which I do not agree with the Finance Minister is regarding the exchange fluctuation which will have to be borne by the importer.

SHRI H. N. KUNZRU: Will not

SHRI C. P. PARIKH: Yes, I will explain Mr. Kunzru has very well asked. The whole thing is that many concerns have money of their own either put in bank or deposited at four per cent. Now, these concerns are buying machinery on deferred payment. These concerns are willing to pay in cash the amount that is due in rupees, of course, because we have rupees only. Now, the concerns, can pay the Gov-

ernment of India the price, but at least nothing will save us from the fluctuations of exchange; because if a concern deposits bank guarantee with regard to Rs. 10 lakhs for deferred payment, then why should the concern bear the loss in the exchange? It is only the rupee balance or sterling balance or other hard currency balance that may be the trouble. But if this condition is put that the concern has to bear the exchange loss after seven years, I will point out that the exchange loss may be in the neighbourhood of fifty, or seventy or sometimes hundred per cent. And do you think that if such condition is put on a concern which wants to pay its own money in cash or gives a full bankers' guarantee for this, that it should be asked to bear the exchange loss which it may have to incur on account of the changes in the foreign exchange system or the rupee or the sterling or the dollar exchanges? I think that is not fair and that is not justified and that is not equitable.

SHRI P. D. HIMATSINGKA: Can it not be covered beforehand?

SHRI C. P. PARIKH: It cannot be covered beforehand. We should like the Government of India to cover it. It is for the Government of India to cover it. But at least this cannot be done by the concern because the instalments are spread over a large number of years. The Government is unnecessarily putting a condition in this clause that the exchange fluctuation will be borne by the company. This will retard some concerns going into development. We must remember that. Some persons I know in business are going on and developing their business and industries on speculative lines. They may be doing that. But those who want to develop their business on sound industrial and economic lines, I think, will think ten times before accepting such a condition. The exchange fluctuation is very heavy and I think it would be very well at this stage if the Government of India and the Finance Minister con-

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sider that this exchange risk is not arising out of any fault of the concern, but arising out of the difficulties of the Government. It is said by the Finance Minister that the concern makes profit. I think there are so many weapons in his armoury that if a concern makes a profit he can take a large part of it. But at least why put the concern to a loss which is not foreseen by it, which is beyond its control and which is to occur after seven years?

SHRI J. S. BHIST: Why not create an exchange fluctuation fund?

SHRI C. P. PARIKH: Whatever it may be; but it is Government's business to guarantee that the exchange loss will not be borne by the importer or the importing concern. That is what I am saying. No Government can expect them to do that. If they want to develop the economy of the country on sound, equitable and just lines, then, I think, this clause in this clause is not necessary.

Now, Sir, I find something has been said by the previous speaker about the administration, disbursement of loans by the Industrial Finance Corporation. First of all, he says that loans are given to a few concerns and there is favouritism. I say some facts may be true but let us understand what is the actual position. There are a number of directors on this company, elected and nominated. There are a few industrialists on these boards. They are two or three in number. There are eight or nine persons who are not in business, who are not industrialists and who are able to watch the affairs of the company. But I think—I am sorry to point out to the Finance Minister—that those who are appointed by him are not giving due care as regards the finances and the loans that are given and hence this complaint arises. That has happened in the past but I think it will not happen in the future. Therefore, I am pointing out to him that whenever he nominates directors, at least it must be so that a director, when loans are given to certain concerns, should not

be influenced by those other directors who have more knowledge. It is very well to know that some influence may be created. Those who are industrialists or those who are in business may put up certain viewpoints; but all the rest are able to understand it. I think it is not understood properly because the same persons are appointed in ten or twenty boards as directors. The same persons rotate and I think they have not all the time to look into and devote to the niceties of the problems of each case and hence this thing happened. I think in the Companies Act there is a limit that a man can be a director of twenty concerns. In the same way, when persons are appointed as directors of these concerns by nomination, I think, it must be properly seen by Government that they are able to devote their full time and attention to it. They are very clever. They do not mean any favouritism. But they are unable to devote the time necessary to the scrutiny of the loans and all these factors. Naturally some loans are passed in a hasty manner which should not be done, and the complaint which is coming from so many persons and which happened in the past should not have occurred.

As regards losses, these are bound to occur. What is this institution? It is an institution which gives medium and long term credit. And in the case of medium term and long term credit it is not so safe—as compared to what was said in respects of banks by one of the speakers—for the risks are always greater. The risk will be greater in long term and medium term loans. Banking is carried on on short term credit only and the loans are for six months and they have to be revived again every six months. Here, in long and medium term loans, so many circumstances come in the way during that period that naturally you have chances of loss. Some concern and the I.F.C. have chances of loss. We must fully understand that, because medium and long term loans are quite different from short term credit. It is only because of our planned economy that the chances of loss are less. Other-

wise, when you advance medium and long term credit, there are bound to be losses and we must be prepared for the losses if we want to industrialise our country. The losses incurred should be in a *bona fide* manner.

MR. DEPUTY CHAIRMAN: Will you take more time?

SHRI C. P. PARIKH: Yes, Sir.

MR. DEPUTY CHAIRMAN: You can continue after lunch. The House stands adjourned till 2-30.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at half past two of the clock, THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY) in the Chair.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): Mr. Parikh.

SHRI C. P. PARIKH: Sir, I was explaining to the House how the loans by the Industrial Finance Corporation have assisted the industrialisation of the country. Mr. Narayanan Nair tried to minimise their importance and find fault with them. He conveniently forgets that on account of these loans production to the extent of Rs. 100 crores has risen in the country and imports to that extent were prevented.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Private sector?

SHRI C. P. PARIKH: Of course, private sector. This whole Bill deals with the private sector. He does not want the private sector, he does not believe in it. When he says that these deferred loans are only for the private sector, I say that the private sector cannot import any machinery except by deferred payments. Otherwise we will have to stop that import.

I will now refer to the remarks which he has made regarding the manner in which the Industrial Fin-

ance Corporation is conducted. I have already explained to you, Sir, that some of the Directors are not devoting as much time and energy as they should. It is not, however, the fault of those Directors who are devoting greater time to it. I think that in some cases there will be an error of judgment. There may be defaults, but, as I tried to explain previously, these loans are long term and medium term loans, and there are bound to be risks in them. We cannot but go into that risk. We must see what good this Industrial Finance Corporation does, what has been done by it and what mistakes have been committed by it. Mistakes can be rectified and rectified from year to year. They have been rectified as you will notice from the last year's report. Now, Sir, in this respect I have to make one suggestion to the Finance Minister which I think it will be well for him to know. We are giving loans to these concerns, I think, in a lavish manner. I do not find fault with them for giving such loans in that manner, but we must understand that the industrialisation of the country is governed by a planned economy. Our installed capacity is limited and our imports are restricted and therefore the industries are more or less in a semi-monopolistic nature as regards their running. Unless an industry is mismanaged, I think no industry should incur a loss. When this is the position, I want to make a suggestion to the Finance Minister which he will do well to note, that when he is giving these loans to a concern let him have half the amount in equity capital. Do not fight shy of it. I think your loans will bear a good return if you employ a part of them in equity capital. They will earn a return of 12 or 15 per cent. The Finance Minister will reply that he is getting to the extent of nine annas by way of income-tax and corporation tax. But why not sixteen annas if he can easily get? I think, Sir, equity capital investment in some of the concerns will be gilt-edged, as you will see from the balance sheets

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of so many concerns to which loans have been given.

Sir, with regard to these deferred payments, I have already told the House that it will be very well if the Finance Minister can give us figures of what remains to be imported by way of deferred payments, the exact quantum or the rough quantum of the amount that will be required. Sir, if that quantum of deferred payments for machinery is to be reduced, which can be a fairly high figure, then I think that the only remedy is to boost our exports. How can our exports be boosted? That point has a correlation in this connection on account of the large amounts of deferred payments which we have undertaken, deferred payments at a very high cost. If we want to avoid these deferred payments for the installation of machinery of any quality at any price, that position will be alleviated to the extent that we increase our exports. What are our chief items of export? They are tea, jute manufactures and cotton manufactures. Sir, the Export Promotion Committee's recommendations are before Government in this regard, and the sooner the Government takes a decision on this matter the better. It is much better if they come in this very session with a Bill embodying the recommendations they accept. Two recommendations are very important. With regard to exports, if they are made by a concern above a certain quota, it must be allowed rebate of income-tax. That recommendation should be accepted, because if we want to stop this waste, we should act promptly. Therefore, we must understand now we should increase our exports. The second point is regarding preferential railway freights. These are two principal remedies. There are municipal, local and State taxes for which rebates can be given. If we see the countries which are exporting their goods we will find that they have a difference to the extent of 45 per cent in external and internal prices. We must learn les-

sons from other countries in our difficult times if we want to export to the extent that we desire in order that we may have less difficulty of deferred payments. The hon. Mr. Narayanan Nair has said that deferred payments are not advisable. I think he conveniently forgets one thing. They are roughly to the extent of Rs. 100 crores—and I think they will be arranged to the extent of Rs. 100 crores. That amount of Rs. 100 crores remains for investment in the country for five or six years till we have paid our instalments. We are also reducing deficit financing to that extent. That factor should not be forgotten. The hon. Mr. Narayanan Nair has made remarks in an irresponsible way in my opinion. He has tried to mislead the House in this respect. He wants in one breath to carry out the Plan at any cost, and he makes an argument the implication of which is that the Plan cannot be carried out and industrialisation will be stopped. He makes contradictory statements in my opinion. He says that there is a shift in the policy of the Government. What is the shift in the policy of the Government? Is it a shift in the policy of the Government to continue assistance to the private sector? I think what he means is that there should be no private sector of any nature. Instead of saying that openly or clearly, he wants us to believe that there is a shift in the policy.

SHRI PERATH NARAYANAN NAIR: Plan outlay in the private sector, not for non-Plan outlay.

SHRI C. P. PARIKH: It clearly demarcates what is allocated to the private sector and what is allocated to the public sector. There is still a lot to be achieved in the private sector about which the Finance Minister will reply, and every one knows to what extent we are unable to manufacture things for want of adequate machinery.

DR. R. B. GOUR (Andhra Pradesh): Give us the figures.

Bill

SHRI C. P. PARIKH: The figures are with me. If you have the time to see, you see the import list, see it with open eyes and judge to what extent we can stop exports by manufacturing here. You will find everything there.

Mr. Kishen Chand is not here. He says that the capital of the Industrial Finance Corporation should be raised, instead of borrowing, to a higher multiple. He is a man of business. He understands what is capital, what is reserve and what is borrowing. I find it difficult to understand why he made this argument, unless he made it for the sake of an argument. He understood very well that this capital of the Industrial Finance Corporation is guaranteed as regards repayment by Government, and the interest also on this capital is guaranteed by Government. Capital and interest are both guaranteed by Government. I think it is all the same whether the advance is in the form of borrowing or whether it is in the form of capital in business as regards the financial implication. These are well understood by him. I do not know how he advanced those arguments. They also advanced the argument that there is no immediate need for this Industrial Finance Corporation to have funds. Sir, they have not read the report which is before the House. It is clearly mentioned that loans to the extent of Rs. 55 crores are sanctioned. About Rs. 8 crores of loans have been cancelled. So Rs. 47 crores of loans are still outstanding. Out of this Rs. 22 crores have been disbursed. Now, Sir, they can draw on Government to the extent of Rs. 5 crores. When they draw on Government only Rs. 5 crores for the commitments which they have already made, the Industrial Finance Corporation will have to close their business, close their doors and wind up because they cannot honour or make any more commitments. The Planning Commission has clearly said that about Rs. 40 or Rs. 50 crores will be advanced to the industry by the credit institutions of the country and

mainly by the Industrial Finance Corporation. So, this money is something needed for carrying out the functions of the Corporation during the second Plan period. Now, he has made an argument that the importers or the industrial concerns will import machinery at a ridiculously higher price of 25 per cent. or 50 per cent. and all that. He was interrupted and told that the Government was examining the price. I want to make it further clear that the Government is not only examining the prices of imported goods, but all competitive prices from various countries are scrutinised at the time of giving loans or giving guarantees for deferred payments. Mr. Kishen Chand knows it and Mr. Narayanan Nair may or may not know it. But I do not know, why after such knowledge, they are making such remarks that an importer or an industrial concern will pay any fantastic price. I do not know why these comments were made.

Argument was made about loans made to concerns which can procure resources. I do admit that loans to concerns which had resources were made and are being made by the Industrial Finance Corporation. What is the reason? I will give you an instance. A loan to the Imperial Chemical Industries has also been given. Why can we dictate to the Imperial Chemical Industries that they must bring from their country so much money to be invested in our country and in a way that they will have only 49 per cent. interest? If we want the technical skill and technical know-how to develop the dye-stuffs or the heavy chemical industry to the extent that we desire and if we want to stop imports of those goods, then we shall have to come to an arrangement with the foreign concern to give loans, if necessary, for the greater object of saving our exchange or curtailing the imports that we are at present having. We cannot dictate our terms to the foreign concerns, unless it be by putting them in competition with others and I think the Government are making all

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their efforts to put the various foreign concerns in competition and they are accepting the best offer. So long as this position is there, we need not fight shy of giving loans to such concerns because we must see that we have to develop certain industries in our country. Hon. Members may not be aware of how many crores worth of goods the Imperial Chemical Industries annually imported into the country. They are now forced to manufacture those goods here. Otherwise, we will give facilities to some others. I think owing to losing business interest, they are now prepared for manufacture in this country. We give loans to them because they are also contributing capital to the extent of 49 per cent. and 51 per cent. is ours.

With regard to inadequate security, much has been said and it is said that concerns without adequate security are given loans. But it is conveniently forgotten that there is a qualifying clause that there should be a guarantee by the State Government or by a scheduled bank. I think that the guarantee of a scheduled bank or a State Government is much greater than the concern's own guarantee. They give guarantee after examining all the factors of the industries and only then the bank guarantees that the industrial concern is safe. It is no use under-rating what the Industrial Finance Corporation is doing. We can find out mistakes; we can make suggestions. But do not try to demolish this institution. Do not make destructive criticisms in an irresponsible way so that our industrial development is retarded.

With these words, I support the amending Bill.

DR. P. V. KANE (Nominated): Sir, I want to say two things. I find that this Act is expanding certain things by a side-wind, as it were. Look at sub-clause (i) of clause 2. They have put in the words "or in hotel industry". The original definition was

very clear about the goods covered. This is put just by way of an addition. If we want the hotel industry to prosper, it should have a separate enactment, if at all.

Another point is, after what we heard in the last session about the Ashoka Hotel, I think we should think twice before embarking on the hotel industry. There, it was first one crore of rupees that was to be spent; gradually, it came to Rs. 2½ crores and by the time they finished it, I think, it would come to Rs. 4 crores. So, we do not want to spend like this on the hotel industry. It is not such a thing that it is absolutely necessary for our industrial advancement or anything of that kind. That is one thing that struck me on reading the Bill.

There is another thing, at the end of the Bill, the insertion of a new section 38A—clause 15. Generally, I do not go into small matters. They will be dealt with later on at the clause-by-clause consideration stage. But in the section 38A, I find words which should not be there—"No suit, prosecution or other legal proceeding shall lie against any Director of an industrial concern appointed by the Corporation under section 25 or section 30A for anything which is in good faith done...." I can understand that—but "...or intended to be done by his as such Director" is added. I do not know why the 'intention' was brought in here, which is to be judged by the conduct of the man. Why do you want to make it so wide? Nothing is said to be done in good faith unless it is done with due care and caution. Why put in an 'intention'? That is rather too much. I intend to do a particular thing and unfortunately, I commit a mistake. That would mean that I did not do it with caution. Do not allow the 'intention' to come in. You judge the man's good faith by his conduct. Therefore, I thought, as a lawyer, that this was an extension over the General Clauses Act or the Penal Code. Why do we want to put in an 'intention' in this

Corporation business? I do not understand. Only for these things, I got up.

SHRI J. S. BISHT: Mr. Vice-Chairman, I welcome the Industrial Finance Corporation (Amendment) Bill. It has not come a day too soon; it should have come, in fact, much earlier.

Sir, I entirely disagree with the contention of Mr. Narayanan Nair to the effect that this is premature. Of course, there are certain points on which there can, I am afraid, never be any agreement between this side and that side, viz., all their criticism is directed to the effect that there should, in fact, be no private sector at all.

SHRI PERATH NARAYANAN NAIR: No, no.

SHRI J. S. BISHT: Whatever you may say that is the tactics, that is the strategy, just to accept it, but by sideway, as it were, to make certain attacks, flank attacks, as it were, 'premature', 'This is not desirable', 'This should not be done' and all. (Interruption.) Hon. friends know that we have got an Industrial Policy Resolution which has also been revised last year, in 1956, and that has been accepted and endorsed by both the Houses of Parliament and I believe that is today the accepted policy of the people of India. There is the Schedule A which reserves a certain field for the State and that is what is known as the public sector. And besides this, there is a larger field which is left to the private sector. Now the private sector can function only if there is a favourable climate for it. You cannot grow apples in Delhi. Similarly you cannot encourage or make the private sector flourish if you put in all these obstructionist tactics there and delay its development. I do not know—my hon. friend Mr. Narayanan Nair comes from Kerala—but at least we learn from the speeches made that the Chief Minister, Mr. Namboodiripad, is very anxious that private capital should

come for investment in Kerala, not only private capital, but even foreign capital. That is what is said. But one of their spokesmen here says now that this Industrial Finance Corporation (Amendment) Bill is premature. I do not know whether in the words of Mr. Orwell it is double thinking. What do they mean? We are accustomed to this sort of communist propaganda.

DR. R. B. GOUR: Sir, I think the hon. Member is trying to misread our statements. We do not want the private sector to dominate or to loot. Let it work within certain limits.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): Order, order.

SHRI J. S. BISHT: My hon. friend is merely getting jittery after hearing me. But we listened to them very patiently although we knew that they were trying to mislead the House and the whole country by saying that we are trying to push ahead the private sector at the cost of the public sector. I am only reminding the hon. Members of the Industrial Policy Resolution. What I was saying is this. When you form a Government in a particular State and you find yourself in a particularly tight corner with regard to industrialisation, you come out in the open and say that you will encourage the private capital. But when we bring forward a Bill in order to help that private sector you say "No, no. It is premature and it should not be done, it will be harmful." What I submit is this. Let us have a clear-cut policy in regard to that thing. Either you want the private sector or you do not want it. We know that you do not want it. No communist party or Communist Government wants it. If they want it for some time, it is merely a question of strategy until gradually the whole thing is totally wiped out. So, there can be no common ground with them on this particular point.

Sir, the Bill in clause 6 says:

"guaranteeing on such terms and conditions as may be agreed upon,

[Shri J S Bisht]

deferred payments due from any industrial concern in connection with its import of capital goods from outside India:

Provided that no such guarantee shall be given without the prior approval of the Central Government,"

Now this is a very wholesome provision. I am sorry to say that my hon. friend, Mr Kishen Chand who is still an industrialist himself . . .

SHRI AKBAR ALI KHAN. He is a socialist.

SHRI J S BISHT. That is for party purposes. We have got many purposes. So for party purposes he is a socialist, but actually he is a capitalist. Now he says that this should not come because it will in some way or the other make our foreign exchange position very difficult. I do not know what is the logic behind it. Now today, as we all know, we are badly in need of foreign exchange and we have got no foreign exchange. Of course, we have got tea, jute and several other things which we are exporting, but that is not sufficient. And in a growing economy, when we are developing our economy, the import of capital goods, especially in the form of plant and machinery, has become necessary, and therefore we should enter into some sort of arrangement by which we can import those goods. Otherwise the only alternative is that until our foreign exchange position improves, all our further development in the country will come to a dead stop. I believe that is not what my friend, Mr Kishen Chand, wants. Now there is the question of deferred payments. Instead of paying all cash down, you spread it over a number of years, that is to say, you pay one instalment this year, another in the next year and so on and so forth. My friend asks: What will happen after five years? I say that nothing will happen. In the fifth year only the fifth instalment will be due, and the whole thing will go on. In fact the Government of India was very

wise when it said "Let it be seven years". But we cannot dictate in these matters. As rightly pointed out by Mr. Parikh, it is only those people who are the sellers of these plants and machineries and who have the whip-hand in this matter, who can dictate. After all, let us disabuse our mind on one point, and it is this. We somehow think that we are a favoured nation and that the whole world should come and help us with all sorts of goods and things. But let us also put ourselves in the position of other countries. They also consist of common farmers, workers, wage earners and middle class men and they pay taxes like us to their Governments and they also are manufacturing so many things. Now we can go and ask for those things only as a business deal. The people in America or Germany or Russia or England do not owe us a living; they are not obliged to us in any manner; they are not obliged to help us in any way, whatever arguments we may advance. Whether we are wanting goods from China, Russia or anywhere else, we have got to enter into some sort of an economic treaty or a contract in terms of law with them by which we can secure certain goods which we badly need and we can give some *quid pro quo* for all that in the form of payment. Now Sir, we have got no foreign exchange, and they want payment either in dollars or in sterling. We have got neither dollars nor sterling. Then what is to be done? And we do not want that all further development should come to a stop. Therefore we have got to enter into this arrangement which is a very good arrangement. This arrangement is called the deferred payment system. I therefore do not know why my hon. friend, Mr Narayanan Nair, thinks that it is premature at this stage when we in fact need it very urgently and there is a very emergent need for it at this time.

Now, Sir, there is only one point which I shall ask the Deputy Minister of Finance to answer. It says here: "guaranteeing on such terms and conditions as may be agreed upon;

deferred payments due from any industrial concern—". Now does it mean that this guarantee that will be given by the Industrial Finance Corporation will be in terms of the Indian rupee, or will it be in terms of sterling or in terms of dollars? That point must be cleared. For instance we are asking for certain goods from Western Germany. They want payment in sterling. They do not want it in rupees. Then will this Industrial Finance Corporation guarantee the payment in terms of sterling? And then we have got clause 8 also. So the point that I have referred to has got to be clarified. It has not been clarified in his speech today. So I want this position to be made very clear. We want to know whether the Industrial Finance Corporation will guarantee such payments in terms of the currency in which we have to pay to the sellers of that particular plant or that particular machinery.

SHRI P. D. HIMATSINGKA: These are the terms and conditions as between the Corporation and the parties.

SHRI J. S. BISHT: I want it to be made clear. After all your Industrial Finance Corporation is a rupee corporation. So I want to know whether they will guarantee that, and if they will guarantee, then what will be the terms and conditions?

Then, Sir, there is another point which was also raised by my hon. friend, Mr. Parikh. That is with regard to sub-clause (4) of clause 8 which says:

"(4) Any loss or profit accruing in connection with any borrowing of foreign currency under subsection (1) for the purpose of granting loans or advances to any industrial concern or concerns or its repayment on account of any fluctuations in the rates of exchange shall be reimbursed by, or paid to, the industrial concern or concerns, as the case may be".

Now that is a very important point. For instance, in Western Germany today you have to pay, over and above the price which they fix, almost right upto 12 per cent. in the shape of interest and insurance charges. That is a pretty heavy sum. But it is not so heavy as my friend, Mr. Kishen Chand, wants to make out, because he must know one thing, which I think he probably knows very well, being an industrialist. When you order a plant of, say, a crore of rupees, it may be that the foreign exchange item may be of, say, Rs. 60 lakhs and the other Rs. 40 lakhs component may be represented by the things that are manufactured in India by their own agents or by some other Indian concerns. That is my rough calculation. It may be between Rs. 30 and Rs. 40 lakhs in India and the balance outside. Only Rs. 60 lakhs we have to have from outside, and on that the rate of interest will be, as I said, 12 per cent. or so. But now, on top of that, what the hon. the Deputy Minister for Finance wants is that he wants to saddle these industrial concerns with the losses that may be incurred owing to the fluctuations in the rate of exchange which, as Mr. Parikh said, cannot be guaranteed. What will be the exchange rate between the rupee and the sterling, say, in 1962, nobody knows and nobody can say. So, it is the duty of the Government to devise some means in order to see that these fluctuations are covered or cushioned by some other process. As I suggested, there may be an exchange equalisation fund or an exchange fluctuation fund, whatever you may call it. Sometimes there may be losses, sometimes there may be gains; no one can guarantee. This also you must consider that the State stands to gain by it on the whole. Mr. Kishen Chand made out as if the Government will lose. How will it lose? Every industrial concern put up here makes a profit or it will make a profit. There, the biggest shareholder in that is the State. Out of the total profits, in income-tax, super-tax, corporation tax, etc., nearly 75 per cent. comes to you.

[Shri J. S. Bisht.]

You are a three-fourths share-holder in the profits of every industrial concern. So, it is up to you to see that there are no losses. If they lose, you lose everything. You lose your income-tax, etc. It is not only the entrepreneurs who lose; it is you who lose; it is the State which loses. That is why you will probably remember that after the First World War in Japan the Government itself took special measures in order to encourage trade, export, everything. All sorts of measures were taken—fiscal measures, guaranteeing shipping freight—exchange equalisation fund, and all that sort of thing. Therefore, I am not really happy about this particular clause, and I entirely endorse what my friend, Mr. Parikh, said, and I hope that the hon. the Deputy Minister for Finance will look into this and try to create some system by which this sort of loss is not saddled on the private industry which is already working under such heavy handicaps.

With these remarks, I support this Bill, which is highly desirable.

SHRI P. D. HIMATSINGKA: Mr. Vice-Chairman, I wholeheartedly support this measure, and the criticisms that have been levelled against it, to my mind, arise from a misunderstanding. After all, this Bill is an enabling Bill to enable the Industrial Finance Corporation to extend its working if they so like and if occasion arises. It is not that, because hotels have been mentioned, loans must be given to hotels, in preference to other more pressing demands which exist.

[MR. DEPUTY CHAIRMAN in the Chair.]

All these clauses which are now intended to be inserted in the Act merely give wider powers to the Industrial Finance Corporation to be more effective, to be more useful, and to utilise its funds from time to time in useful undertakings, undertakings which will have been previously sanctioned by the different departments of the Government which

thoroughly examine all schemes that are placed before them and then grant import licences, etc. As you know, nowadays you cannot import even a pin unless you get a licence for it, and when an application for a licence comes up, the different departments examine the application very thoroughly, very carefully, they examine the price structure, the necessity of that concern in the country, whether it fits in with the Plan or does not fit in with the Plan, whether it is necessary or not, and so on. All these preliminary points which need examination are gone into before a licence is granted. Then the party who gets the licence has got to negotiate with the suppliers of such machinery or plant that may be required. There, also, generally the Government takes into account the price that is being offered. It is not that the purchasers are blind. The purchasers take pretty good care to see that they get things at the cheapest rate, that they pay the minimum price possible. They make enquiries from different suppliers and then only enter into a contract. Then, the Government sometimes examines whether the prices that have been offered by the exporters are reasonable. Therefore, there is not the slightest risk that people would pay any price that is demanded, and that the Government would be deprived of foreign exchange and so on.

Then, the complaint that was made by Mr. Narayanan Nair against the Corporation is, I think, a belated one. There may have been some misunderstanding about some of the applications in the beginning. Those who know something about the working of the Corporation in the last two or three years will certify that perhaps they take more care than is necessary, that they go into facts and figures a little more minutely than perhaps they need to, and therefore, there is not much occasion for any criticism being made on the score that they carelessly grant loans or that any loan application is being passed without proper care and without proper precautions being taken that the scheme

is sound, that the money that is advanced will be coming back in terms of the agreement that they enter into. It is not that money is being dissipated and loans are being granted to persons who are perhaps not entitled to receive it or who do not deserve it. I do not think that this charge can be levelled against the Corporation at the present time at any rate.

The other charge that this is not necessary at the present time is also to my mind not correct. There is very great demand on the finances of the Corporation and as a matter of fact, a number of applications cannot be met by them, because they have not got any funds. If you make any application for any scheme that may be essential to meet the requirements of the Second Five Year Plan, they have not got the money, and therefore any latitude that we give them to borrow by guaranteeing it or otherwise, will be a great help to the industrial development of this country. As a matter of fact, our foreign exchange position also is difficult not because our foreign exchange has been dissipated but because the country is making very rapid progress, it is expanding its industries much quicker than what its finances would permit. If you do not want this, if you merely sit tight, this position will certainly ease. What will be the position if you do not import capital goods, if you do not manufacture consumer goods? By not importing those capital goods, you will have to import consumer goods. Therefore, you will always go on destroying your finances by the import of ordinary things which you can perhaps manufacture here much cheaper. Take the case of steel. Steel produced in India is the cheapest in the world and if we have no good steel plants, well, we will go on paying much more throughout but the same case happens in piece goods and sugar and various other industries which have now become

self-sufficient and the country is in a position to export rather than import which they had been doing a number of years ago.

Then, Sir, another point that was taken up by my friend Kishen Chand was: Why should the Industrial Finance Corporation guarantee deferred payments? If the Finance Corporation is entitled to lend money in cash, I do not see how they will be in a worse position by guaranteeing. In a cash advance you pay out the money but in a guarantee at least the party can put pressure on the borrower if the borrower fails to pay. Therefore, I do not see how could the guarantee be worse than lending the money in cash. I do not see what difficulty there can be raised on the question of guaranteeing by the Finance Corporation. As a matter of fact, Sir, as you know, the present policy of the Government is not to allow any import of capital goods or any other thing unless the importer can arrange what is called long-term payment. deferred payment and most of the suppliers are now agreeing to 5 to 7 years' period and therefore there also the Finance Corporation will be in a much better position because it may be that the difficulty arises three or four years after four or five instalments have been paid by the party and therefore the security will very much vary than when the money is advanced. Therefore, instead of lending the cash money at the first instance, guarantee still is a safer position than it would otherwise have been. Then, again, it is not that they will guarantee outright. In cases where they are not satisfied they will have the prior approval of the Central Government. In certain cases they will ask for guarantees for the payment of the principal and the payment of interest by the Central Government or State Government or a scheduled bank or a cooperative bank. Therefore, all possible precautions will be taken I hope and there is no doubt that this provision that

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is intended to be added is certainly
a salutary one.

Then, Sir, so far as some of the clauses that have been objected to are concerned, I think, Sir, I will ask the Finance Minister to examine whether Clause 5 is not wrong. To me it seems that the words have been wrongly placed. "Deposits from the public" are intended to be substituted. It must be "deposits from any State Government or local authority." "Deposits" has come afterwards; it ought to precede. The Section reads: "The Corporation may accept deposits from the public repayable after the expiry etc..." and now it is intended to replace the words "deposits from the public" by the words "from any State Government or local authority, or any person deposits". It will be meaningless. The word "deposits" must come before the words "from any State Government or local authority, or any person". I think it must be a typing mistake but if it is left in this form it is certainly wrong and needs examination.

So far as the other portion of clause 8—I mean sub-clause (ii) of Clause 8 which provides for a new clause in place of the existing clause (4)—is concerned I think, Sir, if clause (3) of the existing Section remains as it is, that is to say, if the Corporation borrows money from a foreign company, either the International Bank for Reconstruction and Development, as is being added by clause (i), if it lends the money in the form of Indian currency, I do not see, Sir,—as has also been objected to by Mr. Parikh and my friend Mr. Bisht—why should they then propose the new sub-clause (4)—"Any loss or profit accruing in connection with any borrowing of foreign currency under sub-section (1) for the purpose of granting loans or advances to any industrial concern or concerns or its repayment on account of any fluctuations in the rates of

exchange shall be reimbursed by, or paid to the industrial concern or concerns." It provides that if there is any profit it will be paid to the industry. If there is any loss it will be paid by the concern to the Corporation. If the lending is in the shape of Indian currency, the Corporation would be entitled to be paid in Indian currency. Therefore, I think either they lend in the form of foreign currency and then they will be entitled to the profit; they will be liable for the loss or profit. But if you lend in the Indian currency, certainly you will be paid in the Indian currency. That seems to me to be a logical proposition and I think the hon. Finance Minister should examine the position.

MR. DEPUTY CHAIRMAN: It is there in the original clause.

SHRI P. D. HIMATSINGKA: "Any loss or profit accruing to the Corporation in connection with any borrowing of foreign currency under sub-section (1), or its repayment on account of any fluctuations in the rates of exchange shall be reimbursed, or paid to, the Central Government, as the case may be". There it was payable by the Central Government and payable to the Central Government. Now the alteration suggested is payable to the concern which borrows and payable by the concern which borrows. That is to say, if there is any loss, the party concerned will be called upon to pay; if there is any profit, that will go to that man. I do not see any difficulty and specially if the Finance Corporation will be guaranteeing any payment then the question of loss and profit does not arise because it is the borrower who has to pay and if he fails to pay, if he has to pay a certain amount at the time the question of payment crops up, whatever be the amount payable that will have to be paid by the party and they will simply guarantee. But this clause, as it appears to me, Sir, does not appear

to be very happy especially when by lending in Indian currency you want repayment in foreign currency.

With these remarks, I support the Bill.

SHRI H. N. KUNZRU: Mr. Deputy Chairman, our hon. friend Shri Bhagat in commending this Bill has placed certain figures before us. I listened to them with great interest particularly to those relating to the loans given by the Corporation. So far as I remember, he said that during the last nine years, that is, since its establishment, the Corporation had lent or sanctioned loans amounting in the aggregate to 55 crores. The paid-up capital of the Corporation is about Rs. 5 crores and it has reserves amounting to about Rs. 24 lakhs. Since the Corporation can borrow up to five times the paid-up share capital plus the reserve fund, it could borrow up to Rs. 27 crores. I suppose, therefore, that the limit up to which it can lend was also the same, that is to say, Rs. 27 crores. Yet it sanctioned loans to the tune of Rs. 55 crores. How has this been done? If this was done presumably under the existing law, why is it necessary for the Government to come before us with this Bill?

SHRI KISHEN CHAND: They have drawn only Rs. 22 crores.

SHRI H. N. KUNZRU: If industrialists come to the Corporation with proposals and they are sanctioned by the Corporation and after being sanctioned by the Corporation they do not materialise, then something ought to be done to place the Corporation in a position to know whether the applications for funds that it is receiving are genuine or not.

Again, Sir, whether all the loans sanctioned have been drawn or not, it is clear, if what the Corporation had done so far was legal, that it could sanction loans up to a much

greater amount than five times its paid-up capital plus reserve fund. If that be so, why should it be necessary for Government to come before the House with this Bill? Unless a satisfactory explanation of what has been done up till now by the Corporation can be given, I do not think this House will be justified in agreeing to the proposal that the Corporation should be allowed to borrow up to ten times its paid-up capital and the reserves.

The next point that I should like to refer to is the extent to which the private sector is going to be helped. Since the projects that have been assigned to the private sector form an integral part of the Five Year Plan, there can be no objection, I hope, to lending money to the private sector in order to carry out that part of the Plan which has been made its responsibility. But we know that the Plan is under revision. We were at first told that the Plan was not too big. Then we were told that only the hard core of the Plan would be carried out. Now we hear that some non-essential parts of the Plan are going to be cut down. We do not, therefore, know where we are. I have no doubt that in a short time the Government will decide what are the essential features of the Plan and I suppose this will include . . .

(Interruption)

I could not hear what the hon. Member said. I suppose this revision will also involve a revision of the plans in the private sector. If it is so, why could not the Government wait till it had come to a decision with regard to the projects that are to be carried out, notwithstanding the difficulties that we are up against?

While on this question, I should also like to know what is the amount really, of the guarantee? What is the extent up to which the Corporation is to guarantee the repayment of loans? I take it they are foreign

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loans and they are foreign loans which are given on the understanding that their payment is to be deferred for a certain period. One answer is obvious, and that is that the Act fixes the limit up to which the Corporation can advance money. Secondly, the previous approval of the Central Government will be necessary in order to guarantee that loan. But all this means that the matter is completely in the hands of the Government. We are asked to approve of this Bill. We are, therefore, incurring a heavy responsibility and yet Shri Bhagat has not said one word about the maximum extent to which assistance would be required by the private sector in order to fulfil that part of the Plan which has been assigned to it.

Sir, there is one other thing that I should like to have information about. The Plan is being cut down or shall I say, it is being revised . . .

AN HON MEMBER: Re-phased.

SHRI H. N. KUNZRU: . . . or being rephased—I do not know which word Shri Bhagat will approve of. Well, it means that the expenditure is going to be reduced, partly because the necessary foreign exchange is not available and partly I suppose, because of the upward fluctuation in prices, Government, we know, is greatly concerned about the rise in prices and it is necessary to know which of the projects included in the private sector will be carried out in order to know what effect the rupee portion of these projects will have on our economy. We want to have some idea of the total rupee expenditure that would be incurred when the private sector gets the portion of assistance that it wants, because it will affect the trend of prices in the country. I listened attentively to Shri Bhagat and I expected him to say something on this point. But he has not referred to it even indirectly. He

wants us to be content with the assurance or rather with the provision to be laid down in the Statute, that no loan would be guaranteed except with the consent of the Central Government. But what has happened up to this time is entirely due to the policy and action of the Central Government. Therefore, we want some better assurance than that the Government will look into all these things. He ought, therefore, to tell us who are even more concerned than the Government with the rise in prices, as to what will be the rupee portion, what will be the rupee expenditure to be incurred in connection with the projects for which foreign loans will have to be taken, because we want to have some idea of the impact that they will have on our internal economy.

Now I would like to say a word about the complaint that the industrialists are going to be unfairly saddled with the loss that may have to be incurred on account of exchange difficulties.

Sir, I do not understand this difficulty at all. The Government of India is unable to supply the amount of foreign exchange that is required because of the size of the Plan. Now, have the industrialists at any time said to the Government of India that the Plan was too large and that it should be reduced?

SHRI C. P. PARIKH: Yes, so many times.

SHRI H. N. KUNZRU: They have never done so. Indeed, when the Plan was formulated, they thought that the plan may be still bigger. Their complaint was that the share assigned to the private sector was smaller than it should have been, not that the total size of the Plan as a whole should be reduced. Are they satisfied with the size of the Plan as it is? I have yet to know, yet to read the speech of any industrialist who has asked the Government of India to reduce the size of the Plan.

SHRI P. D. HIMATSINGKA: A large number of them have said so.

SHRI H. N. KUNZRU: Did Shri Ganshyam Das Birla say so?

SHRI P. D. HIMATSINGKA: He has said so and he has also written.

SHRI H. N. KUNZRU: I have not come across anything. Here, the National Development Council, the Panel of Economists and the industrialists have been encouraging the Government to go in for a bigger Plan and when this Plan results in exchange difficulties, the representatives of the industrialists come forward and say, "There is loss on account of the shortage of exchange. Government should bear it. It is most unfair that Government should ask us to bear the loss." I think, Sir, that Government is perfectly justified in the present situation and also in view of the size of the plan that has been undertaken to ask the industrialists to bear the loss themselves. I do not think, Sir, that there is the slightest ground for any complaint in regard to this matter.

Lastly, Sir, I should like to refer to the definition of "processing" that has been given in the Bill. That has been admittedly given in order to enable the Corporation to lend money to many more concerns than it can do at the present time. Shri Bhagat gave us an example to show how the scope of the assistance that the Corporation can give in future could be widened if this definition was accepted. He referred to what he called the hotel industry. Perhaps the Government desires to encourage the hotel industry because it thinks that to the extent that the number of tourists to this country increases, there will be an increase in the amount of foreign exchange earned by the Government. Well, Sir, if that is the hope of the Government, we should be told really what the expectations of Government are. We

should not merely be left with the statement made by Shri Bhagat which, as it is, will certainly not incline anybody to agree that the Corporation should lend money to any concern which wants to set up a hotel.

SHRI B. R. BHAGAT: May I intervene for a minute? The Estimates Committee in their Report suggested that the Industrial Finance Corporation's scope for lending money should be increased so as to provide assistance to the hotel industry in order to earn more foreign exchange.

SHRI H. N. KUNZRU: The Estimates Committee did that but we know what the complaints with regard to the Ashoka Hotel are and until Government is able to show that the Ashoka Hotel is running at a profit, it should, I think, fight shy of coming to the House and asking for grants for setting up more hotels.

Sir, I should like to say, before I sit down, that I am not opposed to assistance being given to the private sector for fulfilling the purposes that are part of the second Five Year Plan. I think that to the extent the private industrialists are taking up a part in building up the economy of the country they deserve to be helped; nor, Sir, do I deprecate the manner in which the Corporation has of late been carrying out its responsibilities. The year 1956-57 is the second year in which the Corporation has not had to approach the Government for the payment of the minimum dividend on its capital. In fact, I think the Corporation deserves a word of praise for its successful working during the year which has just come to a close. If I have nevertheless criticised the Bill before us it is on grounds other than those connected with the working of the Corporation or the desirability of helping the private sector to fulfil its responsibilities and I hope that

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the Government will give us satisfactory answers to the points that have been raised and not merely use its party strength to push the Bill through.

DR. P. J. THOMAS (Kerala):
Mr. Deputy Chairman, much has been spoken about the merits and defects of the Bill, and I do not want to go over the whole ground. The last speaker, my esteemed friend, Shri Kunzru, also raised the whole question of the Second Five Year Plan, but I do not like to go into such wider issues. Having heard all that has been spoken with an open mind, I feel that on the whole I can give our support to most of the clauses of the Bill, because the needs of our time require it.

Now, one important point raised was regarding the private sector. I am not a spokesman of the private sector, nor am I against it. We do want this country to be industrialised as quickly as possible, and this can happen only if the private sector is made sufficiently active because our Government, working on a democratic basis, may not be able to push on very actively with such work. Their hands are already filled with some of the important basic industries, particularly security industries, and I do not think they should or could do much more. We have got very competent industrialists to run the private sector. This has been shown in the past. But these industrialists have to be assisted with capital.

In this connection, I have to say that some of these industries are not worked on the capitalist basis. There are several co-operative units also. Probably my friend, Mr. Narayanan Nair does not know, or perhaps he knows, that a large number of co-operative factories have been or are being set up, especially in the field of sugar. There are many in Bombay, and some in Mysore and Madras. Now, with these factories work-

ing on a co-operative basis our private sector is gradually changing from the capitalistic pattern to the co-operative. Help has been given by the Industrial Finance Corporation to such concerns and this help has to become real and effective in future. This legislation can help substantially in this matter.

Another point that I wish to place before the House is that at the present moment capital and capital goods are in short supply all over the world and, therefore, the prices of such goods have also gone up. The demand is very great and we cannot get them easily. In Europe, many countries are friendly to us; West Germany has been very helpful and I am sure other countries also have been and will be. But prices have gone up and we cannot pay cash for all the goods needed. We have to get them on credit and unless we give proper guarantees, we cannot manage this. Therefore, in a situation like this, we have to give to the Industrial Finance Corporation special power to give guarantees. Of course, the Government of India and the State Governments are behind that and they will look into the matter. And I am sure that Parliament will have occasion to look into the matter from time to time. But powers have got to be given, because we do want these industries to start early and thereby give employment to large numbers who are unemployed all over the country.

Now, there are several other points; I do not want to prolong my speech. I do agree with some of the points raised by my esteemed friend, Dr. Kunzru, and also by other speakers here, Mr. Bisht and the well-known industrialist, Mr. Parikh. I do agree with them that some of the clauses require further explanation. I am sure that it will be done by the hon. Deputy Finance Minister and that anxious thought will be given to these matters. At the same time, I want to give support to this Bill

because we do want more industries to be set up.

As Dr. Kunzru just now pointed out, the I.F.C. has been doing fairly well during the last few years and we have to give it our support so that it may be enabled to give the capital required by the industries. I am sure also that ultimately the competent board of the I.F.C. will be able to give advice and put some control over these industries and thereby evolve some kind of controlled capitalism in the country, as also co-operative management.

So, on these grounds, Mr. Deputy Chairman, I agree generally with the clauses. At the same time, I might say that the inclusion of the hotel industry, to me also, is of rather doubtful value. After all, we should devote our capital more for industries that are of a basic type. Hotel industry is not of this kind; really it is a trade rather than an industry. Anyway, I hope that more of our finances will not be used for hotels like the Ashoka Hotel. After all what is required more now is production of goods which can be exported and which are needed for consumption in the country. Therefore, Sir, with some small reservations I support the Bill.

SHRI B. R. BHAGAT: Mr. Deputy Chairman, I am very grateful to the hon. Members who participated in this discussion. But for one or two hon. Members who totally opposed this measure on different grounds, I got either full-throated support or qualified support for this measure. Even a senior Member of the House, Dr. Kunzru—who chose to participate in this discussion and was very harsh on one or two aspects of the measure, or on one or two aspects of the policy of the Government—did speak very commendable words about the working of the Industrial Finance Corpora-

tion, particularly in the last few years. I would like to say this to Dr. Kunzru about the policy matters that he has raised—for example, before bringing such a measure the Government should have given a clear indication about what they think to be the targets of the Plan; or, if the Plan is to be pruned or revised or rephased, there should have been a clear indication. As the House is aware, this Bill was introduced in the last session and for lack of time it could not be taken up. A few months ago the Government was faced with a situation in which the industrialists in the country came up with a proposal that, for replacements or expansion of or for setting up new undertakings as provided in the Second Five Year Plan, they had some difficulties. The difficulty they encountered was that the suppliers or exporters in other countries wanted some guarantee against any risk or against any loss that they might incur. So, they were faced with a very real difficulty. Then it was thought that there should be a mechanism of such guarantee. Although the guarantee is a good thing in principle, there could be several mechanisms for providing such a guarantee. And that mechanism could have been either the scheduled banks or some other institution, the State Bank, the State Finance Corporation or even the State Government in which the particular industry may be located. They might provide the guarantee. But looking to the pros and cons and seeing the needs of the industrialists here as well as the suppliers, it was thought and Government accepted in principle that it would be better if a semi-Government institution like the Industrial Finance Corporation—which has considerable experience of financing, which has some experience about the industrial undertakings or the running of industries—took up the work of giving guarantee. So, it is purely as a mechanism that it was thought of. The question of economic policy or the question of

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industrial policy—of course as a remote issue—can be raised, because anything that is linked with the Second Five Year Plan . . .

SHRI H. N. KUNZRU: I am sorry to interrupt. My hon. friend is mistaken. I am not criticising the mechanism of the Plan. I am criticising the want of information with regard to the maximum extent of the assistance that will be given. Had there been no such Bill before the House, and the Government had said to us directly that it was going to guarantee certain loans, the same question would have arisen.

SHRI B. R. BHAGAT: Assistance to whom?

SHRI H. N. KUNZRU: Assistance to the private sector, in order to get the foreign exchange required by it.

SHRI B. R. BHAGAT: That is where I want to join issue with him. I am saying that all that is provided in this Bill is that the I.F.C. could give guarantee to facilitate certain deferred payment agreements. But actually what deferred payments will be agreed to depends on the Industrial policy or the economic policy followed in the Second Five Year Plan. Before an importer comes to the I.F.C. for any guarantee under the deferred payment arrangement, he has to get a licence. And it is for the Licensing Committee or the Capital Goods Committee to say that in view of the foreign exchange situation, for the implementation of the Second Five Year Plan, or within the four corners of the industrial policy that the licence can be given. So, actually I do not know what the hon. Member wants me, at this stage, to give an indication of. What assistance will be available to the private sector, it is not for me to say here, because it depends on each agreement. Deferred payment arrangements are agreed to even to-

day. I can say that even in the absence of any guarantee by the I.F.C. or by any other institution, from January, I think up-to-date, deferred payment arrangements have been made available for about Rs. 60 to Rs. 70 crores. In some cases, the guarantee has been given by the scheduled banks or the State Banks. Some rudiments of such guarantee are there. The only concrete figure of any assistance under this scheme of deferred payment that I can think of is that about Rs. 60 to Rs. 70 crores—maybe a few crores more—worth of deferred payment arrangements have been made available during the last few months of this year.

Sir, I was only pointing out that this is not an occasion to enunciate or pronounce a Government policy. The other House is already discussing the Plan. This House may also choose to discuss the Plan. The Planning Commission or the Prime Minister or the Finance Minister, whoever lays down the policy, will very clearly and concretely give the Government policy, what would be the targets of the Plan, how the Plan has to be phased or pruned. I think that will be done to the fullest satisfaction of the hon. Members. What I am pleading is that this is not an occasion for me or the Government to give any indication of the economic policy or the industrial policy and much less the targets of the Plan and the pruning or the revision or the rephrasing of the Plan.

The hon. Member Dr. Kunzru made a point about the total loan assistances sanctioned by the Industrial Finance Corporation. Actually there are two points of view which have been mentioned by the hon. Members. The hon. Mr. Narayanan Nair said, "What is the need for this Bill? Why do they want to have increased borrowing powers as they have got surplus money? They have not used it, and why do we want to

increase their borrowing power?" The other point which Dr. Kunzru raised is that the Corporation has gone beyond its limits, that it has sanctioned Rs. 55 crores. Actually according to the mechanism of the Act they could have sanctioned up to five times the paid-up capital and reserve. Sir, if you look at it from that point of view, I say that there is something in the remarks made by him. But actually if you see the working of the Corporation—I gave figures for the last two years, and I would ask you to project in your mind the situation of the capital market, the money market, and the whole tempo of industrial and economic activity in the country—you will find that the Industrial Finance Corporation was flooded with a large number of applications. In the Parliament and in the Committees there were criticisms that the Corporation was going very slow. The rules and regulations and the legal framework are such that actually the disbursement of the loans is very very slow. But during the last two years when the momentum gathered, the machinery of the Corporation started functioning a little more rapidly. There were a large number of applications, and it is a fact that actually after going through each scheme, the Corporation sanctioned loans up to Rs. 55 crores. If you look at it from a purely legalistic point of view, they should not have done so, because the framework provides that they should not have gone beyond Rs. 27 crores or whatever the figure may be. But there is a difference between the sanctioned loan and the loan disbursed actually. The loan disbursed actually is Rs. 29 crores.

SHRI J. S. BISHT: What was that? Rs. 22 crores you mentioned before.

SHRI B. R. BHAGAT: I am speaking of Rs. 55 crores loan sanctioned. Rs. 29 crores are loans disbursed. Then about Rs 16 crores—I am

founding off the figure—are the outstanding applications for loan.

SHRI KISHEN CHAND: Rs. 22 crores are outstanding according to the balance sheet given here.

SHRI B. R. BHAGAT: That may be up to 30th June. As a matter of fact whatever commitments are there, the Government has been good enough and the Life Insurance Corporation has been good enough to provide the money. If they want to make use of the loan that may be advanced by the Central Government or by the Life Insurance Corporation, or they want to borrow money from the other institutions provided in the Act, there are only two courses open: either the paid-up capital has to be increased or the multiple has to be increased; and for reasons given we thought that the multiple should be increased to 10. So, Sir, I think that even on that score it is more an evidence of the increased activity and efficiency of the Corporation, although from a purely technical and legalistic point of view the Corporation should have restricted itself only to the figure provided by the multiple of the paid-up capital.

SHRI H. N. KUNZRU: On the basis of the argument urged by my hon. friend, even the power now being given to the Corporation to raise funds will not be enough. It has already sanctioned loans up to the tune of Rs. 55 crores which is more than ten times of Rs. 5.4 crores which is the total of the paid-up capital and reserves.

SHRI KISHEN CHAND: It will come to Rs. 57 crores.

SHRI B. R. BHAGAT: There will be repayments. There are about Rs. 8 crores loans which have not been availed of. It may be that at a later date this sum may be enough. But it is the Government's policy that the Industrial Finance Corporation should have a programme. Although it is a fact that in the Second Five-

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 Year Plan Rs. 15 crores was provided for the Industrial Finance Corporation, only in the second year of the Plan the Corporation is in a position to exhaust all the money if another Rs. 5 crores is provided. It may be, as Dr. Kunzru says, that even with the increased multiple Rs. 50 crores may be enough later on. Actually in future that might be the case, I do not know. My only point is that so far as the ways and means position of the Corporation is concerned the expectation that we have of the repayment of loans—and the loans not being used even today are about Rs. 8 crores—is Rs. 47 crores. In future there will be more repayment because the loans are due for repayment. In case the House decides that the activities or the horizon of the Corporation should be enlarged, then it may be we will have to come up to Parliament for an amendment of the Act itself, but as it is we want to have a four or five years' programme in which the activities of the Corporation may be kept within the limit of the funds that may be available to it from all sources.

Another point made was about the risks and fluctuations of the exchange rate. A number of hon. Members made this point.

SHRI J. S. BISHT: Have you dealt with clause 6, or are you coming to it later on? I raised the point whether the guarantee is in terms of rupees or pounds sterling or dollar.

SHRI B. R. BHAGAT: I have noted that point. I thought that was a small point. That needs a brief reply. The guarantee will be in terms of rupees generally. That will be the normal procedure. That will be in terms of rupees, unless some suppliers insist on a guarantee in their own currency. If the Industrial Finance Corporation is satisfied about the scheme, its profitability, its importance and about other things, and if the Government approves that that particular scheme

needs that the guarantee be given in the foreign currency, that is not precluded. But the normal guarantee would be in terms of rupees.

SHRI J. S. BISHT: Rupees?

SHRI B. R. BHAGAT: Yes, rupees in terms.

4 P.M.

Sir, as regards the fluctuating risk, a point was made—why should the industries or borrowers or the individual parties be allowed to bear the risk? It was said that they would be prepared to pay the money. I think it was implied that it is because the Government fails to provide the foreign exchange at that particular time, it should be the responsibility of the party, and it is in fairness that the risk should be borne by the Industrial Finance Corporation or the Government. The point is not that. As I said, even today, deferred payment arrangements are being negotiated and entered into. Rs. 60 or Rs. 70 crores worth of deferred payment arrangements have been gone into without a guarantee. Who bears the risk? Obviously, the individual parties, and they willingly do so. The Bill seeks to apply the same principle. And I know, that the individual concerns, when they enter into such deferred payment arrangements with their foreign suppliers, will go into the question of the profitability, the importance of the industry and other things. Although the industrial enterprise is a risky venture, they take the risk, because that is the essence of profit. I think that it would not be fair for the Industrial Finance Corporation to be saddled with this burden. The I.F.C. has come in just to provide confidence to the foreign suppliers and to facilitate such flow of capital into the country and by itself, it is an important link in the mechanism by which the deferred payment arrangements will be negotiated. By and large, the individual parties and concerns which will negotiate such deferred payment arrangements will be able to bear this because the

profit and other things in them will be normally quite high.

SHRI J. S. BISHT: Do you rule out the constitution or the method by which this thing is done?

SHRI B. R. BHAGAT: I would only request the hon. Member to bear with me; I have not completed what I wanted to say about this particular matter. I would say that I do not rule out any arrangement. As I said while making the motion, there might be some insurance scheme or some scheme by which such arrangements, such risks, may be covered. There are some such risk insurance schemes, as the hon. Member mentioned, in Japan. They have all sorts of schemes by which export promotion and other risks are covered. Similarly, we will have to do. But, as I said, that requires a detailed examination. We have to get the experience of other countries. A number of institutions are there, like the Reserve Bank, and they have to be consulted. Even as regards the details of these deferred payment arrangement schemes, I confess that some of the points or some of the doubts expressed by some hon. Members were there, because this being an enabling measure, we did not provide for any details. Some of the doubts expressed were in the mind of the Government also. But we can go ahead with details on a scheme only when we have the powers. There are other institutions. There is the Reserve Bank; there are the scheduled banks. The State Bank has given some guarantee on deferred payments. So, with the knowledge of the experience of other countries, all these schemes are being organised. There are a number of other points—how much would be the amount available for improvement, what would be the margin on that, on what basis the guarantee would be given or what would be the commission charged. All these details are there which have to be gone into. Certainly, when this matter is gone into and the schemes and rules are finalised, we will come to the House and lay them before it

and take its opinion. But, as I said, unless all these details are worked out, it would be difficult for us to say what would be the picture. But we can say broadly that, as regards the fluctuation of risk, it would not be beyond the competence of Government to evolve some insurance scheme to cover the risk. So far as these deferred payment arrangements are concerned, it would be practicable to evolve a working scheme, based on the arrangements that we have gone into as well as on the conditions in the other countries.

My hon. friend, Mr. Kishen Chand, said that it would be at a very high price and that there might be an element of speculation. I may say that he is doing injustice to the profession or to the class he comes from. They are hard realists, practical people. They know how to strike a good bargain and I do not think the speculative element would be as important in this because the field is already restricted. The schemes that are negotiated are generally those in which the technical skill and know-how are of such importance that they leave out any scope for any speculative venture.

Then, a point was made about the private sector, the targets for this sector. It was said that the private sector has already achieved its target and the hon. Member rather exaggerated my ingenuity to come out immediately with some facts and figures. I tried to get some facts. But, as you know, Sir, the debate on planning is going on in the other House and all the officers of the Planning Commission are there. It was not physically possible for me to get the actual figures which the hon. Member wanted me to give. But, Sir, I can broadly say, without committing myself, that it is true that in some industries or in some sectors, the private sector has completed its target for the Second Five Year Plan, but there are important industries, like cement, structurals, steel, etc., in which the targets are yet

[Shri B. R. Bhagat.]
to be achieved. So, to say that the private sector has already completed the target of the Second Five Year Plan and that they need not be encouraged, is not, I think, a very correct statement to make.

Sir, I do not know if there is any other point left. Some hon. Members made some points, but they were very ably answered by other hon. Members. (Interruption.) I do not know if there is any more point to be answered.

SHRI H. N. KUNZRU: What about the hotel industry?

SHRI B. R. BHAGAT: Sir, I am grateful to the hon. Member—he mentioned about the hotel industry. Sir, it is true that, from the point of view of priority, the hotel industry does not find a place as the other importance industries, e.g., the heavy industries or the basic industries or the steel industry, Sir, the Estimates Committee, in one of its reports this year, specifically mentioned that the hotel industry should not be precluded from the purview of the I.F.C. Some hon. Members said that the hotel industry would find its place within the scope of the I.F.C. assistance. It does not mean that funds from the I.F.C. will flow into the hotel industry.

About the Ashoka Hotel, it is not my charge, but generally speaking, I have seen the accounts and I can say that the main point for developing the hotel industry is the tourist traffic which is increasing. India is already a land of tourist attraction to many people outside and actually, they find great difficulties in getting hotel accommodation not only in cities like Delhi where many new hotels have come up but where still there is an acute shortage of accommodation, but also in other cities like Banaras, Lucknow or other places.

SHRI H. N. KUNZRU: Agra?

SHRI B. R. BHAGAT: May be Agra also. There are many cities which, if they have good hotels, may attract more tourist traffic. So, Sir, it is not as if by including the hotel industry we have committed any sin. Actually, as I said, the funds will not flow to all ventures of hoteliers, but if at some places any scheme comes up, the I.F.C. being a banking institution itself will take ample care of the profitability or the security of the money that it advances. So far as Ashoka Hotel is concerned, much has been talked about it. But I can say that unless something disastrous happens to that hotel, it would not be surprising to the House if that Ashoka Hotel gives a more encouraging financial picture at the end of the year—a few months only have passed now. About other matters I do not know much because that is not my charge. Those matters have come before this House many a time and they have been answered by more authoritative quarters. But I think even the hotel industry should find a place in the I.F.C., and if it is worthwhile, it might also be encouraged in the national interest. If it is not worth-while, it may not be encouraged. So what we have done is that we have made only an enabling provision here. With these few words, Sir, I think I have replied to all the points raised by the hon. Members.

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: Now we shall take up the clause-by-clause consideration of the Bill.

Clauses 2 to 15 were added to the Bill.

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

SHRI B. R. BHAGAT: Sir, I move:

"That the Bill be passed."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be passed."

SHRI KISHEN CHAND: Mr. Deputy Chairman, when I criticised this amending Bill, I did not criticise the Industrial Finance Corporation as it is running at present. Several hon. Members have said that the Corporation is running well, and I also add my humble voice to it. All that I am saying is that this amending Bill is imposing certain burdens on the Industrial Finance Corporation which are not in the interest of our country. Honourable Members have tried to reply to my arguments by making certain personal remarks that I am not a true industrialist. Well, I am not an industrialist. Of course, I have some interest in one or two factories, and if that entitles me to be considered as an industrialist, I am very thankful to the hon. Members for elating me too high. But it is my conviction and I sincerely believe that this deferred payment scheme is going to harm our country, and without understanding the full implications of this deferred payment scheme we are imposing it on the Industrial Finance Corporation to stand as a guarantee. Sir, I will have to give a little consideration to this fact that we are short of foreign exchange to the extent of about Rs. 700 crores. Let us assume for one moment that we do not get any help in the shape of loan or assistance from foreign countries, and we have to rely entirely on our own efforts for the financing of the Second Plan. That means Rs. 700 crores worth of machinery and foreign goods will have to be obtained on a deferred payment basis. I will have to submit to you, Sir, a little of arithmetic in order to explain what additional burdens will be imposed by this policy of industrialisation.

I am one with you, Sir, and with all the hon. Members of the House that our country should be industrialised as rapidly as possible. But it should be within our means. We do not want to mortgage our country for many generations to pay the loans that we take at very high rates of interest. Sir, with that Rs. 700 crores we are going to set up certain industries and factories, but from the very first year the factories will not start producing, not even from the second year. It generally takes two or three years for the factories and industries to start production. But we will have to pay instalments right from the first year. Now are we sure that we are going to get the machinery worth that amount, or are we going to pay something extra? An. hon. Member accused me saying that the industrialists are very hardheaded people and they are not going to pay any extra price. Now they are going to get machinery by deferred payment on certain terms; but those very things can be purchased at a much lower price on cash basis than on deferred payment basis. Supposing you order machinery worth Rs. 700 crores on deferred payment basis. On cash basis that same machinery would cost Rs. 600 crores. That means you have paid Rs. 100 crores extra. Then on Rs. 700 crores you will go on paying interest from year to year on the balance amount. The result will be this. Supposing you have to pay a total amount of Rs. 900 crores, you divide it by seven. It means Rs. 130 crores will have to be paid every year. But my humble suggestion would be that we should only start factories for which we can pay on a cash basis, that is to say, you set up industries worth Rs. 130 crores every year. If you do that, you can industrialise the country in the same period of seven years with much bigger industries and with a larger number of industries, because you will get the full value for your money.

DR. R. B. GOUR: May I ask Prof. Kishen Chand one question? What

[Dr. R. B. Gour.]
has he got to suggest to overcome the foreign exchange problem which is there? Secondly, agreed that we are spending more in relation to deferred payments, but we are saving in relation to annual payments, and that amount could be used otherwise, for internal purposes. Does this not compensate the loss?

SHRI KISHEN CHAND: The hon. Member has raised an important objection. In our internal market we can go in for deficit financing. As far as the internal market is concerned, we can go in for deficit financing and we can increase our paper currency. When we are dealing with any foreign country, that foreign country is not going to take our paper currency, but it is going to take only gold or the excess difference of our exports over imports. We will have to export Rs. 150 crores worth of goods more outside the country than we import them. That gives us the favourable exchange position. If we have a balance of Rs. 150 crores in our exchange we pay to the other country that Rs. 150 crores for import of machinery. You can go on setting up factories in the internal market. After all machinery is not everything. There is the building programme and housing for labour. For all that you can go on spending money. The only question that arises is that we are going to import machinery worth Rs. 700 crores from foreign countries—whether it should be done in one year. The only advantage in importing at one and the same time the entire machinery is that after three years your factories will start producing goods, while under my plan the machinery which is imported during the first year will start producing in the fourth year and the machinery which is imported in the second year will start producing in the fifth year. So you have got to do some accounting. Now the question is whether we are going to benefit by the extra production of goods in the fourth, fifth and sixth year, or we are going to lose by

paying something extra by way of interest charges and the higher price that we pay for the machinery on a deferred payment basis. My calculation brings me to the conclusion that we will be losers. Our object is just the same. In seven years we want to industrialise the country exactly to the same extent.

I will just give you another example about our irrigation projects. We started certain dams in 1946. We are going on building dams. No dam is completed. Some dams will be completed in 1962 because we have lack of finance and lack of money. My proposal would have been: Complete one dam first and then take up another dam. Similarly, supposing we are going to establish 15 sugar factories in our country. Your scheme is that all the fifteen factories should be set up in the first year. My humble suggestion is that you set up three factories every year and complete the fifteen factories in five years. If you do that, if you set up three factories every year, you can pay in cash and you can get the machinery at the cheapest possible price. In textile machinery we are self-sufficient. We do not want to import any textile machinery. It is probably in sugar, in cement and in paper and possibly in some electrical goods also. These are the four types of industries where we are dependent upon foreign countries for the import of machinery. My humble suggestion is that you divide up the number in whatever the number of years in which you want to industrialise the country. Spread your imports over all these years. Do not order all the machinery in one year. Divide up the whole thing. It is not that I am speaking on party lines. On economic matters I never say anything because certain parties say it. It is my firm conviction and sincere belief that it is in the best interests of our country that we should not pay higher prices. We are really burdening our future generations by this wrong policy of paying higher prices and mortgaging our country to foreign countries.

SHRI PERATH NARAYANAN NAIR: In spite of my best efforts, I have not been able to follow the arguments of the hon. the Deputy Minister for Finance on one or two points which I had raised. He says that the Bill is meant for the creation of a mechanism, it is just an enabling measure. Quite true, but you do not create a mechanism for nothing. You create a mechanism for a purpose. What is the purpose? The purpose is to enable the IFC to stand guarantee for deferred payments for private imports. Now, the point which I raised and the point which Dr. Kunzru raised was that we must know the extent of the commitments which the IFC will be called upon to bear to enable the private sector to fulfil the targets under the Second Five Year Plan. It is not as if I am opposed to the private sector. I accept it, but then I am opposed to the unbridled operation of the private sector here. We have accepted socialism as our objective but we are increasingly emphasising the private sector. We want to control the private economy here. To that extent, when legislative measures like this come before us, we have to review the whole thing in the light, in the background, of our major objective. I say I am all for the implementation of the targets under the private sector. Dr. Kunzru also raised the point that after all we are thinking of curtailing some aspects of the Plan and all that. Now, the hon. Minister said that all the officers of the Planning Commission are occupied in the other House. May be, but when they come here for creating a mechanism, they must be able to tell us about the need for it. I am really anxious that the private sector must not be made to create any imbalance in our economy. We have set before us certain targets, and if we go on allowing the private sector to expand and if the exchange resources of our country are to be utilised for that, it will naturally upset our balanced economy to a certain extent. That is my point. He said that he had not been able to get the figures but that in point of steel,

in point of cement, in point of structurals, etc. the targets still remain to be fulfilled. Now, I have my own serious misgivings about that. I have no authoritative figures, but I do not see any reason why I should disbelieve some of the reports which have appeared in the press and which have appeared in some other documents also. To what extent these targets remain to be fulfilled? Unless we get a clear idea about this—if this House gives its approval to this now—after some time we will be faced with a *fait accompli*. I do not want that to happen. There is in my opinion a concerted effort throughout the country for the private sector to dominate our economy against the declared policy of the Government of India. That is my feeling. It is not only my feeling; it is what the country in general has come to understand by the pronouncements of leading industrialists inside and outside India. They have been speaking about the policy of the nation and of the Government of India as putting a dominant emphasis on the private sector. You cannot close your eyes to that. That is why I utter this caution, this warning, that we must be careful about the way in which we enter into commitments over and above the commitments which are made in the Second Five Year Plan for the private sector. To that point I have not been given a satisfactory answer. Of course, Mr. Parikh said that he had some figures and Mr. Bisht has been pleased to shower some abuse about double talk, etc. on me. Let me say that on the Communists side we stand for the private sector to fulfil its due place as adumbrated in the Second Five Year Plan, but we are against the unbridled operation of the private sector. I think that reference has been made to the Kerala Government and its Chief Minister, but I do not think that either the Kerala Government or its Chief Minister have done or said anything which is not in consonance with our own declared policy of a socialistic pattern of society, with a private sector. In my speech I have been very careful to

[Shri Perath Narayanan Nair.] point out that I am as anxious as any other industrialist in the country that the targets of the private sector in the Plan must be fulfilled and that all assistance must be given to it for this purpose. I will be glad if the private sector goes one step further and expands, but on its own, not on the guarantee given by the State, not by utilising the resources which are essential for the development of our basic industries in the public sector. Let them do it on their own; that was my point. This is far from being opposed to the private sector and trying to mislead the House about it and all that.

Now, regarding the loan policy of the IFC, I cannot say anything much about the detailed working of the IFC during the last two years, because I cannot do that without making a study of the whole thing. But I was glad to know that of late there has been a change in its policy, that more and more co-operative enterprises are sought to be encouraged. That is a point which I was glad to hear from Dr. Thomas and some other hon. Members. But we had a different story from Mr. Parikh and I was rather surprised at that. I had occasion to object to the policy of the I.F.C., may be some years before, of aiding the big industrialists. I mentioned the loan granted to the I.C.I. even to the tune of more than Rs. 1 crore. It is there. And now so far as I could understand, the object of the I.C.I. is not helped by such big loans specially when they have vast foreign resources. Now, Shri Parikh, I was surprised to note, has an argument in favour of the functions of the I.C.I., that is, the help even to these big foreign concerns, creates competitive production and competitive dealings in India.

SHRI C. P. PARIKH: We are giving Rs. 5 crores more to another enterprise by them.

SHRI PERATH NARAYANAN NAIR: Is this the competitive way of doing thing? You know the way in which they deal with local industria-

lists here, the way they distribute soda ash and so many other things. Competitive doings are quite welcome but I want to know from the industrialists in this country, the nationalist industrialists in this country whether they actually welcome the competitive doings of the I.C.I. in this country or concerns like the Lever Brothers in this country. Competitive dealings are quite all right and that is the policy which we must follow in determining the loan policy and I think it ought to be different. Anyway, I just referred to this thing because it is very necessary that we should have a clear perspective of the loan policy which we want the Industrial Finance Corporation to follow. That is all I have to say.

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): I don't think I need convert the Third Reading into a continued Second Reading. I would not go into the points that I have already answered in the Second Reading. Only one of the two points, raised by Mr. Kishen Chand is a new point. He said that it was better to plan differently instead of setting up 15 factories in one year, 3 this year and 3 that year. I think that is going to the very basis of the Second Plan of the priorities or changing the very basis of the Plan. I would think that it is a counsel of despair that he is adumbrating to the House. And instead of paying a little more for the deferred payment arrangement, instead of a cash down payment, in order to avoid a little difficulty he wants to upset the entire scheme of things which may have far-reaching serious economic and political consequences. So, I think, Sir, I would not fall in his trap. Even the rate of interest may be very excessive but I think if you work it out, break it up, actually the payment, the cash liability, is reduced every year. It is 100 this year, 80 this year and then 60 that year and if you take an average rate the difference would not be much. I can join issue with him on these facts. As I said, the

alternative that he suggested either does not exist, because we do not have any foreign exchange to pay in cash and we want industrialisation, or we have to change the whole Second Five Year Plan or the scheme of industrialisation which, as I said, has far-reaching economic and political consequences.

Hon. Mr. Nair is chasing a phantom which does not exist. Even an ordinary student of economics scrutinizing the Second Five Year Plan will say that neither we believe in unbridled enterprise of the private sector nor the regimented enterprise. We believe in a progressive economy, progressive economy of the Second Five Year Plan which is an ideological issue. He may dispute my ideology; I may dispute his ideology but that has nothing to do with the merits of the case and I would not like to go into it.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

THE INDIAN TARIFF (AMENDMENT) BILL, 1957

THE MINISTER OF INDUSTRY (SHRI MANUBHAI SHAH): Mr. Deputy Chairman, I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1934, as passed by the Lok Sabha, be taken into consideration."

Sir, this Bill, which is before the House, seeks to amend the Indian Tariff Act 1934 in order to give effect to certain recommendations of the Tariff Commission on these industries. The House will have observed from the Statement of Objects and Reasons that the Bill seeks to grant protection for the first time to the automobile industry; secondly, to continue protection to industries, namely, the cocoa powder and chocolate industry, the calcium lactate industry, the cotton

and hair belting industry, the wood screw industry and the antimony industry, beyond the 31st December, 1957; and, thirdly, to discontinue protection in respect of the electric brass lamp holders industry, which has already come into its own, from 1st January, 1958.

The provisions of this Bill; as the House can, in regard to the protection to the automobile industry and to the continuation of protection to the other industries, will have immediate effect. The provision in respect of electrical brass lamp holders will take effect only from 1st January, 1958.

Sir, I shall first deal with the automobile industry to which protection for the first time will be granted. A copy of the Tariff Commission's Report on this industry and the Government's resolution thereon have already been laid on the Table of the House. The Commission first examined the question of grant of protection to this industry in 1953. In this Report, the Tariff Commission emphasised that for the speedy development of this industry, it was essential that the manufacture of automobiles should be restricted to a few firms and that greater use of vehicles should be encouraged by lowering prices. The Government accepted these recommendations then and the various firms were invited to submit their manufacturing programmes for approval. The Government approved only six firms for taking up the manufacture of selected types of motor vehicles, including passenger cars, trucks and jeeps. Further, with a view to reducing prices, the rates of duties on several components were brought down so that the incidence of customs duty on a complete c.k.d. pack was approximately 40 per cent *ad valorem* on the average.

In spite of the measures then taken by the Government, as the House knows, the consumer price for automobiles did not show any significant