

are being looked into, and whether the Government have made any proper arrangements in order to look into their cases, and if so, what are those arrangements?

**SHRI ANIL K. CHANDA:** Obviously, Sir, I cannot now and here tell him how those particular grievances are being redressed. But as I have already said, our Administrative Section is looking into the grievances of these officers.

**MR. DEPUTY CHAIRMAN:** So, the Rules relating to the initial constitution of the Indian Foreign Service Branch 'B' have been discussed. We now go to the next motion.

#### MOTION RE EIGHTH REPORT OF THE INDUSTRIAL FINANCE CORPORATION

**SHRI KISHEN CHAND** (Andhra Pradesh): Sir, I move the following Motion:

"That the Eighth Report of the Board of Directors of the Industrial Finance Corporation of India on the working of the Corporation, together with the annual statement of accounts of the Corporation, for the year ended the 30th June, 1956, be taken into consideration."

Mr. Deputy Chairman, the annual report of the Industrial Finance Corporation for the year ending 30th June, 1956, was laid on the Table of the House a few days ago. I submit, Sir, that the hon. Members are aware of the fact that the Government of India has guaranteed a minimum dividend of  $2\frac{1}{4}$  per cent. on the capital of this Industrial Finance Corporation. During the last seven years the Government of India has paid Rs. 42 lakhs as a subvention for the payment of that minimum dividend of  $2\frac{1}{4}$  per cent. This year the profits are not sufficient. The result is that on the total capital of Rs. 5 crores, subvention at  $2\frac{1}{4}$  per cent., amounting to about Rs. 11½ lakhs, has again to be paid. It shows that the Government of India would have paid Rs. 53½

lakhs up till now as subvention to the Industrial Finance Corporation. The Industrial Finance Corporation is a commercial concern in the sense that it charges a fairly high rate of interest from the industrial concerns of which advances are made. The rate of interest is  $6\frac{1}{2}$  per cent. If the industry or the company borrowing money repays the instalments and interest in a particular time, it gets a rebate of  $\frac{1}{4}$  per cent. Supposing all the companies get this rebate, even then there is a net rate of 6 per cent. The Corporation earns that net rate of 6 per cent. The capital of the Corporation consists of Rs. 5 crores. Then they have got debentures floated at 3 per cent. Then there is an advance from the Reserve Bank at a low rate of interest, and now the Government of India is going to give them an advance at a low rate of interest. The net result is that they get money from the market at 3 per cent. or less. On their own money—the share capital of Rs. 5 crores—they have to pay nothing, while on the amount that is lent out or invested, they get 6 per cent. That means normally the company should make quite a good profit.

The Industrial Finance Corporation should have made good profits. They lend at 6 per cent. and borrow at 3 per cent. and they have Rs. 5 crores free of charge. They should have made a fair amount of profit, but what is the result? Year after year there is no net profit and year after year the Central Government has to give subvention to ensure the guaranteed minimum dividend, and up till now they have paid Rs. 53½ lakhs. That is one side of it. I would not have minded if this Rs. 53½ lakhs subvention was the only burden. During the last year large loans have been given to co-operative sugar factories and the Corporation has insisted that in the matter of loans to these sugar factories and others, the Central Government and the State Governments should guarantee the principal. That means that the principal also is guaranteed by the Central Government. The Corporation is only acting as a post office. Money is guaranteed by the

[Shri Kishen Chand.]

Central Government both as far as the principal and the interest are concerned, and yet they cannot manage their affairs so efficiently as to make a substantial profit and cover up their expenses and give dividend out of their earnings and not demand subventions from the Central Government. I admit that the Corporation is now running much better than it was running before. The management has improved considerably. It has good management now. Whether it is the legacy of the past or whether some of the transactions have been bad, I do not know, but the result is that it does not show any profit.

Then, I come to the lending policy. If the Government of India has set up an Industrial Finance Corporation, the intention is not that it should be merely a lending body which will give loans to very sound industrial concerns, but it is with the underlying idea of developing certain backward areas, certain backward industries and certain backward regions. I should like to know from the record of the Industrial Finance Corporation as to what they have done in removing regional disparities. As I said, if they are only to perform the functions of a bank, all the subvention is useless. They should perform something more than the functions of a bank. They should help in the even development of all the backward regions, so that they come up. If you study the loan policy of the Corporation, you will find that even now Bombay and Calcutta, the big textile industry and the sugar industry, seem to enjoy all the benefits. For industries set up in Bombay and Calcutta, they do not require the help of the Industrial Finance Corporation. These big industrial centres have enough banking facilities that they could borrow all the money that they want. It is the backward areas, territories like Assam, like Orissa, like some parts of Madhya Pradesh and Rajasthan, which are proverbially backward industrially, that need help. Naturally there is a tendency amongst entrepreneurs that they only set up factories where there are flourishing

factories. You will find people who are willing to set up a textile mill in Bombay, but you will not find people who are willing to set up a textile mill in Orissa or in Madhya Pradesh. So, what I am trying to point out is that there should be a directive from the Central Government to the Industrial Finance Corporation that they should encourage after carefully examining feasible propositions so that the backward areas get industries established. That is one point.

The second point is with regard to the nature of the industries that should be helped. For a country to advance, the engineering industries are the most important. I agree that textiles are one of the largest consumer industries, which must be developed, that sugar is a large consumer industry which must be developed, to attain self-sufficiency and even to build up an export market, but merely to concentrate on those industries will not make India self-sufficient industrially. It is the engineering industries which are the basic industries, the industries which make machinery for other industries, that are to be established in our country. When I see the record of the Industrial Finance Corporation, I find that their contribution in this has been very meagre. I do not want to give facts and figures. They are clearly stated in the report. I must say that this report is a very good report and gives all the facts and figures. If anyone reads it carefully, he will get all the facts and figures that he wants. I would point out that out of nearly Rs. 15 crores which had been sanctioned last year, nearly Rs. 7 to 8 crores have been for the sugar industry. I am just trying to find the page.

MR. DEPUTY CHAIRMAN:  
There are other speakers also.

SHRI KISHEN CHAND: I will conclude by saying that industrial growth should not be lopsided but should be even and balanced, and that the Industrial Finance Corporation, when it is guaranteed the principal and the interest, and when the Government is coming forward with subventions, will have to adopt a bold

policy. Their present policy will not help industrialisation.

Now, a word about the Sodepore Glass Works. That has been a sore point with this Industrial Finance Corporation. Nearly Rs. 1,20,00,000 is outstanding but I hear that this is now being sold to a Japanese concern for about Rs. 62 lakhs.

DIWAN CHAMAN LALL (Punjab): It has been.

SHRI KISHEN CHAND: The registration of the transfer deed has not been completed. There is a danger in this. With the financial help of the Government of India, they may enter into lines where competition is already severe and where the indigenous industry is flourishing. I submit that even now we are more or less self-sufficient in sheet glass, but there is still a demand for sheet glass, and if this Japanese concern is permitted to produce sheet glass, it will not be so harmful to the interests of our country. But if it goes into hollow ware, into the bottle line, where there is already over-production in the country the danger is that like Lever Brothers or WIMCO, it will kill the indigenous industries. I should like to know from the Corporation as to what steps they have taken to restrict their operation only to a particular line, i.e., sheet glass. If they have not taken any precaution in the matter, the result will be that the indigenous industries which are in a flourishing condition will be killed or will be at least undermined.

Sir, I will only conclude by saying that the Corporation is doing much better than what it was doing before but it is not running on proper lines so as to help in the better industrialisation or even industrialisation of our country

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Eighth Report of the Board of Directors of the Industrial Finance Corporation of India on the working of the Corporation, together with the annual statement of accounts of the Corporation, for

the year ended the 30th June 1956, be taken into consideration."

SHRI BHUPESH GUPTA (West Bengal): Mr Deputy Chairman, we have had occasions to comment on this Industrial Finance Corporation and you are well aware that our criticism was not confined to whether this Corporation was being run efficiently or inefficiently. That undoubtedly is an important factor for any such Corporation but we were interested in questions of policies. Our criticism had been, in the past that this Corporation instead of trying to help and direct the development of industries in our country on the basis of priorities, was engaged in helping certain chosen sections of the monopolist elements. I think that even the Eighth Report would not rescue this Corporation from this particular charge. I have very carefully read this Report.

[THE VICE-CHAIRMAN (SHRI R.P. TAMTA) in the Chair.]

I can tell you from what I have read that even now certain monopolist houses with their various ramifications in the economic field, are drawing the loans from this Corporation. This is my first complaint against them.

Sir, when the Government has been talking about the removal of inequalities in income, of a socialistic pattern of society and what not, I thought that they would take into their heads that in the matter of financing business they should finance the medium and small-scale ones. I know their limitation here, rather than the top ones, rather than the very big ones at the top. I am not ruling out that in certain cases even the big ones have to be supported. But it appears to me from what they have stated in the Report that quite a good chunk of the loans are going to big concerns. It seems that the companies that got loans exceeding Rs. 10 lakhs, I think, between them, took about Rs. 37,86,50,000 of the loans sanctioned. This amount has been sanctioned in the shape of loans each of which exceeds Rs. 10 lakhs, whereas loans below Rs. 10 lakhs account for

[Shri Bhupesh Gupta.]

only Rs. 5,34,25,000. The total sanctioned loan is Rs. 43,20,75,000. Almost the entire amount has been sanctioned for loans above Rs. 10 lakhs. The big companies generally take such loans. The loans below Rs. 10 lakhs account for a very small fraction of the total money disbursed. This is a clear indication that the money had been going to some very rich people.

Then I find to my surprise that some loans are being given regardless of whether the loanee companies are in a position to raise resources from their internal sources. Here at page 4 it is stated:

"Government have provided a sum of Rs. 15 crores for lending to the Corporation during the Second Five Year Plan Period, of which a sum of Rs. 6 crores is provided in the year 1956-57."

That is to say, this year Rs. 6 crores Government will provide. We are interested in who gets these funds. Now here the Government lay down a rule on page 8 as follows:

"The Government of India have directed that the Corporation while dealing with loan applications, in future, should take into consideration the capital structure and outside investments of the company concerned with a view to ensuring that the industrial concern is not borrowing from the I.F.C. while it is simultaneously investing large amounts in other industrial and other concerns."

Note these words:

"While it is simultaneously investing large amounts in other industrial and other concerns."

Here you will find in the list of companies in favour of whom loans have been sanctioned there are many who, to our knowledge, are investing in various companies and various undertakings. I think the direction of the Government has been violated to some extent. There is Messrs. Uberoi Limited. You know that they are investing. You read their announcements in the Press. Then there is Jay Engineering Works Limited. They are

also investing. The managing agents are there. Again you will find Orissa Cement Limited—managing agents, Dalmia Agencies Limited. They have been given a loan of Rs. 1 crore and am I to believe that Dalmias are not investing anywhere? Then how does this come about? Do I have to believe that the Dalmias may not have the funds or at least a part of this? Evidently they could have found the whole of this. Why are funds being given to them? Then there is Rohtas Industries Limited, managing agents Sahu Jain Limited, who have been given Rs. 90 lakhs. Similarly, you will find another company, namely the West Coast Paper Mill Limited, who have been given Rs. 1 crore. Mr. Somani is shown as the Principal Director of this company. Similarly you will find a number of other concerns of that sort also. There is Orissa Cement, managing agents Dalmia Agencies (Private) Ltd., who have been given Rs. 25 lakhs. I say that they are advancing loans to companies irrespective of the fact whether they are in a position to raise funds from their internal resources or not. This is the point. I think this is absolutely wrong and the whole thing is being used as a kind of loaning company for a set of big financiers in this country.

Then from the point of view of development, here again the Corporation is answerable to the charge that it is not operating with a view to promoting the development of industries as we understand it because some of the non-essential industrial concerns are getting most of the amounts. The textile industry, for instance, accounts for, in the last 2 years, Rs. 6,59,75,000. Everybody knows that in the Textile Spinning and Weaving Mills, part of this money is being utilized, not for the development and expansion as we understand it but for certain rationalisation and other methods of exploitation.

Then the Food Manufacturing Industries (excepting beverages industry) get Rs. 11,68,00,000. There again you will find that some of these industries could wait till other industries of vital importance from the point of view of national development get priority and

get proper assistance. There again you will find that the cotton textiles, among the textiles, has a large share. Chemicals again—not heavy chemicals have a large share. This runs counter to the declared policy of the Government in a way, because it is the declared policy of the Government to industrialise the country and to develop the industries.

Now, you are spending such amounts from Government sources or backed by Government for enabling the same old monopolist houses to introduce renovations and other things so that they could make greater and higher profits. I think therefore that this policy has to be given up and what I would submit in this connection is this. For some of the industries in the private sector—I am not opposed to it but I am in favour of priorities—I would consider them firstly from the point of view of which industries should get the backing first. Then I shall deal with the others.

Secondly, because we are opposed to heavy monopoly or heavy concentration in our economy, I should be interested not in financing Dalmias and Birlas or others, who are being financed by this Corporation, but in financing relatively smaller and medium-size concerns so that with the assistance from the Government they can develop to some extent, and this will lead to diffusion of the concentration or rather to the relaxation of the financial concentration that is taking place in this country. But I am afraid this Industrial Finance Corporation is distributing funds in such a way and it is administering its affairs in such a way that it will encourage rather than discourage the concentration of economic power in the hands of the very few, and that again runs counter to the declared objective and aim of the Second Five Year Plan. Therefore, I am very strongly opposed to it.

From the point of view of location of these industries, things are not satisfactory. Of course Bengal, Bombay and other States are relatively advanced States and they have got

their own economic importance and nobody will deny that. But there are backward areas, as for instance, Assam, Orissa and the Southern States which are relatively backward, and we should have been interested in advancing these areas, in assisting them in their economic and industrial development. But it seems large sums of money are being advanced to industrialists regardless of where they are starting the industrial concerns. Naturally, they start them in such places where they can expect easy and quick returns. But if I were on the Industrial Finance Corporation, I would not be guided by that consideration at all. I would be interested in finding out how the money should be given in order to bring up the relatively backward areas to a relatively important level. The Industrial Finance Corporation has been found lacking in this regard.

Then, you are told that there is this huge amount due to default—Rs. 17,72,312. Why all this default? Who are the defaulters? We would like to know that. That is a very important matter. Are you advancing loans to the defaulters again? If they had defaulted, can we not start proceedings against them to realise those sums? Many of them are wealthy people, rich people and they have got other properties. Why should they take money from the Government and cheat the Government or a public corporation of this kind? I would ask the hon. Minister to explain why there should be such heavy defaults in the case of this Industrial Finance Corporation.

Sir, this is a good Report, provided you carefully look into it, for it is a very fascinating Report, from the point of view of the get-up and all that. But it tells a rather dismal story. I do not want to take up more time of the House, but I would content myself with saying that our criticism against the Industrial Finance Corporation stands, that this institution is not so much interested in the development of industries in our country, as in helping certain financial

[Shri Bhupesh Gupta.]

houses for starting and carrying on industrial activities and commercial activities for their own ends and for their own profits. We can never support such things.

It is a fascinating thing to go into the names given here, but that will take time. But they have been advancing loans to companies that are known for tax evasion. I do not know against how many of them cases are pending. That has to be found out. It is not a legal matter. You know among certain people there are cases of tax evasion. You know there are certain people who had to be arrested for certain charges; but the companies with which they are associated are being assisted by the Industrial Finance Corporation. They are advancing money to companies that are starting retrenchment and all kinds of persecution of labour. Are we to subsidise and help these companies in this manner? Are we to help companies which do not conform to certain public standards and which on the contrary behave in a most irresponsible manner and go against the interests of the country and of the labouring classes? This is another question that I pose before this House.

I do not know how efficient the management has been. We come across certain individual names here. I have nothing to say, individually, against the gentlemen who are on the Board. May be they are functioning in all good faith. But the point is that the directing policy of the Corporation is such that they are not in a position to put it to the best use for the country. I would, therefore, appeal to Parliament, to this House to express its opposition so that the policy of helping the monopolists, the policy of helping the monopolistic element, the financial houses, of bringing coal to Newcastle, may be put a stop to, and the policy of helping the industrial development of the country, of helping the industrially backward areas and of assisting those who are really backward and neglected may be adopted.

SHRI S. C. KARAYALAR (Madras): Sir, I wish to make only a few observations. It has been said by the previous speakers that the Report that has been brought out is a very good report and some compliments were paid to the management. So far it is all right. But while complimenting the management Mr. Bhupesh Gupta . . .

SHRI BHUPESH GUPTA: I did not compliment it.

SHRI S. C. KARAYALAR: He said it is a good Report and that is a compliment.

SHRI BHUPESH GUPTA: Compliments generally do not easily flow from me.

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA): Generally we should not expect compliments from him.

SHRI BHUPESH GUPTA: I said it is well got up, good binding, good paper.

SHRI S. C. KARAYALAR: The main charge against the management or against the Corporation in general was that a good portion of the loans has been given to big monopolistic concerns and that is not the way to help the industrial development of the country. I should like to tell my hon. friend straightaway that the operations of this Corporation are conducted under rules and regulations which are applicable to all parties alike. If on the basis of the charge of my hon. friend the Corporation is to turn down the applications from a certain class of parties, that would amount to absolute discrimination and it is likely to be misconstrued and it will do a grave injustice to the industrial development of the country. That will work against the very object with which this Corporation has been set up. That is what I have got to say against the charge brought up by Mr. Bhupesh Gupta.

Next, I would like to make one or two observations regarding the way in which this Corporation has been

functioning and the Report that has been brought out. If you analyse the statements appended to the Report, you will find that it makes mention only of the amounts sanctioned. Appendix C refers only to the total amounts sanctioned as loans. There is no reference in the Statement to the amounts actually disbursed to particular industries. Therefore, the Statement, as it stands, does not give a correct picture of the amounts that have been allotted or disbursed to the various industries. If the Corporation would take the trouble to specify the amounts actually disbursed to the various industries, that would give us a correct picture of the way in which the activities are being carried out. Therefore, I would like to make this suggestion to the Corporation to make this change, or at least to make some remarks against the various columns so that the amounts actually disbursed to the various industrial concerns may be actually known and we can have a correct picture of the situation. That is one suggestion.

5 P.M.

Another thing I find is this. Several concerns which have actually been sanctioned loans have not availed themselves of those loans, nor do they propose to avail themselves. I should like to suggest that at the earliest opportunity the names of such firms who have not availed themselves of the loans sanctioned should be struck off from the Statement. Keeping them in the list is no good; it would be unfair to the parties themselves that their names should be kept on in the list. So their names should be removed at the earliest possible moment. For instance, against Rs. 43 crores or so which have been actually sanctioned, only Rs. 16 crores have been actually disbursed. We would like to have a break-up of the Rs. 16 crores that have been disbursed because that would give a correct picture of the way in which the various industries have been helped by the Corporation.

With regard to the constitution of the Board you will find—of course, it is the defect of the Act also—that

only certain specific interests are represented, like the co-operative banks, the Scheduled banks, the Central Board of the Reserve Bank and some members are nominated. These are the members of the Board of Directors of the Industrial Finance Corporation. I would suggest that persons representing industrial concerns should also be given some place on the Board of Directors. If necessary, the Act should be amended so as to give representation to industries. At least two or three members representing the various industries should be on the Board.

Finally, I should like to say that the Report that has been brought out is a good Report. It shows a big improvement on what has been going on. For instance on page 8 of the Report they say:

“The Government of India have directed that the Corporation while dealing with loan applications, in future, should take into consideration the capital structure and outside investments of the company concerned with a view to ensuring that the industrial concern is not borrowing from the I.F.C. while it is simultaneously investing large amounts in other industrial and other concerns.”

This is a very good directive, and I am... ..

SHRI BHUPESH GUPTA: But it is violated.

SHRI S. C. KARAYALAR: I am glad to find that it is being followed by the Directors. Sir, I congratulate the Board and the Corporation for this very good Report.

Similarly, I find in Appendix A the Government have given a similar directive in regard to the sale of assets which the Corporation will have to effect for the realisation of its dues. That is also a very good directive and I find that the Corporation is following it.

SHRI BHUPESH GUPTA: These are like the Directive Principles of the Constitution.

SHRI S. C. KARAYALAR: These directives are from the Central Government and are being followed and they are very good features of the Report and I would like, Sir, to extend my support to the Corporation and to the activities of the Board.

SHRI A. C. GUHA: Mr. Vice-Chairman, I am glad that Shri Kishen Chand has at least said that there has been an appreciable improvement in the working of the Industrial Finance Corporation during recent years. Sir, the House must be aware that about three years back an Enquiry Committee was set up and I then as a private Member had something to do with the setting up of the Enquiry Committee.

SHRI BHUPESH GUPTA: That is old story; you then changed.

SHRI A. C. GUHA: No, but then the Government changed the Act and issued new directives and thoroughly reorganised the Corporation. I can claim that practically all the recommendations of the Enquiry Committee were implemented by the Government except for some minor variations which are not of a very material nature.

Now, I think I should take up the points raised by Mr. Gupta first. He has been, as is his usual practice, sweeping in his condemnation. Everything that he touches is practically swept away as condemned beyond any hope of redemption. He said that all the money of this Corporation was being given to the big industrialists and big financiers and he practically exhausted his vocabulary of that nature. Then he said that most of the monies were being given for non-essential industries and he gave textiles and chemicals as examples of non-essential industries. Sir, I am sure neither you nor this House, nor the . . . .

SHRI BHUPESH GUPTA: May I know what the Plan Frame said about this textile industry in the recommendations that they made?

SHRI A. C. GUHA: . . . sane and sober public outside will agree with this classification of Shri Bhupesh Gupta. They will surely consider textiles, chemicals and these sort of things to be somewhat important and deserving of some encouragement from the Government.

Then he said that most of the loans are above Rs. 10 lakhs and very few loans are below Rs. 10 lakhs and he concluded that this Corporation was only catering for the big industries and not for small men but he conveniently forgot that the Government and this Parliament has passed another Act by which State Financial Corporations have been set up in practically all the States and it is the policy . . . . .

SHRI BHUPESH GUPTA: It is the same story there; in the State of West Bengal it is a big scandal.

SHRI A. C. GUHA: I think I did not interrupt him and he should not interrupt me. I also could have interrupted him when he spoke.

SHRI BHUPESH GUPTA: I would have very much appreciated that.

SHRI A. C. GUHA: Sir, it is the accepted policy of the Government that up to Rs. 10 lakhs loans should be given by the State Financial Corporations and the Industrial Finance Corporation will cater to loans above Rs. 10 lakhs. So there is nothing strange or unusual in the fact that very few loans are for amounts below Rs. 10 lakhs. There may be certain regions where there is no State Financial Corporation and such regions will be taken care of by the Industrial Finance Corporation.

SHRI BHUPESH GUPTA: How many loans exceed Rs. 50 lakhs?

SHRI A. C. GUHA: Sir, he cited some names and said that those people should have raised money from the open market. Sir, the Industrial Finance Corporation is not giving any grant; it is only giving loans and not without any interest.



SHRI BHUPESH GUPTA: I never said open market; I said internal sources.

SHRI A. C. GUHA: Whatever that may be, if possible it would have been much better for them. The Corporation is not giving loans without any interest. The usual rate of interest is  $6\frac{1}{2}$  per cent which in the present time is not a very low rate. So no big financier would go in for these loans paying  $6\frac{1}{2}$  per cent interest if he is able to raise the necessary finance from what he called internal sources.

SHRI BHUPESH GUPTA: Why? Explain.

SHRI A. C. GUHA: I have explained. If he cannot understand, then I shall have to get the help of Mr. Shah.

SHRI BHUPESH GUPTA: Yes, get his help.

SHRI A. C. GUHA: It is only because those applicants have not been able to raise money.....

SHRI BHUPESH GUPTA: They have got savings which they do not like to spend. They want to spend for other purposes.

SHRI A. C. GUHA:.....they have come to the Industrial Finance Corporation for loans. I do not know what other purpose they can have by having their money put in the lockers.

SHRI BHUPESH GUPTA: You ask your friends.

SHRI A. C. GUHA: He may be in some touch with those people, so he may know their secrets. I have no intimacy like that. What can they do by keeping their money locked up and not putting them in the industrial concerns, and by applying for money to the Industrial Finance Corporation?

SHRI BHUPESH GUPTA: Giltedged security.

SHRI A. C. GUHA: Giltedged security also gives only  $3\frac{1}{2}$  per cent.

SHRI BHUPESH GUPTA: And they gain money by it.

SHRI A. C. GUHA: If I am to go on replying to his interruptions then I do not know by what time I will finish my speech. I think I have replied to all the points that he has been pleased to raise and now I should say something about Shri Kishen Chand. The first point he raised was about this guaranteed dividend. The Industrial Finance Corporation under the Act has to set apart some money for reserve fund and also for any bad debts. Unfortunately, before 1954 the Industrial Finance Corporation was not setting aside any money for their bad debts and only from 1954 it has been doing that. In 1954 they set aside Rs. 5 lakhs; in 1955, Rs. 15 lakhs; in 1956, Rs. 22,50,000. The total amount now for bad debts is Rs. 42,50,000. Our idea is to put about another Rs. 27 lakhs for bad debts.

SHRI BHUPESH GUPTA: How much it comes to?

SHRI A. C. GUHA: It is known to everybody that there was a bad deal by this Industrial Finance Corporation as regards the Sodepore Glass Works. There the loss may be about Rs. 49 lakhs. Of course, there is some coverage for this in the form of guarantees given by the previous managing agents or another guarantor. We may realise something from them, I am not quite sure. Anyhow, that Rs. 49 lakhs we shall have to keep apart and we expect from the profits of this year we shall be able to set apart that amount and we do not expect that in future there would be much necessity of keeping any amount for bad debts, nor of Government subvention for minimum dividend.

As for the profit, if the Industrial Finance Corporation had not kept that amount for bad debts, surely it would have been in a position to declare dividend. The profit of the Corporation has been increasing year after year. In 1949 it was only Rs. 2 lakhs. In 1956, it is Rs. 32.68 lakhs. And we expect our gross profit for the year ending 30th June 1957—when I say 1956, that is year ending 30th June, 1956—i.e., for the year

[Shri A. C. Guha.]

from 1st July 1956 to 30th June, 1957, would be near about Rs. 40 lakhs. So, it is not that the Industrial Finance Corporation has not been making any profit or that the quantum of profit has not been increasing. In fact, there has been an appreciable increase in the quantum of profit year after year, particularly from 1953. If as was done in one year we would not have set apart any amount for bad debts, surely it would have been possible for the Industrial Finance Corporation to declare a dividend, without taking any help of the Government subvention as guaranteed in the Act.

Shri Kishen Chand said that this is a commercial concern. But I think this is not a correct description of the Industrial Finance Corporation. It is not just a commercial concern. It does not work like a commercial bank. We expect there will be some profit, but there is also an element of risk, agreed and approved by this Parliament while enacting the Bill, in the working of this Corporation.

Shri Kishen Chand advocated that there should be some special endeavour of the Corporation to remove regional disparities, to help backward regions, or to develop a particular type of industry. But that depends primarily on entrepreneurs of those regions coming for loans. I.F.C. does not and cannot undertake any industry itself: I am sure, when he advocated these things, he surely had in mind that the Industrial Finance Corporation would take a certain amount of risk and would not proceed just as a commercial concern. So, he himself in the latter part of his speech has agreed or conceded that the Industrial Finance Corporation cannot work just as a commercial concern.

He said something about the Sodepore Glass Works and the sale to the Japanese firm. Repeatedly question was raised in this House as also in the other House as to the transaction with this Japanese firm. We tried to have some Indian purchasers, but the offers that we got from Indian

firms were very much lower than the offers that we got from the Japanese firm. And we were also anxious to see that any party who would take up this concern might be successful in running this concern and might not involve the Industrial Finance Corporation in further embarrassing conditions in future. Considering these two factors, but primarily the financial aspect of the offer, we decided to sell it to a Japanese firm. Of course, technically it is not sold to a Japanese firm. It would be sold to an Indian company sponsored by Messrs. Asahi Glass Works with Indian participation—Indo-Asahi Glass Works, I think.

SHRI BHUPESH GUPTA: Yes, when Japanese come to India they become Indians.

SHRI A. C. GUHA: And that company will be in charge of this factory. We expect that this company will be in production within the next year. Certain preliminaries are yet to be gone through. I think those things may be finished shortly and the company may start production by the middle of next year.

As Shri Kishen Chand has suggested, there should have been a ban on this company producing anything else than sheet glass. I am afraid, on that condition no commercial firm would have accepted this offer, because this Sodepore Glass Works had equipment for sheet glass, for blow glass and also for another type of glass. I think picture glass or something like that. I am not sure of that technical name. Any company that will take up this Sodepore Glass Works will surely try to utilise all the three sections.

Then, about defaults. I think I am again coming back to Shri Bhupesh Gupta. He has quoted Rs. 17 lakhs. Surely Rs. 17 lakhs is a big figure. But compared to, I think, Rs. 280 lakhs, Rs. 17 lakhs would only work out to be 6 per cent, and from that also he should take out the amount that is due from the Sodepore Glass Works. Only two companies, Sodepore Glass Works and another company, would account for about Rs. 11

lakhs of default in interest. If we exclude these Rs. 11 lakhs, then what remains is only Rs. 6 lakhs. If we leave out the interest that is due from those two companies, then the proportion will be almost insignificant. Default of dues in commercial accounting would mean that if the interest is due today, the 21st of December, and if it is not paid to-day, it will be shown as default. So, when the account was closed on the 30th June, any interest that was due to be paid on that date but had not been paid would be shown in the column of default of interest. That does not mean that they will not pay the interest at all. They might have delayed the payment by a few months, but I expect that the real loss would not be so much. Even a commercial bank which works purely on a commercial basis and has not to work on any risk basis for developing certain backward areas or for developing certain types of industries necessary for national development, has also to set apart every year a certain amount for bad debts. I think that Shri Bhupesh Gupta may consult his advisers or experts in this matter, and they will agree that this is just a very common thing for any commercial venture or any venture to write off something as bad debts.

**SHRI BHUPESH GUPTA:** You are now saying that it is a commercial venture.

**SHRI A. C. GUHA:** I have immediately corrected it.

**SHRI BHUPESH GUPTA:** You said the truth before.

**SHRI A. C. GUHA:** It has certain commercial aspects, but it is not a commercial concern.

I think I have covered all the points mentioned by the hon. Members, and both of them, even Shri Bhupesh Gupta, will agree that there has been some improvement in the working of the Industrial Finance Corporation.

**SHRI BHUPESH GUPTA:** May or may not be. I am not concerned with that. But the truth is very well known.

**SHRI A. C. GUHA:** He is apparently not concerned with any improvement or anything good. He may not concede even that, when the Sun rises, there will be light. So I delete his name and give the credit only to Shri Kishen Chand. I hope the House has also tacitly agreed that there has been much improvement in the working of the Industrial Finance Corporation, and we expect that from the next year there may not be any necessity for Government subvention. But there again, I should say that if we have given Rs. 53 lakhs or something like that as subvention, the Government of India have got back from the Corporation a little over Rs. 52 lakhs as income tax.....

**SHRI BHUPESH GUPTA:** I see.

**SHRI A. C. GUHA:**... apart from its share of dividend.

**SHRI BHUPESH GUPTA:** Now we have got the income-tax as having offset the other. If that is the accounting of the hon. Minister, goodness knows what will happen to our exchequer.

**SHRI A. C. GUHA:** Apart from the share of the dividend that the Government and the Reserve Bank have got—two-fifths of the dividend have come to the Government and the Reserve Bank—something besides this two-fifths has come this year to the Government in the form of dividend to the State Bank of India and also to the Insurance Corporation. I think that now the Government controls about 60 per cent. of the shares, or even more than 60 per cent. of the shares, and the dividend due on those 60 per cent. shares have come to the Government and will come to the Government.

So, Rs. 53 lakhs is not all dead loss to the Government. The Government has provided in the Act that there must be some guaranteed dividend. It is agreed and understood that there may be occasions for giving this subvention to the Corporation for its proper working because, as I have stated, it is not just a commercial concern. It is a Government undertaking for the purpose of helping the industrial development of the country.

[Shri A. C. Guha.]

Shri Kishen Chand has asked whether some directive for the development of the backward regions should be given or not. He should know that a directive to that effect has been in force for a number of years, and surely we think that the Industrial Finance Corporation has been working in conformity with the priority given in the plan, and in future also it will work according to the priority given in the plan for different industrial concerns.

I think Mr. Bhupesh Gupta will refuse to accept my thanks, so I exclude him. At least I must thank the other two Members. If Mr. Gupta is agreeable, I am ready to give him thanks also.

SHRI KISHEN CHAND: Mr. Vice-Chairman, I do not raise any criticism about the working of the Corporation because a senior officer of the Finance Ministry is the Chairman of the Board of Directors. He is a paid whole-time man, and naturally that part of the job is being performed perfectly well. There will be no objection about that part. But my whole trend of the argument was that it was either a commercial concern or it was not. If it is a commercial concern, it should bring us profit. If it is not a commercial concern, there should be an objective behind it. You cannot have it both ways. The hon. Minister in trying to analyse my arguments said that it should be either a commercial concern or it should have a purpose and object. He began by trying to point out that it was not running on commercial lines, that it was not running purely as a commercial concern, and I have no grievance against that. My whole grievance is that the directives remain just paper directives, and they are not followed.

SHRI A. C. GUHA: I can give the assurance categorically that every directive given by the Government is being followed and must be followed by the Corporation. There cannot be anything hypothetical about that.

SHRI KISHEN CHAND: I have to go by the report itself. I have no other data, no other facts, but only the report. I was trying to show that cer-

tain types of industries in certain areas are not getting their due share. That is all. My whole contention is that, and I am very sorry to find that the hon. Minister has not touched on that point even a little bit. My contention was that during the last year out of a total advance of Rs. 15 crores, Rs. 7 crores were given to sugar, Rs. 3 crores to chemicals, Rs. 2 crores to textiles, and all the rest of the industries in our country were given. I suppose, a couple of crores. This is a lopsided development. I leave it at that. I want the hon. Minister to carefully consider and examine whether it is not in the best interests of our country that the engineering industry should be developed considerably.

My second contention was about regional disparity. There also, he has not given any answer. The Industrial Finance Corporation is not entirely a commercial body but has been set up with the definite object of developing the industries of our country. Assam has received right from the inception up to today Rs. 45 lakhs.

In the last seven years, the total loan sanctioned to Assam was Rs. 45 lakhs out of the total loan sanctioned of Rs. 43 crores. That means, Assam got 1 per cent. Well, the figure is there and I refer to page 62. The hon. Minister can see page 62.

SHRI A. C. GUHA: The total loan disbursed.

SHRI KISHEN CHAND: Total loan sanctioned. I do not know whether these Rs. 45 lakhs were disbursed or were not disbursed. It is on the basis of sanctioned loans. Assam gets only Rs. 45 lakhs. Madhya Pradesh gets Rs. 39 lakhs, less than 1 per cent. Andhra, supposed to possess 9 per cent. of the Indian population, gets about Rs. 1,29,00,000, about 2 per cent. Rajasthan gets Rs. 74 lakhs. What a glorious figure for a big State like Rajasthan. And now, Madhya Bharat is merged; but the amount given to Madhya Bharat was even more ridiculous. It was Rs. 3½ lakhs for the whole of Madhya Bharat. And so on I can continue. Delhi and other Part 'C' States get Rs. 20 lakhs. Hyderabad gets Rs. 60 lakhs. My only

plea is that we want to develop our economy by better industrialisation—and my request to the hon. Minister is that he should ask the Industrial Finance Corporation carefully to consider proposals, encourage proposals, create entrepreneurs, so that somehow or other these backward areas develop and we have more even industrial development of our country. It is a question of unemployment. It is a vicious circle. If you do not have industries, there is unemployment and the standard of living cannot rise; ancillary and subsidiary industries do not grow up. Because one industry, when it is established, creates other similar industries around it—ancillary industries. Unless you have one or two big industries in these backward areas, naturally these areas will never develop. So, I have a grievance against the Industrial Finance Corporation because they are not carrying out the Directive Principles.

#### MESSAGE FROM THE LOK SABHA

##### BANKING COMPANIES (AMENDMENT) BILL, 1956

SECRETARY: Sir, I have to report the following message received from the Lok Sabha, signed by the Secretary of the Lok Sabha.

“In accordance with the provisions of Rule 133 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Banking Companies (Amendment) Bill, 1956, as passed by Lok Sabha at its sitting held on the 21st December, 1956.”

Sir I lay the Bill on the Table.

#### ANNOUNCEMENT *RE* BUSINESS FOR SATURDAY THE 22ND DECEMBER 1956

THE VICE-CHAIRMAN (SHRI R. P. TAMTA: I have to inform Members that the following Bills will be taken up for consideration by Rajya Sabha tomorrow :—

1. The Territorial Councils Bill, 1956.
2. The Banking Companies (Amendment) Bill, 1956.

The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at thirty-four minutes past five of the clock till eleven of the clock on Saturday, the 22nd December 1956.