

[Secretary.]

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

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"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 Appropriation (Vote on Account) Bill, 1956, as passed by Lok Sabha at its sitting held on the 13th March, 1956.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

I lay a copy of each of these five Bills on the Table.

MR. CHAIRMAN: Well, all these Appropriation Bills will be taken up tomorrow. The exact time to be allotted for their disposal will be announced latter.

PAPERS LAID ON THE TABLE

APPROPRIATION ACCOUNTS (POSTS AND TELEGRAPHS), 1953-54 AND THE AUDIT REPORT, 1955—PART II, THEREON

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Sir, I beg to lay on the Table, under clause (1) of article 151 of the Constitution a copy of the Appropriation Accounts (Posts and Telegraphs), 1953-54, and the Audit Report, 1955—Part II, thereon. [Placed in Library. See No. S-86/56.]

MINISTRY OF FINANCE (REVENUE DIVISION) NOTIFICATIONS PUBLISHING FURTHER AMENDMENTS TO CENTRAL EXCISE RULES, 1944

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA): Sir, I beg to lay on the

Table a copy each of the following Notifications under section 38 of the Central Excises and Salt Act, 1944: —

- (i) Ministry of Finance (Revenue Division) Notification No. 2-CER/56, dated the 1st March, 1956, publishing further amendments to the Central Excise Rules, 1944.
- (ii) Ministry of Finance (Revenue Division) Notification No. I-CER/56, dated the 3rd March, 1956, publishing further amendments to the Central Excise Rules, 1944. [Placed in Library. See No. S-83/56 for (i) and (ii).]

THE LIFE INSURANCE (EMERGENCY PROVISIONS) BILL, 1956—continued

SHRI KISHEN CHAND (Hyderabad) : Mr. Chairman, I was speaking yesterday and pointing out that the nationalised insurance will have to gradually enlarge its scope of business and that it will have to approach the rural areas, and in securing business in the rural areas the services of the Post Masters of the newly opened post offices may be utilised. I may also point out, Sir, that the services of teachers and other Government servants may also be utilised. Hon. Members probably realise that the scale of insurance in our country is very low as compared to the other countries. The total insurance in force in our country is for the amount of Rs. 1,058 crores at the end of 1954. That as compared to other countries is very small. An objection may be raised that our national income is low, and if a comparison is to be made with other countries, due allowance must be made for this disparity in the national income and the *per capita* income. Even allowing for the *per capita* income and taking a conservative estimate, the total amount of insurance can easily be increased ten-fold. Sir, in the U. K.,

ine per capita insurance is about Rs. 9,000. In our country, the per capita insurance is only Rs. 26. And if we allow that their per capita income is 15 or 20 times our income, even then, Sir, there is a possibility of twenty-fold increase in insurance. But I take a conservative estimate, and I put it down at ten-fold increase. If there is going to be that ten-fold increase in the total insurance, hon. Members can realise how large the nationalised insurance can be and what amount of personnel it will require both for management and for the securing of business. Any fear that when these mushroom companies disappear and are replaced by the nationalised insurance company, there will be unemployment in the case of agents and in the case of clerical staff and other staff, is unreal when we see that the scale of insurance can be increased ten-fold. I think, Sir, that in the very near future not only all these people will be fully absorbed, but some additional people also will be absorbed.

When insurance becomes a nationalised concern, it will be for Parliament to take good care that the Government does not increase its expenses and does not in any other way deprive the policyholders of their due share in the shape of bonus etc. And, therefore, Sir, it will not be out of place if I suggest that in the Corporation that is going to be established due representation should be given to the policyholders, and that there should be some sorts of targets and limits fixed in advance about the expenses and about the interest to be earned on the investments. Sir, at the present moment the insurance companies are, on an average, earning about 3½ per cent. When the insurance business is nationalised, all the funds will accrue to Government, and in that case, I would suggest that as a basis the net yield on long term securities of the Government of India should be allowed on the life insurance fund. I may point out to you, Sir, that the long term securities, say, the 1986 securities of the Government

of India are at present quoted at Rs. 77, and that it leads to a yield in the excess of about 4 per cent. The Government will have to make up its mind what interest they will allow on the life insurance fund. The Government must in the Bill announcing the establishment of the Corporation signify what rate of interest it will allow and on what basis it will be fixed. After all the rate of interest fluctuates in the market and the Government will have to link it up with either the prevalent yield on long term securities of the Government of India or the average yield of the industrial concerns or some such thing. It is only in this way that the interests of the policyholders can be safeguarded.

Then, Sir, as at present and by law prescribed, all the expenses of securing business should be through agents who are paid only a fixed commission and nothing else, and efforts should be made to progressively lower the rate of commission, so that the policyholders get the maximum benefit.

The question now arises whether this Bill could apply to co-operative insurance companies and to the State life insurance business that is carried on by certain States. I beg to suggest that when all life insurance business has been nationalised, there is no justification for making such a provision that the co-operative insurance business should not be nationalised or for suggesting that the State life insurance business should not be nationalised.

SHRI H. C. DASAPPA (Mysore): How does the hon. Member say that if it is State life insurance it is not nationalisation?

SHRI KISHEN CHAND: I was going to come to that point very shortly

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): if the hon. Member would only keep his patience.

SHRI KISHEN CHAND: Sir, I agree that the State life insurance business is nationalised but what is the advantage in keeping the various State insurances when we are organising national life insurance on a decentralised basis? The real objection that can be raised is about the rates of premium. It is a well known fact that in the case of certain State life insurance companies, as their expenses are very nominal, their rates of premium are sometimes very low and it is quite possible for the Insurance Corporation that when there is group insurance of State employees, to allow some sort of concession in premiums. "That is a matter of detail and a matter of organisation and I am sure that the Life Insurance Corporation will take into account the low rates that may have been prescribed by some of the State life insurance companies and will make suitable arrangements in their case. But in principle when the whole thing is nationalised it is not of any advantage to keep the business of State life insurance companies apart from it.

Then comes the question of loans and other facilities given to policyholders. As has been pointed out by some Members, the companies offer very easy terms for taking loans on the strength of life policies. This is not a good principle because after all insurance is for a certain emergency and if after insuring one's life he takes a loan and the money is frittered away, the very object and aim of insurance is nullified. Therefore though loans can be granted on the security of the policy, the Government will have to be strict and restrict the requirements for which the loan is taken to specific purposes which are productive in nature or which are for a very great emergency. Except for these things, no loan should be granted.

Then comes the question of standardisation. Now there is a large variety of policies. Because there are so many companies the agent of every company has got to go and tell the

would-be insurer some speciality of his company. This has led to a large variety and type of endowment and life policies and restricted payment policies and so on. But in the case of Government we will have to introduce a standardised type of policy. In particular when we are going to approach the rural population and the poorer classes of people, we will have to devise special methods and special types of policies for them. If all these steps are taken and if the expense ratio is brought down to about 15 per cent and the investment is guaranteed a return of 4 per cent, I am sure that the life insurance business will be able to pay a very handsome bonus, so handsome a bonus that it will encourage people to go in for further insurance.

Now, I will come to a few clauses of this Bill. I may point out that this Bill is in replacement of the Ordinance and there are only two or three questions of any great importance in it. The first question is during this period what remuneration has to be paid to the former managers of the now nationalised insurance companies and the second question is that in the case of some companies which have shareholders, what compensation will be paid to those shareholders and in what shape. In this connection I would suggest to the hon. the Finance Minister that he will not only have to correlate the expense ratio to the earnings in the previous years but he will also have to take into consideration that on a model basis what should be the expenditure considering the volume of business carried on by these insurance companies. I think the figure of 10 per cent, which has been fixed is too excessive in the case of big companies and too small in the case of small companies. Besides this 10 per cent, he will have to fix a minimum amount in the case of small companies so that during the period of transition when the Government takes over the full management of these insurance companies there is no hardship caused.

The second thing is that suitable arrangements should be made for paying commission to the agents who have been working. There is a commission on new business and also a renewal commission on old Business. There have been complaints that since nationalisation some of the agents are not getting their renewal commissions as quickly and as rapidly as they were getting previously. I do hope that „the hon. Minister will take proper •care and see that these payments are made quickly.

Then comes the question of compensation to the shareholders in some of the life insurance companies. Those companies which are entirely mutual ■will not have this problem but in the •case of such companies as have shareholders the question of payment will •arise.

SHRI M. C. SHAH: May I interrupt the hon. Member? Does he mean the compensation during the interim period or the compensation to be paid eventually when the companies have been taken over under the main Bill?

SHRI KISHEN CHAND: Eventually.

SHRI M. C. SHAH: I think that will "be a subject to be discussed when we bring that main Bill here.

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SHRI KISHEN CHAND: Some part of Jhis discussion has been in anticipation of the Bill which is going to be brought forward so that in the preparation of that Bill these suggestions could be taken into account. Otherwise, what happens is that the Bill comes here in a final form from the other House and the hon. Minister is not prepared to accept any suggestion or alteration at that time. And, therefore, on general principle I was suggesting to the hon. Minister that ■compensation should not be at as high -a rate as in the case of the Imperial "Bank when it was nationalised.

SHRI M. C. SHAH: Already the Bill "has been circulated to hon. Members and they must have read the compensation clauses provided therein. If

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he just mentions something on that, I will be in a better position to take note of that.

SHRI KISHEN CHAND: Well, Sir, I am afraid if I start going into the details of that Bill

MR. CHAIRMAN: No, no. Please do not encourage him to discuss the provisions of the other Bill.

SHRI KISHEN CHAND: I will be stopped by the hon. Chairman and I will not be permitted by him to discuss it. It will become irrelevant. In a general way I suggested to him.....

MR. CHAIRMAN: That is enough.

SHRI KISHEN CHAND: And, therefore, I welcome this Bill as a forerunner of the nationalisation of the insutjflnce business and the new Corporation that is going to be set up. I am sure that if proper care is taken that Corporation will prosper and bring a great deal of money to the Government.

DR. MURARI LAL (Uttar Pradesh): Sir, I apologise to you and the House to be allowed to makeltoy observations while sitting. I welcome this Bill, though it could have been brought earlier—soon after our independence. All the same the solicitude which our Finance Minister has shown to the policyholders has been one of the main reasons why this industry is to be nationalised. Therefore, I am encouraged to put forward a few problems of the policyholders—instances of injustice in the premium and the tables—in the hope that when the compensation is being given a consideration of these things may be made. If concessions are to be made even at this stage to the policyholders —which are overdue—I will mention only two things. One is about the whole life policies on which the premium is to be paid till death. They are very hard and very unjust contracts. At the age of 70 or 65 in all endowments they have ceased. In other tables too, at 60 or 65 they have done with the premium and no more payment is made. But in this case

[Dr. Murari Lai.] they go on till the person dies, when he becomes disabled to earn, when there are diseases after him. If he does not pay the premium, the policy lapses and all his savings—even if it be more than what was the sum assured—go to nothing. So, such a contract is quite unjust. I approached the Controller long ago, after independence, and wanted to discuss these things. He said that if they are bound by a contract—since the contract is there—they have to go on paying till death. I said this can be questioned. I told him "This can be rectified; if you like the support of the legislature can be obtained for the varying of the contract, as it is unjust for two or three reasons." The premium that one pays on whole life may be a little less. Although it may seem somewhat irrelevant, I want to connect this thing with the compensation. Since the compensation to the companies will be paid having regard to the assets of the company as well as the liabilities of the company and if the Government as insurers have got a mind to make concessions on these points, they might just arrange to give the compensation accordingly keeping these in view. So that afterwards, when these things are brought up, it may not be said in the same way as we heard in the past, that that is in the contract. So, Sir, you will bear with me for a few minutes. There are only two things that I want to mention. These premiums are such that the total payment up to 70 years comes to the sum assured. So, they can easily be terminated and policy can be made to mature at 70. Some companies have got this concession made already. They treat these life policies as having matured at 70. And some others have given the concession that the premium ceases at 70 but no more, but they have retained the condition that the sum will be given after death. But, Sir, those people who cannot pay the premium even before 70, and borrow money just to keep the policy alive, up to 70 years, they have contracted a good deal of debt. That debt and interest will wipe off all the

sum they have earned or saved. So, that is a very hard case—unless it be conceded that in such cases, if they (policies) are not considered to be mature and so will be paid at death, they (policies) will carry a bonus and that bonus will be sufficient to meet the interest on the loans. That is, *status quo* at 70 may be retained and whatever comes to the survivors may be the balance. So, I want that this view should be considered. As the hon. Finance Minister has expressed, his solicitude, he should save all these old people from losing all that they have saved against adverse circumstances. And all this time they have paid the premium by taking loans, etc. Sir, this is my case. Why cannot the contract be varied if it is a very unjust contract, if it is found to be so? The shares of the company have appreciated thirty times or forty times. The actuary has given them exaggerated rates. So, the premiums have been high as has been proved by the Government lowering them in many cases for the future. But why should the previous contract be still there which has been based on a mistake of the actuary or on insurer's agents not explaining properly the terms to the assured. So, by this sort of deception they (insurers) have brought all these painful things before them (policy holders). Supposing they have said at 70, "your policy has matured, after that if you like keep the money till your death you will get bonus." Then they could have earned the Government interest of 3½ per cent, while bonuses are given only 1 per cent, and so they would have been gainers. Now, they face the risk of losing the whole thing they have saved: Some companies have even declared that the whole life cases will mature at that age. Naturally the debts taken up to that time will be set off. So, when representation has been made by the policyholders and this has been proved, I expect that certainly the Government will show their solicitude for the policyholders and save them from this ruin. We have varied the contracts in many instances. In this instance, this reduction of interest that I am

talking of, will be so much as will be covered by the bonus earned in years after 70. They say it is varying the contract. Why, we have passed a law, the Debt Relief Act to the effect that nobody will pay more than double the principal, whatever be the rate of interest contracted. Previously it (the law) used to be otherwise. This law has come afterwards to save the debtors. So, we could have appreciated if such solicitude had been shown by the controllers to the policyholders in enacting such legislation redressing the unfairness of these contracts.

I am sure that, when Government takes over insurance, there will be no more defects and that they will get all these things corrected. So, I wanted to make this observation. They also say that we have entered into the contract with open eyes. If we can go to a court of law, we can prove that the case was not clearly explained to us. We were simply anxious that, if we died suddenly we would be leaving something to our survivors. So we hurried to be insured because the (whole life) premium was cheap but we did not know the implication as to how far these things would go. Government can use discretion regarding interest. The Government as the insurer should consider these things. Even now, I dare say there are some policies which are likely to lapse in a year. They will be saved. I will even suggest to the Government that they should revive all the whole-life policies which have lapsed during the last decade on default of payment of premium after 70 and the accumulated interest on the principal contracted to be paid to keep the policy in force. This thing should have retrospective effect while calculating the compensation, it concession to those people is not given in view of the share appreciations of these companies with good management, they (policy-holders) will suffer the loss. I know of shares of Rs. 200 going up to Rs. 8,000. What is this? This is the accumulated policy-holders' money. Sir, you cannot say that this is not so. Then, these whole-life policies are about

only 1 per cent, of the whole range of policies—99 per cent, being endowment policies. You might say, "If there are only a few persons, why should we bother about taking such a step? Well, if the thing is justifiable, whether it is a few persons or more, it should be done. When the Widow Remarriage Act was being passed long, long ago in the old regime, I think it was Lord Bentinck who said, "If one widow is to benefit by the passing of the Act, get the remarriage done, the purpose of the Act was gained". Even if there are only a few to be benefited, the Act will add to the feathers in the cap of the Government. In the new businesses they will get adequate benefit and not lose so much money. So, our Government have really got to render some service to the old people. Government can do something for those people, as they are old people, at any rate for those who have saved their money by doing this act. That will popularise the Government more than what these companies are doing, by sending their own agents, Government will thus popularise this (insurance) at once. Take any Government institution—for example, the Post Office Insurance. They have not made much headway because there is done nothing spectacular. When leaders go and preach youngmen to make sacrifices, to do this thing and that thing, human nature being what it is, they do these ' things for self-interest, they will not make any sacrifices. I say that there is a way to tackle this and that is that something sensational should be done; something should be done to catch the imagination of youngmen that without which we cannot get this done and then they will do so blindly. They will make sacrifices.

So, this will be a very good opportunity for the Government to come to the help of the old policy-holders who are incapacitated. In any way, that will be a feather in their cap. That was the suggestion that I wanted to make and was encouraged to make.

— [Dr. Murari Lai.]

Since the main reason for nationalisation of insurance—as the hon. Minister has pointed out—is that it is for the sake of policy-holders and to save their money from mismanagement, I hope that this service will be maintained. It will, in reality, add to their popularity of insurance in rural areas also where it will be very difficult otherwise. If we lose here heavy sums in this way, they will be scared away—those people have not got the capacity to keep on paying premiums and every time they need money they have to borrow. They cannot be induced unless such spectacular things are done by the Government. That is my humble suggestion in this connection.

SHRI H. N. KUNZRU (Uttar Pradesh) : Mr. Chairman, I listened with great interest yesterday to the speech of my hon. friend, the mover of the Bill, the principal feature of which, so far as I could see, was premeditated enthusiasm. In spite of his enthusiasm, my hon. friend felt that he had, on behalf of the Government, to justify the step taken by it and he gave instances of either irregularities or defects in the conduct of life insurance business by the private companies engaged in it. But before I come to this, I should also like to say a word about the manner in which Government have acted.

They have dealt with the question before us by means of an Ordinance. Both the Finance Minister and the Minister of Revenue and Civil Expenditure have tried to justify this by saying that the public interest required that immediate action should be taken. Sir, since January 26, 1950, Government have issued about 77 Ordinances. That is about 13 Ordinances per year or roughly speaking, one Ordinance a month. Now is that a measure of what is an emergency in the opinion of the Government of India? Did anybody think when article 123 of the Constitution was under discussion that the power given to the President to issue Ordinances

would be abused in this manner? I am sure that people of all shades of opinion in this House will agree with me in thinking that the number of Ordinances issued during the last six years has been regrettably large. Since 1950 up to the present time, it means six years. The number has been regrettably large. It may be said that a good many of these were issued in the first year, in the year 1950-51. It is true, but in the succeeding years too, the number has been nine or ten or something like that, roughly one every month, as I said. Sometimes, in some year it might have been one in two months. I refuse to believe that in all the cases in respect of which Ordinances were issued, there was such an emergency as to require the executive Government to take action immediately. Such emergencies arise in other democratic countries, for instance in England and in America. Does the Government possess any such power there? If other democratic countries 'can guard against all eventualities by using the ordinary power that all democratic governments possess, there is no reason why the Government of India should frequently make use of the President's power to issue Ordinances and deal with matters which in their opinion had better be dealt with early rather than late.

[MR. DEPUTY CHAIRMAN in the Chair.]

My hon. friend has said that the action taken by the Government was the result of mature thought. Government had been considering for some months how they should deal with the evils brought to their notice in connection with the insurance business. Suppose that the investigation had taken a month or two more than it actually did. What would the Government of India have done? They would have had to bring legislation before the House, in spite of the argument used by my hon. friend, Shri Shah, that to wait till Parliament met/ would have been to give the companies that were guilty of irregularities an opportunity of doing considerable harm to the public. This is so general an argument, and so vague,

that it has carried no weight with me. As I have already stated, suppose Government had come to the conclusion just after the Parliament reassembled, that they should take over all life insurance business, the President would not have had the power to issue an Ordinance, and the normal method of dealing with such matters through legislation would have had to be used. I see no reason why this normal method was not used in this particular case.

SHRI M. C. SHAH: It could have delayed matters by two months.

SHRI H. N. KUNZRU: Why two months? You took action on the 19th January. Did Parliament meet in March?

SHRI M. C. SHAH: It met on the 15th February.

SHRI H. N. KUNZRU: Less than a month after that.

SHRI M. C. SHAH: Does the hon. Member advocate delay in coming to a decision?

SHRI H. N. KUNZRU: I advocate the method normally followed by all democracies whose Kings or Presidents do not enjoy this power of issuing Ordinances which the Indian President does.

Now, I come to the irregularities of which the companies concerned dealing with life insurance business have been guilty. I shall consider this matter briefly in two aspects: One, what is the extent of the irregularity? Two, was this situation remediable or not or did it require to be dealt with only by the action of the kind taken by Government? It is not my business to advertise the doings of life insurance companies, but in view of the statements he made, I had to look into the latest report of the Controller of Insurance, and I found that nowhere was such a dark view taken of the situation as the Government have. My hon. friend referred to the lapses that took place. It is quite apparent from the Controller's Report that the proportion of lapses is very

large, but what is the perspective in which we should view this question? We should certainly try to reduce the extent of the lapses, but in order to have a sound and balanced view of the matter, we ought to consider the progress made by the life insurance companies, of the companies that deal either wholly or partially with the insurance business. I find that, while in 1945 the total business amounted to Rs. 557 crores, in 1954, it amounted to a little over Rs. 1,059 crores. That is, the business has doubled in the course of nine years. That surely is not a bad record. Again, the Controller of Insurance says in his latest report that there was a sharp increase in insurance business in the year under report. That again shows that, whatever the irregularities of which the companies might have been guilty, they have expanded their business considerably.

I shall deal with only one other matter, and that is the partiality shown by the insurance companies in lending money to industrial concerns. Now, it is well known that the Directors of insurance companies who are also Directors of other concerns take advantage of their position by seeing that whatever portions of the funds that are not required by the Insurance Act to be invested in a particular manner are invested in those industrial concerns. I have tried to find out what the total amount of the non-approved investment was. I am not sure that I have been able to find it out but it appears to me from the figures given in the Controller's latest report that this amount is only about Rs. 57 crores. Am I correct there?

SHRI M. C. SHAH: 50 per cent, is in Government securities and approved securities, 35 per cent, will be approved investments and 15 per cent, will be the rest according to the discretion of the management.

SHRI H. N. KUNZRU: It is so. This is the legal position.

SHRI C. P. PARIKH (Bombay): How much out of the 15 per cent.?

SHRI H. N. KUNZRU: I shall give the figures. My hon. friend may be able to explain the significance better than I can. The Controller of Insurance says that in accordance with the classes of sub-section (i) of Section 27A of the Insurance Act, the total sum invested is about Rs. 281 crores. This means that this sum is invested in approved securities. Legally, it may not have been necessary for the companies concerned to invest all this money in approved securities but actually it is. Again the report tells us that the non-approved investments amount to about Rs. 51 crores. If these figures are correct, then it seems to be a reasonable inference from them that the total amount which the 165 companies engaged either wholly or partly in life insurance business could mismanage was Rs. 51 crores. If this is correct, I would like the House to consider whether.....

SHRI H. C. DASAPPA: May I just point out that the provision is that upto 15 per cent, they can invest in industrial undertakings

SHRI H. N. KUNZRU: It is not a question of law. I am pointing out the existing state of things, whatever the law may be.

SHRI H. C. DASAPPA: I would like to know whether these Rs. 51 crores refers to that 15 per cent, which they could invest in industrial undertakings or whether it consists of these buildings, mortgages etc. which come under non-approved investments.

SHRI H. N. KUNZRU: I cannot answer that question off-hand but it seems to me that the total amount in respect of which default has been committed by the insurance companies—that is, the total amount which the life insurance companies have failed to invest in accordance with the Act—amounts only to about Rs. 16 lakhs in accordance with the latest report of the Controller of Insurance. Now, Sir, I ask the House to consider in the light of these facts whether the situation was remediable or not.

We were confronted with more serious situations in respect of other institutions, for instance, banks and the industrial and commercial companies. Government have, by enabling the Reserve Bank to exercise supervision over the affairs of the other banks, improved the situation considerably. The number of banks in this country is not small. But what the Reserve Bank did was to have a special department in order to deal with the banks. I am not going into the classification of the banks because that is not necessary for my purpose. This shows that by means of legislation and the proper administrative organisation, Government could deal with the evils prevailing in banking circles which were neither few nor small. We all know how many banks have failed, what havoc their failure has caused and so on. Yet Government has been able to change the situation almost out of recognition by taking the normal action that they could take. Now let us take the companies in respect of which the law was passed only a few weeks ago. Now we all know the complaints of the public with regard to the conduct of these companies, the manner in which the managing agents acted and so on but what have Government done in order to curb the freedom of these companies to act against the public interest? They have over-hauled the Indian Companies Act and they have created a Department called the Department of Company Law Administration in order to see that the law passed by Parliament is not violated with impunity. It may be said that when the Indian Insurance Act was passed, the Controller of Insurance was appointed to see that the insurance companies conducted their business on sound lines. But consider the strength of the administrative organisation created by the Government in these cases. On the Department of the Controller of Insurance the total expenditure was about Rs. 7 lakhs in the year 1954-55 and it will amount to about Rs. 9 lakhs in the year ■ 1956-57, although the total number of companies doing

life insurance business is 165. Now the sum that is going to be spent on the Department of Company Law Administration in the next year will be about Rs. 28 lakhs and I shall not be surprised if before the year closes, the expenditure rises by a few lakhs. Now in these circumstances, can we be satisfied with the assertion of my hon. friend Mr. Shah that as the various modifications made in the Insurance Act during the last 17 years had not succeeded in eradicating dishonesty, therefore, it was quite clear that legislation was impotent to deal with this evil. The Indian Companies Act too was amended several times before it was overhauled recently and a properly organised Department of Company Law Administration was created. Now if in spite of their disappointment in one case, Government thought that they could deal with the situation in the normal way, why did they think that in this particular case only it was necessary to take extraordinary action?

SHRI M. C. SHAH: Nationalisation.

SHRI H. N. KUNZRU: What my hon. friend says is in plain words we had got the power to act in this manner and so we did it and we shall act again in this manner in the future. This is all that it comes to.

PROF. G. RANGA (Andhra): In public interest.

SHRI H. P. SAKSENA (Uttar Pradesh): If necessity arises.

SHRI H. N. KUNZRU: So long as -we can make use of the President's **power** to do what we like, such necessities will arise very frequently.

MR. DEPUTY CHAIRMAN: Will you take more time?

SHRI H. N. KUNZRU: No. I shall end just now. I think I shall end in five minutes.

1 P.M.

There is just one thing I would like to say on this aspect of the matter. We should not excuse irregularities

committed by any private person or concern. But when Government considers this matter, they ought to realise that there is corruption in their own Departments, and that corruption has become so great that the Railway Minister had the honesty and the courage to appoint a special committee to look into the matter. I honour him for his sincerity and for the effort made by him to deal with this evil. We are very sorry that there should be corruption in Government Departments. The fact is **that** there is this corruption, but this tact will not entitle anybody to condemn the Government wholesale and **say** that it is incapable of doing anything in the interest of the public. I would ask my hon. friend Mr. Shah to look at the question from the same point of view when dealing with other matters.

There is just one other point I would like to refer to. The hon. Finance Minister said, I think in his broadcast on the 19th January, while referring to the recommendations of the Planning Commission that the entire credit organism, including banks, insurance companies and stock exchanges, will have to be fitted increasingly into the scheme of development visualised for the future. We are all desirous of making rapid economic progress. But is it not necessary for us to consider whether there is any irreconcilable conflict between democracy, between the development of democracy and economic progress? If we lay stress exclusively on economic progress, we are heading to totalitarianism. We ought, therefore, whenever we are confronted with a difficult situation, to consider how action should be so taken as to develop the democratic habit and at the same time bring about the changes that we need for rapid economic progress. I am not aware and I don't think there is anything in the Report of the Planning Commission or any observation made either by the Finance Minister or by the hon. Minister for Revenue and Civil Expenditure to show that the Government ever **thought** on **this**

[Shri H. N. Kunzru.] question from this point of view. They thought that for the utilisation of the nation's resources for productive and social purposes it was desirable that the funds instead of being controlled by several agencies, should be controlled only by one agency, namely the Government of India. Well, if they are concerned only with administrative ease or with action being taken only in a particular direction, then they can also say that democracy is an obstacle in their way. If they had unrestricted power, they could proceed much more quickly than they can at the present time, when they have to consult Parliament in regard to every important matter. But such an arrangement will not be tolerated by anybody here for a moment. When, however, economic matters are dealt with, unfortunately, nobody thinks of what would happen to democracy if they were dealt with in a particular way, and that is why the Government have been able to act in respect of insurance companies in the manner in which they have done. If they had given thought to this matter and then come to the conclusion that the action taken by them was the only alternative left to them, I would have bowed to their judgment. But so far they have not said a word to show that they ever took the trouble to reconcile economic progress with democratic development.

MR. DEPUTY CHAIRMAN: There is a message from the Lok Sabha.

MESSAGE FROM LOK SABHA

THE APPROPRIATION (RAILWAYS) NO. 2 BILL, 1956

SECRETARY: Sir, I have to report to the House 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

Appropriation (Railways) No. 2". Bill, 1956, as passed by Lok Sabha at its sitting held on the 14th March, 1956.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

I lay the Bill on the Table.

MR. DEPUTY CHAIRMAN: Since there is a large number of speakers yet to speak, I suggest, if the House agrees, we may reassemble after lunch half an hour earlier.

SHRI M. GOVINDA REDDY (Mysore): We have to go for lunch and so I suggest we may, if necessary, sit longer, beyond five in the evening.

MR. DEPUTY CHAIRMAN: Or shall we meet at 2.10 P.M.?

SHRI P. S. RAJAGOPAL NAIDU (Madras): We may sit after five, Sir.

MR. DEPUTY CHAIRMAN: But there are some engagements after five, I think. So we may meet at 2-10 and I think the House agrees. We now adjourn till 2.10 P.M.

The House then adjourned for lunch at eight minutes, past one of the clock.

The House reassembled after lunch at ten minutes past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

THE LIFE INSURANCE (EMERGENCY PROVISIONS) BILL, 1956— *continued.*

श्री अब्दुर रज्जाक खान (पश्चिमी बंगाल) : डिप्टी चेयरमैन साहब, मैं बड़ी खुशी के साथ इस बिल की तारीफ करना चाहता हूँ। मेरे खयाल में अब तक गवर्नमेंट ने जितने मेज़र्स लिये हैं उनमें अगर सब से अकलमन्दी का कोई मेज़र लिया गया है तो वह यही मेज़र है। मैं आनरेबिल फाइनेंस मिनिस्टर को इसके