

(vii) the meeting agreed to request the U.N. Cartographic Office to circulate the two proposals regarding the projection system of the map (Lambert Conformal Conical Projection and Oblique Azi-mutual Equidistant Projection) to national cartographic agencies for comments and to forward a report on the results of consultation to the Co-ordinator of the Project. The final decision on the projection to be adopted to be taken by the Co-ordinator viz., the Director, Geological Survey of India.

(viii) each country in the region I to prepare base geological maps on the scale of about 1 • 2 million which will be sent to the Co-ordinator.

Except for consultations between the U.N. Cartographic Office and some of the Survey Departments of the region, no progress has been made with the compilation of the map. The Working Party has authorized the Co-ordinator to decide on various technical details connected with the compilation of the 5 millionth scale map, after consulting the countries concerned wherever necessary.

#### **HINDUSTAN STEEL PLANT AT ROURKELA**

356. MOULANA M. FARUQI: Will the Minister for NATURAL RESOURCES AND SCIENTIFIC RESEARCH be pleased to state:

(a) whether the work of detailed prospecting and development of iron ore properties for the Hindustan Steel Plant at Rourkela has since been completed by the Indian Bureau of Mines; and

(b) if so, what is the result of the investigations?

THE MINISTER FOR EDUCATION  
AND NATURAL RESOURCES AND  
SCIENTIFIC RESEARCH  
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ABUL KALAM AZAUJ : (a) No! yet. The work is in progress.

(b) Investigations so far completed have proved the existence of 19·8 million tons of iron ore with an average iron content of 65-56 per cent, in one block comprising an area, of 0·19 square miles.

#### **THE COMPANIES BILL, 1955— continued**

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Chairman, the hon. Members, who have already spoken on the Bill, have spoken with an intimate knowledge of business affairs in this country. I am afraid I cannot lay claim to such knowledge; my knowledge of such affairs is of a rudimentary kind. But although I am a layman, I shall be required to cast my vote in favour of or against the Bill; and as I do not want to cast a silent vote, it is necessary that I clearly state my point of view. I shall deal generally with such matters as are of general interest, but I shall not be able to get away completely from the subject of managing agents, although it has been discussed at considerable length already. Perhaps, I would better begin with a brief discussion of this topic so that I may be able to deal adequately with the other points to which I attach importance.

Sir, when this Bill came before the Rajya Sabha, I was anxious to find out how the Indian Companies Amendment Act of 1951 had worked. The Secretary of the Company Law Administration Department has been good enough to supply me with the Annual Reviews published by the Advisory Commission set up under the Amendment Act during the last three years. In the concluding paragraph of the Review for the year ending the 30th September 1952, the Commission says:

"Certain difficulties have been encountered in the administration

[Shri H. N. Kunzru.] of the Indian Companies Amendment Act, 1951, but Government consider it desirable to watch its working for some time longer before they take any action to deal with them. The measure of success already achieved in the working of the Indian Companies Amendment Act, 1951, has been to no small extent due to the co-operation and support of companies including some of the biggest industrial and commercial concerns in the country. Government trust that they will continue to receive the same measure of co-operation from them in future and that the administration of the Act will help in a stable rise in the standard of company management in the country."

Now in the last Review which deals with the year ending the 30th September 1954, the Advisory Commission says:

"In the earlier reviews it has been observed that the success of the working of the Amendment Act of 1951 was in no small measure due to the co-operation and support received from companies including some of the biggest industrial ' and commercial concerns of the country. The fact that the broad principles laid down by Government on the recommendations of the Commission regarding the tenure, remuneration and powers of the managing agents or managing directors have been readily accepted by a great majority of companies has been in itself a very encouraging feature of Company Law administration in recent years."

Now, Sir, as the managing agency system has come in for a great deal of criticism—much of it is well-deserved—I think it is only fair that hon. Members should know also the bright side of the picture. Malpractices have always been observed in business affairs in every country. They are a regrettable feature of the tendency on the part of some people

who already have got a great deal of money to amass more wealth. But I am not sure that it is a special feature of the managing agency system. There are many concerns in this country that have no managing agents. I can mention some of them in Uttar Pradesh. But I do not think that they have a better reputation than any of the concerns or the mills managed by the managing agents. During the war years, Sir, and even before the war years, the evils of the system were recognised. And the Indian Companies Act of 1913 was amended in 1936 and several times later. The latest amendment was effected in 1951. The years after 1939 were the war years, and it must be confessed with regret that the morality of the entire country deteriorated. Few people could withstand the temptation created by the war to get rich quickly. The Government, therefore, found it necessary to amend the Indian Companies Act in 1951. It is obvious, Sir, that if the Act of 1951 has worked fairly well, though there have been some difficulties in its administration, as observed by the Advisory Commission, it is desirable in the interests of the country that an institution which is still serving a useful purpose should not be totally discarded immediately. No one is in love with this system. If it can be put an end to at once, put an end to it by all means. But it does not appear, Sir, that questions relating to capital and organisation and management can at present be easily dealt with by scattered individuals. We hope that in course of time, or rather very soon, organisations will come into existence which will not need the support of the managing agency system. But in view of the fact that we have to concentrate our attention at present on more production and more employment, I think it is the path of wisdom that we should use such agencies as we can in order to give an inducement to the people who can help in increasing the production in this country. I have read some of the speeches made by the Finance Minister in another place, which have been circulated to us, and

in spite of my sympathy with those who are for ending the system of managing agencies, I feel that reason is on the Finance Minister's side. I shall have to say something more, perhaps a word or two more, on this subject a little later. But I shall now pass on to certain general suggestions which will interest all laymen.

The most important thing, in my opinion, that required *to* be dealt with in the Bill before us was the position of the shareholders *vis-a-vis* the directors and the managing agents. It is a sad fact, Sir, that although these people supply the capital, or a large part of the capital, with which our industrial concerns are run, they have hardly any say in the management of these concerns, or they are hardly able to obtain any information with regard to the concerns in which they have invested their money. I am, therefore, very glad indeed that this Bill improves considerably the position of the shareholders. There are provisions requiring the consent of the shareholders for the passing of a general resolution or a special resolution. A general resolution requires a simple majority, but a special resolution requires a three-fourths majority of the Members present and voting. Now this in itself greatly enhances the position of the shareholders. Clause 217 which deals with the Board's report will enable the shareholder to get much more information than he can at present get. In addition to the information that he got formerly, i.e., the balance sheet, the profit and loss account, etc., he will now get information with regard to changes in the nature of the company's business, and in the classes of business in which he has invested his money. Apart from this, Sir, the Board will also be bound, when this Bill is passed into law, to give the fullest information and explanations in its report or in an addendum to that report, on every reservation, qualification or adverse remark contained in the auditor's report. But while the shareholder's position has thus been considerably strengthened,

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I want some additional information in order to know whether the improvement is adequate.

Clause 237 of the Bill states that the Government may order an enquiry into the affairs of a company, if it is satisfied that it has not given full information with regard to its working to its Members. Now the information that has to be statutorily given by the company has been referred to in clause 217 and in Schedule VI contained in the Bill. Now, does clause 237 refer only to the information which has to be statutorily supplied, or does it give the shareholders a right to get additional information, provided it is information of a character that they may reasonably expect to be furnished with? This provision, Sir, is modelled on the corresponding provision in the English Companies Act of 1948. But neither the English Companies Act, nor our Bill enables us to know what the provision in our Bill, which I have referred to, means. If it only means that this statutory information must be supplied or else the company concerned will run the risk of having its affairs investigated by the Government, that is not an affair of any great consequence but if it entitles the shareholder to get information additional to that with which he is bound to be supplied in order better to understand the company's position, then I say that the right indirectly conferred on the shareholder by this clause is a very important one. I want that the shareholder should be enabled to ask the Board of directors of his company for information in addition to that with which he is to be statutorily supplied. There is one other point on which I would like to have information. Clauses 217 and 219 state what information should be supplied to the shareholders before the annual general meeting. There it is said and also, I think, in clause 222 that the fullest information shall be given with regard to the company's affairs, its profit and loss account and so on. Now, does this mean that the shareholder will have before him the

[Shri H. N. Kunzru.] information that is given in an explanatory memorandum attached to a budget or not? If it is only information of a general kind, then I think that it should be laid down that there should be a detailed explanatory memorandum attached to the company's accounts when they are sent to the shareholders. If the present language of the clauses is sufficient for this purpose, no change need be made, but I am not sure that the clauses that I have referred to will enable the shareholder to get adequate information. I lay, therefore, great stress on every shareholder being furnished with a detailed explanatory memorandum so that he may easily understand what is contained in the balance sheet and the profit and loss account. According to Schedule VI, very detailed information is to be supplied, but I am sure the Finance Minister knows that in spite of every information supplied in the budget, it is not easy for hon. Members to understand it. If this is the position in which the legislators are placed, consider how difficult is the position of the ordinary shareholder who wants to understand the financial position of his company.

Now, I shall come to the special Department that is to be created for the purpose of administering the provisions of the Bill before us. The Bill leaves wide discretionary powers in the hands of the Government. When I read some of the provisions of the Bill relating to this, I felt extremely uneasy. The power that the Government will exercise will be enormous, probably more than what the Board of Trade exercises in England. From this point of view I do not feel at all certain whether the Select Committee would not have been wiser in following the general policy of the Company Law Committee and not making the provisions too strict. For, they create a temptation to violate the Act and to create other complications to which I shall refer. In the creation of this Department, two things will have to be kept in view. Undue rigidity in

the administration of the Act or undue delay in the disposal of cases should be avoided as far as possible. The only excuse for giving such powers to the Central Government and not to a statutory authority is that the administration of the Department, it is claimed, will be more flexible. If it is to be more flexible, then it is obvious that no rigid pattern can be followed. Again, if the private sector is to play the part expected of it by Government in connection with the Second Five Year Plan, it is necessary that matters referred to the Department should be quickly disposed of. Considering the delay that takes place when references are made to Government Departments at present, the suspicion, the fear, that exists with regard to the delay that may take place in the disposal of cases does not seem to me to be unreal. I think Government will do well to take note of it and to deal with the matter as a major problem.

Another question that I would like to refer to is the need for staffing the Department very carefully and having an adequate number of senior officers as the powers of the Central authority *i.e.*, the Central Department, will be vast and it will be wooed every day alike by the shareholders and by businessmen. Temptations may be placed in the way of the officers which they may be unable to get over. The danger of corruption in such a Department is very serious. There have been complaints already in regard to delay and other matters in connection with other questions, for instance, the issue of the import and export licences and in regard to other matters. The creation of a Government Department is no guarantee either of efficiency or of honesty. These things have to be borne in mind and adequate action has to be taken in order to ensure them. I have no doubt that the senior officers will resist the temptation that may be placed in their way, but they will not be the only persons connected with the administration of the law.

There will be junior officers under them. They will also have subordinate staff under them. There will be inspectors who also, being human beings, can be corrupted. It is, therefore, necessary that expenditure should not be stinted in staffing the Department. There must be a good proportion of senior officers, of meritorious senior officers, of officers in whom the Finance Ministry has full confidence, to carry on the work of this Department. I regret, Sir, that the Government should have such < large powers. But if the assumption of such powers is unavoidable, then the greatest care must be taken to see that the salt which is to salt other things does not lose its flavour.

There is one other thing which I should like to mention in connection with this Central Department which will administer the law. The Indian Law Committee, in considering this matter envisaged two possibilities, *i.e.*, the creation of a Central statutory authority or the creation of a Central Department. Its preference was for a Central statutory authority. But in referring to the Central Department itself it has said that the related institutions, for example, the banks, insurance companies, stock exchanges, etc. should, if necessary, be transferred to this Department—to the Central Department. I think, Sir, that there is intimate connection between these organisations and joint stock companies. These institutions are lending institutions, and the joint stock companies are, if I may say so, spending institutions. The connection between them is, therefore, close. It seems to me, therefore, that the case for entrusting the supervision of these institutions to the Central Department is strong. I know that both these, the insurance companies and the banks, are under the ultimate control of the Finance Ministry. It may, therefore, be said that the Finance Minister will be able to provide the necessary co-ordination of policies. But after all, the Finance Minister too will need advice. He

cannot examine details; I mean he cannot look into the details himself. And the Central Department will provide him not merely with expert advice but with co-ordinated advice, with advice that is the result of a common policy in connection with the joint stock companies, and the insurance and banking institutions. I say nothing, Sir, about the stock exchanges, because according to what the Finance Minister has said, a law will have to be passed to deal with them.

I think various duties will have to be discharged by the Centr

al Department. But I suggest that they should be burdened with another duty also, in the interest of the shareholders. I think the Department should consider two things. First—what are the means by which internal control of all companies can be strengthened? Second—what are the means by which the shareholders may be provided with adequate information, that is information which will enable them to take a comparative view of the working at least of the more important joint stock concerns in the country? The first matter, namely that of strengthening internal control can be dealt with only if the shareholders are encouraged to organise themselves into shareholders' associations. Such organisations exist in a number of places, but only the Bombay Shareholders' Association is well-known in the country. But I am not sure that every State which has joint stock companies has shareholders' associations of its own. I think, Sir, that special attention should be devoted to this matter by the Central Department. Every encouragement should be given to the shareholders to establish their own institutions so that they may have some people at their disposal who will be able to explain to them and who will enable them to understand properly the information that they get from their companies.

The second point, namely, the provision of information which will

[Shri H. N. Kunzru.] enable the shareholders to take a comparative view of the work of the joint stock concerns in the country, can be dealt with only by a publication that the Central Department should undertake. It is required, under clauses 638 and 639, to submit annual reports on the working of each Government concern and these reports are to be laid before both Houses of Parliament. But I suggest that this Central Department should also consider whether it cannot usefully bring out a publication, giving information of the kind that I have already referred to.

Lastly, Sir, I would refer to the part that the Indian Press has to play in diffusing information in regard to financial and economic matters in this country. While in other countries, particularly in the more advanced Western countries, a great deal of information with regard to the working of industrial concerns and business concerns generally is provided by the Press, in India, such information is supplied by a very, very small Section of the Press. But as our plans for economic development of our country proceed, the need for a proper diffusion of information with regard to joint stock concerns and other business matters will be felt more and more. Its adequate provision will become a matter of much greater importance than it is now. While Government themselves have a responsibility to discharge in this connection, I appeal to the Press to recognise the great responsibilities that the development of the country will place on its shoulders for giving adequate and accurate information to the public about the institutions that have an important bearing on the industrial and economic progress of our country,

SHRI B. C. GHOSE (West Bengal): It is inevitable, Sir, that our observations, particularly in view of the limited time at our disposal, would be focussed on points of disagree-

ment. That does not mean that we are not in agreement with many of the provisions of this Bill. As a matter of fact, this Bill is an improvement, in a very large measure, on the existing Company Law. If it is properly administered, there is every reason to hope that company management will improve in future. The provisions in regard to company formation and floatation are very wholesome and should prevent fraud and also give needed protection to unwary investors. It is said that one of the reasons why companies have been functioning more properly in a country like Germany is that the company Law there in regard to formation and floatation has been very stringent. There are in Germany other provisions also; viz., the appointment of two boards. One is the Board of Management and the other is a Council of Supervision—Vorstand and Aufsichtsrat. I am not quite sure if these institutions are feasible in our country and also whether their working has really been absolutely satisfactory even in Germany. The provisions in the Bill relating to liquidation procedure are also very wholesome. If I were to support the institution of managing agents, which I do not, I would have said that this Bill contains many provisions which will plug the loopholes through which abuses had crept in. Admittedly, Sir, this Bill is a very complicated and also a very controversial measure. Differences of opinion are there naturally. A good deal of labour and thought lies behind this Bill. The Joint Select Committee. I might say without indulging in self-congratulation, had a very arduous task and it laboured conscientiously. The Committee was extremely fortunate in its Chairman and also in the Minister who happens to be in charge of the Bill. I must pay my tribute to both these gentlemen for their infinite patience and also, if I might, to the Finance Minister for his tact in resolving many difficult problems.

[MR. DEPUTY CHAIRMAN in the Chair.]

In spite of differences in attitudes and approaches—there have been real and sharp differences—and taking into consideration those differences and making allowances for them I am prepared to say that the Finance Minister had approached all questions with an open mind. At this stage I should like to confine my observations to only a few main topics leaving for a later stage discussion on minor details. The main questions are with regard to the managing agency system, particularly about its future, and incidentally also about the position of secretaries and treasurers; secondly, the question of the method of election of directors—whether cumulative voting would have been preferable or not; thirdly, the question of the establishment of a suitable machinery for the administration of the Company law—whether it would not have been more desirable to have a statutory authority.

Coming to the question of the managing agency system, I do not want to argue the merits or the demerits of the system; that has been dealt with at very great length. I am prepared to concede that the managing agency system has played a very vital role in the industrial development of this country; that is a historical fact which should not be denied. Still, it is rather an interesting question to ask whether, if conditions had been different, we would have had this system established in our country and whether it was not a fact that foreigners took the initiative in the industrial development of the country and, therefore, in establishing industries they asked for special privileges and special safeguards. It is a fact that in no other country do we find a similar institution existing for the management of companies. There have been certain recent developments, I am aware, which probably approximate to this system to a certain extent. It is said, for example, that the Witwatersrand group system of management and control of mining concerns in South Africa resembles

the managing agency system. The Holding Companies of America also have certain features which resemble those of the managing agency system. Still, there are important differences. The main difference is this that the managing agents in our country constitute a combination of managerial and financial functions whereas, in other countries, the managerial people are concerned only or primarily with the function of management.

Before I come to a discussion of the managerial system, I may draw your attention to a matter. I would like to draw your attention to what I consider rather an intriguing part played by my hon. friend Prof. Ranga. I refer to his eloquent support for the managing agency system at least for the present.

PROF. G. RANGA (Andhra): As it comes out of the Joint Select Committee of which both of us were Members.

SHRI B. C. GHOSE: Yes, but we have a difference of opinion on this issue.

PROF. G. RANGA: Both of us took the same view but that was defeated.

SHRI B. C. GHOSE: There is a minute of dissent appended by us to the Joint Select Committee's Report. Why I was surprised was because Prof. Ranga used to hold a different opinion not so very long ago. Of course, the hon. Member is entitled to change his opinions at his will and also his affiliations but I would like to place before you certain facts.

PROF. G. RANGA: I have not changed my view at all. I would like the managing agency system to go, but, then, today we are not in a position to get rid of it.

SHRI B. C. GHOSE: I would now\* draw your attention to certain facts. In November 1947, the A.I.C.C. set up a high-powered committee and I find that Prof. Ranga was a member

[Shri B. C. Ghose.]  
of the committee. The other members were:

Pandit Jawaharlal Nehru.  
Maulana Abul Kalam Azad. Shri  
Jai Prakash Narain. Shri Gulzarilal  
Nanda. Shri J. C. Kumarappa.  
Shri Achyut Patwardhan. Shri  
Shankarrao Deo.

PROF. G. RANGA: And the Chairman was Pandit Jawaharlal Nehru.

SHRI B. C. GHOSE: The name of the Chairman is not mentioned here. That committee drafted the economic programme of the Congress, IX regard to the managing agency system, this is what the committee had stated:

"In private industries any existing system of managing agency should be abolished as early as possible."

Now, I am quite sure that my friend Prof. Ranga would like to take his defence under the garb of these words "as early as possible". He surely said that the time had not then come. But this was in 1948. This economic programme of the Congress was moved for its adoption at the A.I.C.C. in Bombay on April 24, 1948 by Shri Shankarrao Deo and was supported by my friend Prof. Ranga, which included this item that the managing agency system should be abolished.

SHRI H. C. DASAPPA (Mysore): "As early as possible".

SHRI B. C. GHOSE: "As early as possible", of course. It was 1948 and this is 1955, and still this is not possible.

Now, Sir, there is a very important question when we are discussing these issues. I believe we should be aware of certain objectives which we want to be fulfilled by the enactment of this measure; and the first objective

is, of course, the protection of the interest of the shareholders, particularly protecting the minority against any oppression by the majority. But another equally important objective—and I believe the Finance Minister will also agree with me—is to achieve certain social ends, namely, the prevention of concentration of economic power. It is because of this second objective that we have been impelled to do certain things.

I am sure that it might be stated that the *zamindars* and the princes were also subserving certain useful functions. They were not merely exploiters—they were exploiters—but at the same time they were discharging certain functions. It might have been argued that, instead of ending that system, we should have tried to mend it. But their continuance clashed with certain principles which we held very dear and we settled that they should go and we took certain calculated risks. The question is as to whether the same principle should not apply in the case of the managing agency system. It is said that this will give a very rude shock to private enterprise. I shall come to that question presently, but I want to say here this that recently this Parliament has passed many measures which had admittedly given a rude shock to private capitalists, for example, the fourth Constitution amendment, the nationalisation of the Imperial Bank of India. But even so Government have gone on with those measures. Knowing that they might have certain adverse effects, they have taken certain calculated risks; and I say, Sir, that in pursuance of the objective which we have put forward, it would have been more honest to take measures immediately for the abolition of the managing agency system. I said, Sir, 'to take measures immediately'—not to abolish the system immediately. But we should be clear in our mind as to whether we want the system to continue for ever or not. And here, Sir, I must say that I am rather sorry that in the speech delivered by the Finance Minister

there is no clear indication as to what the attitude of the Government is with regard to the future of the managing agency system. I have read the pamphlet which has been circulated to us. I must confess that his pronouncements on this issue appear to me to be delightfully vague, sometimes confusing and, if I may say so, even exasperatingly tantalising. Why I say this, Sir, I shall tell you presently.

Now, what are his observations in regard to the managing agency system? I said, Sir, that I was not entering into a discussion of the merits or the demerits of the managing agency system. I said, Sir, taking into consideration the fact that it has admittedly contributed to the industrial development of the country, taking into consideration also the fact that there have been abuses, in view of certain social ends which we have set before ourselves, we consider that this system should be ended.

PROF. G. RANGA: Hear, hear.

SHRI B. C. GHOSE: Now, Sir, if I may quote to you the observations of the Finance Minister on this point, this is what he says on page 21 of this pamphlet:

"What I meant was, if they find a long catalogue of evils, shall we say, being traced to managing agents, they should consider whether the same evils would not have flowed even if there had been no managing agents. That is to say, there are certain forms of abuse which could in the same circumstances have been practised even by Boards of directors or by secretaries and treasurers under any other form of management."

I entirely agree with the Finance Minister. I do not say that the abuses attach only to the managing agents. Companies where we have only directors or managing directors have functioned in a manner which is extremely reprehensible. There have

been no managing agents in banks, but we know of banks in West Bengal and the way that they have functioned. But that is not the point at issue. We know that if companies have to exist, they must be managed and we have to choose between lesser evils. We feel that the managing agency system is a larger evil and, therefore, we have to prevent managing agents from flourishing and we have gradually to initiate measures so that the system may be ended.

Then the Finance Minister says on page 22:

"Members of this House may come to an objective judgment in regard to the possible utility of continuing for some time an amended form of the managing agency system."

Now, this is an observation with which I am also in entire agreement provided he sticks to the implications of his observation, namely, "of continuing for some time an amended form of the managing agency system." That means that the ultimate objective is to end it. But then he says on page 23:

"There is no reason why we should not continue to take advantage of their services on our terms and not on theirs."

Now, I can agree and can visualize a situation where, if we think that the managing agency system is really a good system, we should continue to take advantage of their services on our terms. That was the recommendation of the Bhabha Committee. But do we stick to what had been stated by the Bhabha Committee? And the Finance Minister goes on to say:

"There is no reason why, with the necessary curbs against malpractices, the community should be deprived, as long as we like, of the services of experienced people."

I cannot agree with the words "as long as we like". But every sentence

[Shri B. C. Ghose.] is so modified by certain other observations and statements that we do not know where we stand. I want to be clear in my mind that although we do not want the managing agency system to be ended immediately but that we want that it should go at some future date and that we should be preparing for that eventuality.

PROF. G. RANGA: On a matter of personal explanation, that is exactly the stand that I have taken—only in different words; I made it perfectly clear.

*(Interruption.)*

I have read it again this morning. I have made perfectly clear in the first three sentences that even in the Joint Select Committee I was opposed to this system. And I am opposed to it now. I even requested the Finance Minister to see that it should not be introduced, it should not be continued in the new enterprises that were to be brought into existence.

SHRI B. C. GHOSE: That is very good. Then there is no difference.

PROF. G. RANGA: There was.

THE MINISTER FOR FINANCE (SHRI C. D. DESHMUKH): If it is continued, it will be for the furtherance of national interests.

SHRI B. C. GHOSE: That means, I believe, what the Finance Minister has stated on page 31 of this pamphlet:

"If after investigating all the circumstances of an industry and, as has been suggested, with the advice of the advisory commission, they come to the conclusion that it is no longer necessary in a particular industry to have this peculiar system of management, in that case Government has power to declare that there shall be no more managing agency in that industry. But by inference it follows that in the other industries where after investigation you find that there is room for promotional effort or for financing

activities, you should not discard a method which has been found to be useful and for which you expect some use in the future."

I believe it is the position of the Finance Minister that the managing agency system—not that I agree with that standpoint—if it is found that there is room for promotional effort or for financing activities, might be continued; otherwise it might be ended and, Sir .....

KAZI KARIMUDDIN (Madhya Pradesh) : What do you say?

SHRI B. C. GHOSE: I will come to another observation on page 71 of this pamphlet, where the Finance Minister says:

"On the other hand, as I made it clear, there is no present judgment at the moment"  
—'at the moment' is a very good' qualifying phrase—

"that it is our definite intention steadily and systematically to abolish managing agencies."

That is my quarrel. There is no definite intention steadily and systematically to abolish managing agencies. I join issue with the Finance Minister on this particular point, for I take my stand on the recommendations of the Joint Select Committee with which, I believe, the Finance Minister is in agreement. What is the scheme of the Joint Select Committee in regard to the managing agencies? I say, Sir, that it is described in clauses 324 and 326. If our standpoint was that the managing agency system has its utility—which I do not doubt—and that it should be our endeavour to preserve it ridding it of its deficiencies, then the straightforward course would have been to accept the Bhabha Committee recommendations. That was the honest and straightforward course but the Joint Select Committee did not do that. It introduced a new clause, clause 324, where it says that under certain conditions managing agencies may be

ended. Now, if managing agencies may be ended under certain conditions, the implication is that this is a system which we do not want but which we find we cannot as yet discard and therefore—this is not my standpoint; I am only interpreting the point of view of those who have recommended this scheme of the Joint Select Committee—it appears to me to be this. If we could discard the managing agency system today we would have done it but the fact remains that we have a Plan in our hand, that we want capital from the private sector and that we fear that with the discontinuance of this system there would be deficiencies in capital formation in that sector. Therefore, so long as managing agents have some utility in respect of promotional and financing activities, we shall let it continue. If that is so, then if I may give a very blunt analogy, I may say that in the scheme of the Joint Select Committee the position of the musketeers—as my friend would say, sitting on that bench—may be likened to that of a pig which is being encouraged and given every inducement to fatten but only to be slaughtered when the process of fattening has been completed.

SHRI V. K. DHAGE (Hyderabad): That is what Shanker has said also.

SHRI B. C. GHOSE: I want to know from the Finance Minister definitely whether he agrees with this reading of the meaning of the recommendations of the Joint Select Committee.

SHRI C. D. DESHMUKH: I do not like to use these analogies very much where they are misunderstood. But it will be a selective process, whatever you may call it, elimination or whatever term you may use. If we find that in certain industries they are no longer necessary then they will be done away with.

SHRI B. C. GHOSE: If that is the position I can appreciate that but the pronouncements .....

SHRI V. K. DHAGE: The fattening part of it has not been dealt with by him.

SHRI B. C. GHOSE:..... have been so confusing that they gave different impressions. I was reading "Commerce" which felt very happy that the Finance Minister was not at least for some period of time going to do anything with the managing agency system. That is the impression which he has given and probably he has given that advisedly.

SHRI C. D. DESHMUKH: I am sorry to intervene again, but it is a matter of time element. As I said yesterday, after the Act comes into force it will be about a little over four years; three years' notice has to be given in any case, and we have also undertaken to make very careful investigation of the circumstances of an industry before we notify it. Even if we start at this very minute—we cannot start now; we must start only after the Act comes into force and that may take a year or so—then we have to come to certain conclusions in regard to an industry or two industries or three industries and then three years' notice will be given and by that time it will be August 1960.

SHRI B. C. GHOSE: I agree. I do not quarrel with the Finance Minister on that issue when we have clearly in our mind that our ultimate objective is to abolish it for whatever reason, for the reason, say, that we want certain social objectives to be achieved.....

SHRI C. D. DESHMUKH: That is the trouble. One tries to generalize it in a very simple formula that our intention is or is not to abolish the managing agency system. As one speaker pointed out, you are not dealing with the same identity; it is something different; it is changing and under the Act, as one hopes it will be passed, you will be dealing with something quite different. You do not know quite what it is. We have got the power to ourselves to examine all these. We know what the main

[Shri C. D. Deshmukh.] criteria are and we shall apply them as diligently as we may and then come to conclusions. If there are certain industries or certain enterprises in which we feel that promotional and financing activities had better be encouraged and that the best way of doing that is the reformed managing agency, then we shall take a decision to continue it. Again, that does not mean that it will last for another century.

SHRI B. C. GHOSE: That was exactly what I was saying. If I have understood the Finance Minister rightly, what he means is that if an industry has been fully developed and there is no necessity for further promotional activity in that industry, then such an industry would be a fit case to come within the scope of clause 324. That means that as industries become developed and supply the needs of the country—if I might give the example of the iron and steel industry—not for that reason but because of the fact that all promotional activities are now centered in the hands of the Government; then it cannot be logically argued that there is any necessity for any further promotional activity in the private sector in that industry. I am not saying that the Government will come to that decision but it might be argued that it would be a fit case of an industry where the managing agency should be ended. If that is so, I have no very great quarrel with the Finance Minister excepting that we feel that it should be made clear and a definite time limit should have been set for this reason that if you allow managing agents to be under the impression that under certain conditions they may continue for any length of time, then there would be some vested interests created and it would be difficult to end the system. That is the only difference I find now between myself and the Finance Minister.

KAZI KARIMUDDIN: There is no difference at all.

SHRI B. C. GHOSE: There is a difference. Sir, I shall not continue further on this question of managing agents.

I now come to the question of remuneration. There was only one point about ending" managing agencies and the reactions of that on capital formation. Now, on that the statistics are not very helpful. The Finance Minister stated that at present they were responsible for capital to the extent of Rs. 50 or Rs. 60 crores. It may be Rs. 100 crores; it may be Rs. 50 crores; but taking loans and share capital together .....

SHRI C. D. DESHMUKH: I said Rs. 50 or Rs. 60 crores judging from the figures which are yielded by the sample. It is only an estimate. Secondly, it is the total of loans given or loans guaranteed; it does not include the direct investment of managing agents in the companies which they are managing; nor does it include the investment of their associates or any others.

SHRI B. C. GHOSE: That was the point, I believe, which was made by Mr. Somani in the other House, but this figure of Rs. 50 or Rs. 60 crores includes loans and the share capital contributed by the managing agents themselves.

SHRI C. D. DESHMUKH: Loans given and loans guaranteed.

SHRI B. C. GHOSE: I thought about Rs. 13 crores was the share capital of the 1,720 companies.

SHRI C. D. DESHMUKH: About 1« Dr so. Rs. 10 crores was loans given and Rs. 7 or Rs. 8 crores was loans guaranteed but it does not include the ?apital contributed .....

SHRI B. C. GHOSE: By the manag-ng agents themselves?

SHRI C. D. DESHMUKH: Or by heir associates.

SHRI B. C. GHOSE: Even this figure if Rs. 50 or Rs. 60 crores, the Finance

Minister contended, was a substantial figure which the managing agents have contributed and which could not be provided by institutions like the Industrial Finance Corporation and such other institutions.

SHRI C. D. DESHMUKH: Those are only concerned with loans.

SHRI B. C. GHOSE: The Finance Minister agreed that even if there were no contributions by managing agents, these loans would not be forthcoming. Therefore, we cannot say that the share capital which is now being contributed by the managing agents would not be coming in the investment market if there were no managing agency system. A portion of it might not; a very large portion would find its way in any case. Therefore, we cannot say that all the money that is now being contributed by the managing agents either in the form of share capital or by way of loans or guarantee of loans would be withheld or would not be forthcoming in the absence of the managing agency system. That should be clear.

Now, Sir, coming to the question of remuneration, we suggested seven and a half per cent. That was not a doctrinaire suggestion. You have to realise that this percentage of commission has to be linked up with the minimum provided in the Bill. That means fifty thousand rupees. Now, I believe it was yesterday that my hon. friend, Shri Parikh said that only 775 companies were making a profit of more than five lakhs rupees and, therefore, the question of any commission which would be in excess of the minimum would be relevant only in the case of 775 companies out of 30,000 companies. All the other companies will have to rely on the minimum that is provided in the Bill, because the commission that they will earn will not be equal to the minimum provided in the Bill. And we felt that when we have placed a limit of fifty thousand rupees, for companies earning more than that, seven and a

half per cent, would not be very unfair. If he makes it seven and a half per cent., instead of 775 companies— companies earning more than five lakhs profit—it might be affecting only about five hundred companies or so; I do not know because those figures are not available in any statistics. Therefore, we felt that this suggestion of ours was not unfair. It will affect only a small number of companies and it will have some effect in preventing concentration of wealth. I am aware that it is not the purpose of the Companies Bill to prevent that, but if we could incidentally do it, there is no harm. The Finance Minister has other measures, taxation measures, to bring about that objective, but there would have been no harm because we have reduced the commission. We have brought it down to 10 per cent, and overall 11 per cent., whereas formerly it could have been anything. The Finance Minister has calculated that it worked out to 14 per cent, before and now it may come down to 8 per cent, on the average. Probably, it may go down to 6 per cent, if we adopt seven and a half per cent. And he himself stated that the Sindri experience was only 1 per cent, for management expenses. That will leave a margin of 5 to 6 per cent, to the managing agents for their labours. Sir, here I want some clarification of certain points. The remuneration of managing agents is provided for in clauses 198, 348 and 352. Now, in clause 198 an amendment has been made in the Lok Sabha. I do not understand why it was necessary in view of clause 352 where Government were given power to increase the remuneration of managing agents. The powers given in clause 352 refer both to the minimum as also to the percentage of commission allowed to them. And there was power already available under clause 352, which says:

"Additional remuneration in excess of the limits specified in sections 198 and 348 may be paid to the managing agent if, and only if, such remuneration is sanctioned

[Shri B. C. Ghose.] by a special resolution of the company and is approved by the Central Government as being in the public interest."

That was a more stringent regulation. Now, for a higher remuneration to be received, there would be no necessity of a special resolution. The Government in their discretion may allow the management to have a higher remuneration. That I thought was not so good as was the original clause provided in the Bill .....

SHRI SHRIYANS PRASAD JAIN (Bombay): May I explain this? As far as I understand, so far as this clause is concerned, it relates to the percentage of the commission. If the Government wants to pay more than 10 per cent., not for all time, but for any particular year, or for two years, that will be covered by clause 352.

SHRI B. C. GHOSE: Clause 196 refers both to commission and minimum remuneration.....

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): The proviso is with regard to the monthly payment, that is salary to be paid.

SHRI B. C. GHOSE: What I wanted to know was whether 352 is debarring the Government from paying a higher •monthly remuneration.

SHRI M. C. SHAH: Yes.

SHRI B. C. GHOSE: I should have thought that clause 198 referred both to minimum remuneration and to commission.

SHRI M. C. SHAH: If you read the proviso to clause 198 that will make the position clear.

SHRI B. C. GHOSE: I understand the proviso making this clear, but formerly there was the necessity of a special resolution and Government approval. Now, there would be no

necessity of a special resolution. Is that the intention of the Government?

SHRI SHRIYANS PRASAD JAIN: That is only for that particular year.

SHRI B. C. GHOSE: Yes, clause 352 does not debar them from increasing the remuneration for a particular year—I say all this subject to correction—but it appeared to me that clause 352 provided for this contingency.

And there is only one other point I wanted to be clear about. In clause 198 and its proviso, I presume that it would refer only to minimum remuneration being exceeded in the case of whole-time directors, managing directors and the managers but not to managing agents.....

SHRI M. C. SHAH: That is right.

SHRI C. D. DESHMUKH: It does not include managing agents.

SHRI B. C. GHOSE: That is all right, Sir. Next, I come to the question about the number of companies that may be managed by managing agents, which has been reduced.....

MR. DEPUTY CHAIRMAN: Please try to finish soon.

SHRI B. C. GHOSE: Sir, I will take about ten minutes; otherwise I will stop here. I am sorry I took a longer time, I think. If you have any speakers I am quite prepared to stop here and shall say what I have to say when the clauses are taken up for consideration.

MR. DEPUTY CHAIRMAN: There are sixteen speakers more.

SHRI B. C. GHOSE: I want to say one or two things. I have to compress my observation now. I am in your hands.

MR. DEPUTY CHAIRMAN: Please try to make your points.

SHRI B. C. GHOSE: What I say is that this reduction of the number of companies to ten has not very much meaning to me, because if companies can be amalgamated, then ten or fifteen does not make any difference. If our object is prevention of concentration of economic power, then I feel that unless this is linked up with some capital figure, this will not serve the purpose we obviously have in view.

Similarly, in the case of secretaries and treasurers, at one place the Finance Minister says that there cannot be any concentration of economic power so far as secretaries and treasurers are concerned because they will have no right to have a number of directors on the Board of the company. But at another place he is not quite so sure. If he likes, I can quote from both the passages, but it appears to me that we do not know how this new institution will develop. There is a serious danger that that might also lead to concentration of economic power and we will have to watch how there will develop this interlocking of managerial and financial functions and also interlocking of directorates and investments, a subject to which also Dr. Kunzru had referred.

One other point that I want to clear up in this context is as to whether managing agents can manage ten companies and at the same time be secretaries and treasurers of any number of companies. If that is so, then certainly the concentration of economic power cannot be avoided. They can take ten companies to manage and then they can be secretaries and treasurers of any number of companies at the same time. After having gone through it, I find that the managing agents probably will be placed in a better position after this, because any number of companies they can take up as secretaries, and treasurers and then also manage ten companies and ten companies may be the amalgamation of any number of companies. You can have .....

SHRI C. D. DESHMUKH: if they are allowed to.

SHRI B. C. GHOSE: But there is no legal bar to everything. Their functioning as managing agents also requires Government approval in each case.

I wanted to say one thing about cumulative voting. Of course, when this proposal was mooted at the Joint Select Committee, I was not quite sure as to whether it would be good for the company. What we want is smooth working. But the more I think of it, the more I feel that that would be a better method than some of the provisions we have provided for safeguarding minority interests in clauses 399 and 408. Under clause 399, a hundred people can go to a court or one-tenth of the members whichever is less or members holding one-tenth of the capital. Under clause 408, 200 people can approach the Government. Now, would that be a better system than having a minority representation on the Board of directors which would have prevented all those other developments? Take the banking companies. A hundred shareholders can go to a court. The case may ultimately be dismissed. But they may come with a lot of complaints that the bank is being run improperly, there is nepotism, there is corruption, bribery etc.; and even though the court dismisses the case, being a credit institution, a lot of mud will continue to stick to it. That would not be a very happy situation. Now, I do not say that those provisions should be excluded, but I feel that if we had a system of proportional representation, then there would have been less danger of minority interests taking recourse to other measures. There is no reason why this should not work smoothly. The hon. the Finance Minister referred to the experience of America. At least in America there is nothing to show that it has led to any disharmony in the working of the management or the Board of directors. As far as we know, there has not been

[Shri B. C. Ghose.] any such development. Unless we try out the method, we cannot say how far this will be good or bad. I have an open mind on the subject, but I felt that unless it is given a trial, we shall not know as to whether it will be a better or a worse method. There is a fear, but that fear may not be well-founded.

There is another suggestion that I should like to make and that is that I would like to have a sort of periodical inspection or audit to be held under Government auspices, of all these companies. Periodical—I do not say annual. Under the Banking Companies Act, the Reserve Bank undertakes inspection. But there are only a thousand banks. Here are thirty thousand companies. I realise that. I believe all co-operative societies are audited by Government auditors. There are nearly two lakhs of co-operative societies and the audit is being done by Government auditors. I feel that, if a system could be devised by which periodically, every three years or five years, all the companies, irrespective of whether they are good or bad, big or small, would be inspected by a Government staff, that would not only create more confidence but also ensure, I believe, a better management of the companies because the managers or whoever is in charge of the management of the companies would be careful not to indulge in unfair practices. I may conclude by saying that in the things that I wanted from the Finance Minister, there were certain points on which I should like to have an answer. One was about the attitude to the managing agents; that has been clear more or less; next, whether the Government will consider the introduction of proportional representation, not probably at this stage, but on further consideration they may agree to bring in an amending Bill.

One of the points to which I was trying to refer is the establishment of a statutory commission. The question is whether we can separate policy

matters from administrative and technical matters. It appears that the Finance Minister feels that this is not possible. I do not see why it should not be possible. If he can separate policy matters from administrative and technical matters, policy matters should certainly always remain within the purview of the Government, but not technical and administrative matters. The administration of the Company Law might be left to a statutory commission. One advantage of it would have been that there would have been more confidence in the public mind. Whether you like it or not, there is a fear that money is being contributed to the funds of political parties. It may or may not be true, but there is a fear. Here are many gentlemen present who can, if they want to clarify, give us information on that point. But there is a genuine fear that these powers might be utilised for obtaining funds for political parties. If policy matters and technical and administrative matters can be differentiated, there would be no harm,—on the other hand, there will be all good in setting up a statutory commission.

The last point was about the introduction of a system of audit periodically, say every 3 or 5 years.

I should like to know finally whether Government have made up their mind about workers' representation, with which proposal we are in agreement, although my friend on my left does not agree on that issue.

SHRI M. GOVINDA REDDY (Mysore): Sir, I join other hon. Members who have appreciated the work of the Joint Select Committee and offer my congratulations to them. We are very thankful for the labours that the Joint Select Committee have put into this matter. They have brought out a very good report. I am especially thankful to the hon. the Finance Minister and his colleagues who have gone so thoroughly into the question and given us this very good report.

Sir, the Companies Bill has been I named by the hon. the Finance Minister as the *Nigama Chaturvimsati Chintamani*. He says that he refers to some Prime Minister who advised *sanskaras* for all those who were engaged in company affairs from womb to tomb.

I do not say all that. I see the womb here in this report. I do not see the tomb at all.

SHRI SHRIYANS PRASAD JAIN:  
The liquidation is the tomb.

SHRI M. GOVINDA REDDY:  
Liquidation is there. It is not a special feature of this report.

Well, I would prefer to call this Bill as *Chintamani Darpana*. We see in this Bill the hand of the Finance Minister. On the whole, I fully agree with the recommendations made by the Joint Select Committee. In dealing with this Bill, the primary question that we have to consider is what measure of control should be exercised over the companies by the Government and what is the justification for that control. There are two aspects of this question. One is the improper management of company affairs and the other is the concentration of economic power in the hands of those who are in charge of management of companies.

MR. DEPUTY CHAIRMAN: Please try to finish in about 20 minutes. Every member will take about 20 minutes.

SHRI M. GOVINDA REDDY: I will try to keep to the time.

There are naturally three or four agencies which can control a company's affairs. One is the shareholders. The second is the administrative machinery. Next comes the audit and the last is the stock and shareholders' organisations. As far as the shareholders are concerned, everybody knows that they will not be in a position to control the affairs of the company in any measure. That is

because a majority of the shareholders will have no big stakes in company's affairs. Their shares will be small and they will naturally not be able to take part in company's affairs. General body meetings are held in metropolitan cities at the companies registered offices which are far away from the shareholders' places and they will not be able to reach the place without incurring considerable expense and loss of time. More than all this, the balance sheets<sup>P-Mr</sup> and the profit and loss accounts of most of the companies are printed in English; I have not seen any company printing these profit and loss accounts and balance sheets in the regional languages or vernaculars—I have seen few, not many big companies; they publish their accounts in English and the shareholders are not able to make out. As hon. Pt. Kunzru said, it is necessary that they should understand and even if it is printed in the vernacular, it is very difficult for the lay shareholders to understand the detailed working of the companies. So when the report is presented in English, naturally they will not be able to make out anything. On account of these circumstances, the shareholders are not at all in a position to exercise any control over the management.

Moreover, the managing agencies or the directors or whoever is in charge of the management will have their own group to see that the balance sheets are passed without any discussion. I can hardly conceive of any case where a detailed or protracted discussion is held on either the directors' report or the balance sheet or profit and loss account. The number of shareholders seeking explanation is few and far between and there the matter ends.

Sir, the other controlling agency is the administrative machinery. It has to see that these companies keep up to the statutory obligations. According to the Company Law there are many statutory obligations which

[Shri M. Govinda Reddy.] these companies have to fulfil and the administrative machinery does see whether they properly function, and whether these statutory obligations are fulfilled by the management. It would go a long way to keep up the tone of these companies, at least to see that the proper procedure is followed and that things are not done contrary to procedure. They have to see that they do not go out of the articles of association or exceed the powers given by the articles of association. This is a very healthy check. Well, in my opinion, this administrative machinery can play a larger part. As the Finance Minister explained in his speech, there have been circumstances where this administrative machinery has not been very active in the past. Inspection has been a formal affair. The Registrar or the Assistant Registrar goes to the registered office of the company and calls for the books. He has no time to go through them in detail. According to the Company Law, all that he has to see is that proper books are maintained. He will tick off these registers and there the inspection is over. But if proper care is taken, if the administrative personnel is trained and, as Pt. Kunzru was saying, if they are senior officers who know the Company Law thoroughly, they can tone up the administration of the company. I have no doubt about that. Many of the evils of the managing agency system in the past were due to lack of this exercise of vigilance on the part of the administrative machinery. In the proposed new administration Department, I hope, proper trained personnel and high class officers will be employed whose duty it should be to conduct normal and routine inspections.

The third agency of control is audit. According to the Company Law, the power of engaging auditors is given to the general body. Although the general body has this power, the power is exercised only by the directors who engage auditors of

their own choice. Well, Sir, it can be said that if the auditor is efficient, no managing agent or director can escape his vigilant eye and all malpractices are bound to be discovered. But inasmuch as the management would be able to have in the general body meeting auditors of their own choice, this healthy check would not be made use of. It would be very desirable to see that the Government keep to themselves some power, as was suggested by Mr. Ghose, of having a periodical audit, a periodical inspection. Such an inspection which goes into the accounts and transactions of the company would do away with a lot of malpractices, wherever they are.

Sir, the administrative machinery that I was speaking of is now concerned, as I said, with only the question of seeing that the companies keep up to the statutory provisions; they will not be able to go into the accounts of the company or the transactions of the company. They cannot do that. It is only the auditor who can do that. And inasmuch as the company has got the choice of auditors what vigilance they will be able to exercise depends upon the kind of management and the influences they will bring to bear upon the auditors. I know of companies where auditors have sanctioned every conceivable malpractice. Therefore, it would be advisable, when the Companies Bill comes to be reviewed, to see that if the managing agency continues, some sort of device is made to ensure that Government goes into the details of the administration of these companies.

The other controlling agency is a very minor agency, *viz.*, the stock exchanges. It is these stock exchanges which confer on the company a status when the company's shares go into the market. Before these shares go into the market the stock exchange has to set its seal of approval. These stock exchanges require the companies to furnish particulars, which will naturally be in the nature of capital investment, certain other capital expenditure, directors and the powers

of the directors and so on. Therefore, in the very nature of things stock exchanges cannot be a very effective check.

As I said, the management of the companies are becoming centres of concentration of economic power. I am not so much concerned about the mismanagement or the malpractices of the managing agency, because when the shareholders begin to become enlightened and their associations are beginning to be formed, at least some of the shareholders will be able to effectively exercise some check, if not all; but the main question to be considered is the question of seeing that economic power is not concentrated in the hands of a few people. We have seen that the managing agencies are run by big wealthy families. As an hon. Member on this side was saying, many people cannot find capital; only a few can find means for capital formation; they will have the power of forming companies and running them. And inasmuch as these companies deal with trade and commerce, and influence the production of articles of necessity and also inasmuch as they would be able to bring political pressure to bear on these combines, they can affect public welfare in a large measure. As such, it is very necessary to see that some sort of effective check in order to diminish this concentration of economic power is devised.

"Now, Sir, in support of the managing agency system some arguments were advanced. Although I do not wish that there should be managing agencies, I realise that we have to tolerate these managing agencies as a necessary evil for some time to come, because we have not been able to industrialise our country. And with limited resources the State will not be able to take up these companies. Even supposing we abolish the managing agencies today, it would be a hard task for anybody to have an alternative arrangement. Well, for these various reasons, the managing agencies have got to be there, and they have also played a large part in

forming industries and in stabilising trade and commerce. But by virtue of this power concentrating in their hands, they are able to affect the standard of living, the cost of living and the economic well-being of the people. This is the aspect, Sir, to which I would like the House to give its consideration. We know of a firm in Europe which was functioning in the latter part of the nineteenth century and in the first part of the twentieth century. Sir, I am referring to the firm of Rothschilds. They were a firm of money-lenders, and they had such economic and political power concentrated in their hands that they were running Empires in Europe. Well, we have got such instances on a very much smaller scale during the war period. During the war period, when the Government wanted to see that there was adequate production of the articles of necessity like cloth, cement and such other things, these combines tried to come in the way of the Government, till at last the Government had been compelled to take over some of the cloth mills that we know of. So we can visualise that, if we allow economic power to be concentrated in the hands of these managing agents or these industrial magnates, who generally are managing agents, then the country's well-being will be affected. So, it is in the interests of the social well-being of the people of the country as a whole that the Government should consider exercising their power in order to limit the operation of this law of concentration of economic power. I mean thereby, Sir, that the managing agencies should be terminated as early as the Government is in a position to take hold of the industrial and the commercial fields completely.

Sir, one very strange argument was advanced in favour of the managing agencies by Mr. Parikh and by Mr. Agarwal, which is a very fallacious argument. I would just like to point out the fallacy of that argument. They asked: If the managing agents were not popular, how did it happen that in several companies capital was

[Shri M. Govinda Reddy.]  
oversubscribed? Well, Sir, capital is oversubscribed not necessarily because the managing agents manage these concerns honestly. The very fact that dividends are declared by the companies does not go to show that the companies are managed honestly. Well, it may be that the managing agents have their own way of managing these concerns and still leave some crumbs for the shareholders. So, that is not the argument which can give support to the managing agencies. We know that in many of these managing agency companies, dividends are really declared, but at the same time, their own profits and their earnings are increased in a geometrical proportion, and we see the managing agents two or three years after being appointed as such building palatial houses and owning big accounts. But that is not a criterion to decide that simply because dividends are given, or simply because capital is oversubscribed, the managing agents are doing their job properly.

Then, Sir, I would like to give some suggestions with regard to the holding of general body meetings. We have clause 167 in the Bill which empowers the Central Government to hold the general body meeting if it has not been held within the statutory period. Well, Sir, by the time the Central Government is convinced that the general body meeting has not been held and the general body meeting should be held, there is so much of delay. It would be necessary, therefore, that this power to make the companies convene their general body meetings should be given to the Registrar, also it would be vested in the Central Government.

The other point, Sir, is with regard to the time of opening of lists to be mentioned. That is to be found in item 6 of the Schedule II, Part I. We find, Sir, that no time limit has been fixed. That means that the list can be opened immediately after the prospectus is published. Well, Sir, the shareholder will not be able to have an

adequate idea of the promoters of the company and of the prospects that the company will be going to have. So it is necessary that the shareholders should be given some time lag within which they can ascertain certain particulars about the promoters of the company, and then they will be able to judge for themselves whether the company has some prospects, and whether it is in the hands of some good management or not. The Cohen Committee—the English Company Law Committee—recommended that there should be some time lag between the publication of the prospectus and the opening of the lists. That is a salutary recommendation, and I propose to send some amendment with regard to that. And I hope the Government will see the advisability of providing some time lag between the publication of the prospectus and the opening of the lists, so that the shareholders can come to a proper decision. And in this case, Sir, I support Pandit Kunzru's view that the Press can play a large part. The Press now is not playing a large part in the matter of formation of joint stock companies, whereas in England and in U.S.A., whenever there is a proposal to form a new company, the Press takes the trouble to go into the matter, and it not only points out the prospects that the company has, but it also gives its opinion with regard to the management and with regard to the persons who promote the company. Well, if there is some time lag between the publication of the prospectus and the opening of the lists, the Press will be able to ascertain some particulars about these companies, and it will be able to advise those who wish to buy shares. It is not all people that can get to know the status, the stability and the character of the promoters, as also the prospects. So the Press is; the only agency which can furnish these particulars without much trouble and at little cost.

MR. DEPUTY CHAIRMAN: How-do you provide for it in the Company Law?

SHRI M. GOVINDA REDDY: It can be provided for, Sir. In the Schedule we have the conditions of prospectus, and we can say that there shall be a lapse of a week or so between the publication of the prospectus and the opening of the lists. It can easily be provided.

SHRI KANHAIYALAL D. VAIDYA (Madhya Bharat): But the Press is being controlled in India by these industrialists.

SHRI M. GOVINDA REDDY: That is a different matter.

MR. DEPUTY CHAIRMAN: It is time.

SHRI M. GOVINDA REDDY: Yes, Sir. The Cohen Committee has made a very good suggestion with regard to inspections. Power is given to the Central Government to appoint Inspectors where the shareholders represent to the Central Government that there is something wrong with a certain company, or where the court comes to such a decision and passes an order. But the Cohen Committee points out that in the very nature of this process there is much delay. They think that it is better that the Registrars—they are, of course, the officers of the Board of Trade—should be given this power, because otherwise, Sir, there is going to be a lot of delay. The shareholders will have to convince the Central Government that a particular company has failed to convene a general body meeting, and all that is going to take some time. And many of the shareholders would not like to take this trouble and put themselves to expense. And therefore, if the unit officer gets this power, that, I think, would be better. The Cohen Committee have also made another suggestion and that is with regard to the investment ~being disclosed in the balance sheet. Now, I find that there is a column in the schedule for balance sheet for disclosing of investments but then there must be a qualification for these investments. The investments must be described in detail. Some sort of

an explanatory memorandum, «s Pandit Kunzru suggested, could do a good deal in order to bring this home. There may be proper investments and there may be improper investments. How are the shareholders to know that the investments are proper and that the companies or the business in which these investments are made are in the interests of the shareholders? If a memorandum is added to the balance sheet, they will be able to judge for themselves.

With regard to the provision of proportional representation for the election of directors, I would have liked it to be made obligatory because as I was explaining, and as other hon. Members have pointed out, shareholders, even if they combine in the form of associations or otherwise, will not be able to pit themselves against the management if they happen to differ. In almost all companies, it is an open secret that there is a vested interest that people who have got large stakes in the company and who are in charge of the management combine and get their own directors elected and this certainly goes against the interest of the shareholders as a whole. So if the shareholders as a whole have to have some voice and if their interest is to be safeguarded, it is necessary that they are in a position to have some directors at least, to voice their feelings. Now the bulk of the shareholders fail to have even one director who can represent them. If this clause 265 is made obligatory instead of being made optional, it would at least give a chance for shareholders to combine. It may be said that even otherwise the shareholders can combine and that it is open to them but even if they combine, the vested interests may bring a larger number of shareholders and then have their own way but if it is a method of election by proportional representation, even a small group of shareholders can have their choice.

On the whole I really appreciate the report that has been made and I wish the managing agencies take a

[Shri M. Govinda Reddy.] lesson from this and then try to prove not only their business integrity and business ability but also their patriotism to the country. With these few words, I support the Bill.

SHRI LALCHAND HIRACHAND DOSHI (Bombay): Sir, we have heard very stern criticism from the various Members about the managing agency system that is prevailing in this country. Members have no doubt paid grudging tribute to the benevolent character of that system or the good it has done to the country in the development of various industries or the general economic development in this country. But some of the Members who have got dogmatic views on the general economic aspects have said that they want to see that this system should be abolished not because it is good or bad but because they have got certain ideas and views about these things; and they compared the managing agency system to the princely order, this and that. I am afraid they have not clearly understood the functions of the managing agency system—how it has done good, how it is capable of doing good and why it should be continued when it is doing good to the country. So far as I am concerned, I do not care at all whether the managing agency system continues or it is dissolved. I am primarily concerned with the economic development of the country and I request the Members to look at this question purely from the economic point of view. Has the managing agency system contributed to the economic development of the country or not? The answer from all sides would be, "Yes, it has done immense good to the country in the past, it is capable of doing that good in the future but certainly during the war period, it has developed certain tendencies which have done harm to the various interests involved in it." That is a narrow view to take of the whole system. If it is capable of doing good to the country, it would be wrong to say that it must be ended in 2, 3, 4 or 5 years. If it is capable of

doing good, it should continue. If it is not capable of doing any good, by all means, end it. The argument that has been put forward by the Shareholders' Association—and I believe the shareholders count quite a lot so far as companies are concerned—is that the managing agency system has done good in the past, it is capable of doing good and if we end it immediately, it will result in considerable harm to the community. That is an important view. What is the alternative to the managing system that has been offered,—offered not by the persons who have criticised the managing agencies, they have not offered really speaking, any real alternative—what is the alternative that we actually see in practice to the managing agency system? I feel that there are two or three alternatives. One is companies managed by the Board of directors or director-managed companies. Another alternative is the co-operative societies and the third is Government-run companies. Whichever form the country adopts, I don't care. As long as that form serves the society, I am prepared to fall in line with it and I do expect that, instead of being dogmatic about certain forms, all people will fall in line with it. Let us examine the first alternative—the director-managed company. Has it not shown as many defects and more than you see or you saw in the managing agency-managed companies? Companies after companies can be quoted where corruption and nepotism were observed and the shareholders had to suffer considerably. Not a word was heard against such a thing. Who is a better judge to say whether he wants a managing agency company to invest his money in or a director-managed company? It is the shareholder and if he prefers the managing agency company to a director-managed company, I think he must have complete freedom to make his choice. And from that point of view, the attitude taken by the Government in allowing the managing agency system to continue, to give it a chance to get rid of the bad things that had crept

into it during this unholy period, I think, is a wise decision.

[THE VICE-CHAIRMAN (SHRI H. C. MATHUR in the Chair.)

Unfortunately, the vocal minority have put too much pressure on the Government and the Government have yielded from time to time to such unholy pressure.

SHRI M. C. SHAH: Government do not yield to any pressure.

SHRI LALCHAND HIRACHAND DOSHI: They did yield to a lot of pressure and, particularly, to vocal pressure, from time to time, I cannot help saying that. From the time the Bill was introduced, from the time the various recommendations of the Committees were made till this day, up to the last form in which the Bill is now before the House, there have been considerable landslides and the Government have yielded to various pressures.

SHRI M. C. SHAH: Government keep an open mind and when Government is convinced that a certain action has to be taken, then they must take that action.

SHRI LALCHAND HIRACHAND DOSHI: They say, they are convinced; but we know how some of the Ministers had to threaten to keep out of the piloting of this Bill or to threaten to resign. Well, we know how the pressure was applied. In any case .....

SHRI M. C. SHAH: The hon. Member's information is wrong.

SHRI B. C. GHOSE: The hon. Member is referring to their domestic quarrels.

SHRI H. C. DASAPPA: Was it pressure from one sector or from more than one sector?

SHRI LALCHAND HIRACHAND DOSHI: There were different pr<sup>^</sup>

tures, but that from the more vocal quarters carried the day.

SHRI BHUPESH GUPTA (West Bengal): Those with the cash carried the day.

SHRI GOPIKRISHNA VIJAIVAR-GIYA (Madhya Bharat): They have also yielded to pressure from the managing agents.

SHRI LALCHAND HIRACHAND DOSHI: Now let us consider the form of co-operative societies or any other form of investment and production. The vote is not a bar there, for voting there is on a different basis. Money carries less importance. It is the individual that gets the vote. As Prof. Ranga suggested—and I think Mr. Kishen Chand also suggested it—the voting should be on the individual basis. By all means, if you want that sort of thing, put your money in those co-operative societies. Let the investor have complete freedom in the matter of investing his money, as he likes, in the co-operative societies or in the director-managed company or in a managing-agency managed company. After all, we are a democratic country and it is not right to say that the investor should put his money only in this institution and not in that. Here are a variety of forms placed before him and he should have complete freedom as to whether he should put his money into this form or in that form or in the third form. Not only that. There is a fourth form too—the industries started by the Government. If the Government opens the gates, the investor can put his money in these Government-sponsored industries. But wherever the Government have opened the gates, unfortunately, the subscriber has not come forward to take equity capital in such Government concerns.

SHRI H. C. DASAPPA: Sir, I dispute that statement, for we have, as a matter of fact, floated a number of Government-sponsored industries and the shares have been subscribed within 4 hours.

SHRI LALCHAND HIRACHAND DOSHI: I am speaking of the concerns started by the Government of India.

SHRI H. C. DASAPPA: And what is more, the hon. Member knows it.

SHRI LALCHAND HIRACHAND DOSHI: Well, if the people have more confidence in Government-sponsored concerns, then by all means let the Investor put his money into them. I have no quarrel with that. But the fundamental question that I raise here is, whether he is going to be prevented from investing his money as he likes simply because.....

SHRI H. P. SAKSENA (Uttar Pradesh): Why do not the managing agents clear out voluntarily?

SHRI LALCHAND HIRACHAND DOSHI: Sir, I refuse to yield to that interruption.

Sir, it may be that a lot of managing agents have shown certain defects, like corruption, nepotism and the rest of it. Very well. But I have had occasion to hear and also to read criticisms against the Government-sponsored concerns, outside and more particularly in this House, from Members from this side and more particularly from hon. Members from the opposite side who are so much in love with nationalisation of industries or Government-sponsored industries. As such they should naturally have a soft corner for a Government-sponsored industry and they would naturally try to look favourably at it.

SHRI BHUPESH GUPTA: But half a loaf is better than no loaf.

SHRI LALCHAND HIRACHAND DOSHI: But we also know how in the fable, in trying to get half a loaf the dog lost the whole loaf.

Well, Sir, what do we hear about these Government-sponsored industries? There is criticism of bad management, of nepotism, of inefficiency and what not. But if that is the best form of organisation, by all

means let the investor who is the best judge of his interests, put his money into them. And here my hon. friend said that there were several industries that were sponsored by Government and there were people who wanted to put their money into them. Let them do it. Who prevents them? Let the investor have his own way. Simply because you want nationalisation of industries, you must not prevent him. No, not in a democracy. By all means, my friends can go to Russia to do this where they have their ideal to follow. They can go to Russia and follow the example there where democracy has been crushed and where you have only one method, namely, that of saying "yes" to whatever the Government does.

SHRI B. C. GHOSE: But this is here being done democratically, we are passing the law here in Parliament.

SHRI LALCHAND HIRACHAND DOSHI: There I entirely agree with my hon. friend. We are passing the law here. But you must not enforce your idea and tell the investor where to put his money. He should be allowed freedom to make his own choice. Give him a variety of methods of investments and let him make the choice.

SHRI A. DHARAM DAS (Uttar Pradesh): When we make legislation, we should have complete freedom to make the law. The hon. Member has already said that the investor must have complete freedom to invest his money as he likes. Similarly, we also should have complete freedom when we are here as a legislation-making body, to prescribe the system that is good for those people who invest.

SHRI LALCHAND HIRACHAND DOSHI: What a right to claim! My hon. friend wants to say that he is to look to the good of the persons who are capable of looking after their own interest and who are also, in turn, going to send my hon. friend to this House. If their judgment is good for that, let them judge for themselves

where to invest their money. Why should you put a restriction on that? However, I have no quarrel on that score. My only submission is that when you are judging one institution, please judge the alternative that you are offering; and if you are satisfied that that alternative is a better system, by all means you can recommend it, you can even enforce it, although I would not agree to enforcements. But to some extent, you will be justified in enforcing it if it is found to be really good. But that is not the case. If you find that the same defects are present and present in greater intensity in this alternative that is offered, then it would be totally wrong to enforce it, to recommend it and to condemn the first alternative on that score. That is where the whole fundamental question arises as to whether we are going to end a certain system which has, in the past, done good, which is capable of doing good in the future and which, due to certain circumstances, has not been able to do today as much good as it did in the past.

SHRI B. C. GHOSE: What are the circumstances?

SHRI LALCHAND HIRACHAND DOSHI: What has been the function of the managing agents? I was surprised and pained to note the ignorance about this system. The managing agent, as my hon. friend Mr. Parikh explained, is the pivot round which confidence collects. He puts out a certain programme.

SHRI BHUPESH GUPTA: Round which money collects.

SHRI LALCHAND HIRACHAND DOSHI: Round which confidence and money collect. You may say that. I entirely agree.

SHRI BHUPESH GUPTA: Ill-gotten money.

SHRI LALCHAND HIRACHAND DOSHI: Yes, even the Rs. 200 of which he boasted a little while ago.

SHRI BHUPESH GUPTA: That is from the Parliament.

SHRI LALCHAND HIRACHAND DOSHI: The managing agent prepares the scheme, prepares the prospectus and explains what he is going to do, what the possibilities about achievement are, etc. These he places before the public.

KAZI KARIMUDDIN: Which nobody cares to read.

SHRI LALCHAND HIRACHAND DOSHI: He places before the public these factors and stakes his little money, may be 5 per cent, or 10 per cent. If he is a poor man, he does not stake any money at all. Money is there. He probably has certain experience about which people have got the confidence. He comes forward and says, "Look here, this is the scheme. This is what I think is possible to achieve and if I get more money, I will be able to do these things. After doing all these, I will ask for my remuneration which is in the form of a percentage of profits."

DR. W. S. BARLINGAY (Madhya Pradesh): May I ask one question for my information? The point is, we are not doing away with the managing agency system right now.

SHRI LALCHAND HIRACHAND DOSHI: Thank you.

DR. W. S. BARLINGAY: The point really is whether historically it is not a fact that this system arose because of the greed of certain people, certain people who were experts in management, to exploit the ignorance of the investors. I am not asking this question with any prejudice; I want the hon. Member to explain this for my information.

SHRI LALCHAND HIRACHAND DOSHI: No, and it is a definite no. I was coming to that. What is the basis for this system?

SHRI BHUPESH GUPTA: Money grabbing.

SHRI LALCHAND HIRACHAND DOSHI: Trying to earn more money. That is the basic idea. Trying to get more money by results and not by simply grabbing. The managing agent gets his remuneration on profits earned by the company. It is not Rs. 5,000 or Rs. 10,000 as salary whether the company makes a profit or not. He gets his remuneration provided the company prospers and the more it prospers the more he gets. That is the incentive behind these managing agents.

The second point is that the managing agency concern is not an individually run concern; that concern consists of a group of individuals. It may be consisting of members of a family or there may be outsiders also but the fact is that a managing agency concern gives continuity of management. What happens in a director managed company is this. A managing director may lay down a certain policy. He may disappear for a variety of reasons after three, four or five years. Another man might come and he might think that this was a policy laid down by another man and may not bother about it as he does not get his remuneration on the profits earned by the concern. A managing agency concern provides continuity of policy whereby better results could be achieved. This is the basis for the managing agency system and not merely running away with the money.

SHRI B. C. GHOSE: Could the hon. Member kindly answer one question? Excepting for the historical reason, if we take other foreign countries into consideration where there is no system of managing agents, do we not find the companies flourishing? Historically, this system took root in India. Even if it had not, companies would have flourished.

SHRI LALCHAND HIRACHAND DOSHI: I am thankful to Mr. Ghose for this question. How did this system arise?

SHRI B. C. GHOSE: We know.

SHRI LALCHAND HIRACHAND DOSHI: It is difficult to answer this question dogmatically but one reason is that the foreigners who started the industrial organisations in the country developed this system.

SHRI BHUPESH GUPTA: That is, it.

SHRI B. C. GHOSE: I said that.

SHRI LALCHAND HIRACHAND DOSHI: That is, however, only one reason. There is another reason and that is the inherent nature of the Indian community. The Indian joint family system itself is responsible to some extent.

SHRI B. C. GHOSE: But we are now having a Hindu Succession Bill.

SHRI LALCHAND HIRACHAND DOSHI: Call it Hindu succession or whatever it is. The Hindu joint family system was responsible. The Hindu family members kept themselves together, ran their business together, and did everything jointly. Call it a company or anything, they lived together and did business together.

SHRI B. C. GHOSE: But it is dis-integrating.

SHRI BHUPESH GUPTA: The Isphahanis also believed in the managing agency system.

SHRI LALCHAND HIRACHAND DOSHI: Perhaps tomorrow Mr. Bhupesh Gupta also may believe in it. Circumstances change. Mr. Ghose asked a question about the historical background and I am trying to answer it.

SHRI B. C. GHOSE: The Hindu Succession Bill is coming.

SHRI LALCHAND HIRACHAND DOSHI: I am sure Mr. Ghose has not got the same mental attitude as that of my hon. friend sitting by his side.

SHRI H. C. DASAPPA: There is a bit of casteism about it.

SHRI LALCHAND HIRACHAND DOSHI: It is not that at all because, you will find, in a managing agency concern, a variety of people working together. This idea of a family may be right or wrong but it is there. I start a business and give training in it to my sons and brothers right from their childhood, as soon as they finish the little education that we can give them. I gradually take them into the business and train them so that they will be in a better position to take up the responsibility which I have in starting this concern of mine. Up till now, the young man who took over that responsibility has not misbehaved. I am not talking about those few cases which arose during the war period.

SHRI BHUPESH GUPTA: War babies!

SHRI LALCHAND HIRACHAND DOSHI: This training in the limited sphere of management that this boy got from his father was utilised in the running of the company. That has helped greatly in the better management of the concerns.

SHRI A. DHARAM DAS: It is his own money, not that of others.

SHRI B. C. GHOSE: It has not helped the diffusion of knowledge, talent and technique. That has been its defect.

SHRI LALCHAND HIRACHAND DOSHI: There are lots of defects but let me ask the hon. Member, "What is the alternative? Have the director-managed companies got all the good points?"

SHRI B. C. GHOSE: No.

SHRI LALCHAND HIRACHAND DOSHI: They have not. So, what we have to consider is the comparative merits of each system. We cannot be too dogmatic about it. Therefore,

you will find that though in certain instances, the managing agencies are a family concern, there are others where the family organisation does not exist. The family organisation comes in predominantly where the bulk of the finance is supplied by the family itself; where the bulk of the finance does not come from a family, generally the managing agency concern consists of people from outside also. Therefore, let us not mix up our ideas about managing agencies which are family organisations and those that are not.

SHRI BHUPESH GUPTA: What is a family organisation?

SHRI B. C. GHOSE: Most of the Indian managing agencies are family organisations.

SHRI LALCHAND HIRACHAND DOSHI: No, they are not.

SHRI V. K. DHAGE: Andrew Yule & Co.

SHRI BHUPESH GUPTA: I gave you a list.

SHRI LALCHAND HIRACHAND DOSHI: Is that concern a family affair?

SHRI B. C. GHOSE: I said, "Most of the Indian managing agencies are family organisations", although foreign managing agency firms are generally not.

SHRI LALCHAND HIRACHAND DOSHI: In other words, you agree that there are some others that are not family organisations. The foreign, concerns are not family concerns.

SHRI B. C. GHOSE: That is so, more or less.

SHRI LALCHAND HIRACHAND DOSHI: In this country, as I was mentioning, that relates to the joint family system where you will find the bulk of the capital. In all these joint-family-run managing agencies you will find the bulk of the capital

[Shri Lalchand Hirachand Doshi.]  
coming from the concern itself. And,  
therefore, that is the main consideration.

Then let us come to the third, co-operative system—here is an excellent alternative. Why force labour directors or somebody else's directors and Government directors, etc.? You -v-nt that the person who works should run the organization. All right, have co-operative societies where the person who is working in that organization becomes the boss; he has got full freedom. Well, if the investor feels his money is safe in such an organization, let him do it. How many co-operative concerns have been able to secure finance from the public, except through co-operative banks or from Government in the form of loans? Sir, co-operative societies have not been able to create confidence in the mind of the investing public, and therefore, the investor is unwilling to put his money in a co-operative organisation which is dominated by the operator and not by the investor. Therefore, what we have to do is to see how we can persuade the investor to put his money in an economic organisation, in a productive organization so that that money could be utilised for useful purposes.

Sir, what is the real background of a company? The company is an organization of business people who are trained to take decisions quickly, are prepared to run the organization efficiently.

SHRI B. C. GHOSE: Is that true?

SHRI LALCHAND HIRACHAND DOSHI: That is the backbone of a company and a private enterprise.

SHRI B. C. GHOSE: Is not the company the shareholders? You said, "an organization of business people"; it is not the shareholders.

SHRI LALCHAND HIRACHAND DOSHI: Company includes the shareholders and the businessmen.

KAZI KARIMUDDIN: At the cost of the shareholders.

SHRI LALCHAND HIRACHAND DOSHI: Shareholders do not come into the picture. Of course, quick decision is taken but at the cost of the shareholders—I do not dispute that—because the shareholder pre dominantly is the businessman .....

SHRI B. C. GHOSE: Oh, Oh!

SHRI LALCHAND HIRACHAND DOSHI: ..... therefore, he takes his decision along with the other shareholders; he is losing his own share capital too in the wrong decisions that he has taken. Therefore, the real crux of an efficient business organisation is its capacity to take quick decisions to suit the circumstances that arise from time to time. The Government organisation has not been able to do that in spite of the provision of capable men at the helm of such organisations. They have been ridden with red tape; they have got to look to rules, the criticism of audit department, right and wrong.....

SHRI BHUPESH GUPTA: And you are free from all that.

SHRI B. C. GHOSE: If there were an Auditor General we would have known the position, but there is no Auditor-General.....

SHRI BHUPESH GUPTA: There is no Auditor-General and you are free from all that.

SHRI LALCHAND HIRACHAND DOSHI: I am not free from all that, but I have taken a decision and I am going to suffer for it because I have put my money in it. It is not somebody else's money; along with else's money my own money is also going to be sacrificed while in the case of a Government concern it is somebody else's money and the man who runs it has not a single pie involved in it; he has no stake. That is the big difference between a private enterprise and a public enterprise. Let me

once again repeat and remind my friend that we are a democratic country, where you want to have only minimum Government control and Government industries and if you think that all the defects and difficulties are going to be solved, well, I am afraid it is a wrong thing. What do we find in other countries? Put certain responsibility, you say. The suggestion was made: Let the workers be appointed directors. Of course, some of the Members or parties have backed out of that responsibility. They don't want to take responsibility because they know, if any responsibility is put on them, they won't be able to stand up to it.

SHRI BHUPESH GUPTA: We do not like to bear the *palanquin* for you.

SHRI B. C. GHOSE: What is the employers' point of view?

SHRI LALCHAND HIRACHAND DOSHI: The employers' point of view in this respect is that we want to run a homogeneous organisation and if labour and capital are to run at loggerheads any inclusion of labour will not be there, but if we could find a common idea, then certainly capital will welcome labour on the management.

SHRI B. C. GHOSE: What is your conclusion now?

SHRI LALCHAND HIRACHAND DOSHI: Don't rush to decisions like this. It is not so simple as saying 'yes' and 'no'.

SHRI B. C. GHOSE: You should not put the whole blame on Shri Gupta.

SHRI LALCHAND HIRACHAND DOSHI: I am not putting the whole blame, I am developing an argument, I am trying to place before you what has been the experience of the world; and if we shut our eyes to the experience of the world, we are likely to get into difficulty.

Sir, what has happened in other countries? These socialistic ideal about which we have been hearing quite a lot, have they succeeded anywhere?

SHRI B. C. GHOSE: They have.

SHRI BHUPESH GUPTA: They have succeeded in Premier Automobiles.

SHRI LALCHAND HIRACHAND DOSHI: In 1931 ....

(Interruption.)

THE VICE-CHAIRMAN (SHRI H. C. MATHUR) : You please go on and wind up.

SHRI LALCHAND HIRACHAND DOSHI: We are only three musketeers on this side.

SHRI B. C. GHOSE: I propose he may be given some more time; let us hear him.

SHRI BHUPESH GUPTA: And you are the youngest of the lot. I agree that the three musketeers should be given time.

SHRI B. C. GHOSE: We all, agree, he may be given more time.

SHRI LALCHAND HIRACHAND DOSHI: Sir, the House wants me to speak more.

SHRI BHUPESH GUPTA: Yes, I do. You are so wonderful when you are in musketry.

THE VICE-CHAIRMAN (SHRI H. C. MATHUR) : I have already given you extra ten minutes and you can have some more time.

DR. W. S. BARLINGAY: There has been a lot of interruption.

SHRI LALCHAND HIRACHAND DOSHI: In 1931, as you remember, England got its first choice of socialist or Labour Government—they were not socialists at that time. But when they got into responsibility, in three

[Shri Lalchand Hirachand Doshi.] years they got shattered so much that for 15 or 20 years they could not raise their head. Again after the war, after getting popularity in the war-period.....

SHRI B. C. GHOSE: Who got popularity? Churchill was directing it.

SHRI BHUPESH GUPTA: Labour movement was there.

SHRI LALCHAND HIRACHAND DOSHI: Labour got the popularity and immediately after the war was over in 1946 they drove out the Conservatives completely.

SHRI BHUPESH GUPTA: 1945.

SHRI LALCHAND HIRACHAND DOSHI: All right, 1945 if you are satisfied with that. In 1945 they completely wiped out the Conservatives.

SHRI BHUPESH GUPTA: Not completely wiped out; it won by a big majority, of course.

KAZI KARIMUDDIN: Does the hon. Member believe in socialistic principles?

SHRI LALCHAND HIRACHAND DOSHI: What a question to ask! He wants to know whether I agree with socialistic principles.

SHRI B. C. GHOSE: But you belong to the Congress benches.

SHRI H. P. SAKSENA: He does not.

SHRI BHUPESH GUPTA: We can now understand what socialism means to those benches.

SHRI LALCHAND HIRACHAND DOSHI: I have no hesitation in admitting that I am a bloated capitalist.

SHRI B. C. GHOSE: And belong to the Congress Party.

SHRI LALCHAND HIRACHAND DOSHI: And belong to the Congress Party, which is a democratic organisation, which has in its fold the socialists, the capitalists, the middle-class man, the rich man, the poor man, everybody.

SHRI B. C. GHOSE: Hear, hear! Really good.

SHRI LALCHAND HIRACHAND DOSHI: Coming back to this argument, in 1946 these people again got into power .....

SHRI BHUPESH GUPTA: In 1945.

SHRI LALCHAND HIRACHAND DOSHI: And with what result? Within five years, purely on the ground of nationalisation of industries, they were thrown out.

SHRI BHUPESH GUPTA: Not at all

SHRI LALCHAND HIRACHAND DOSHI: And the industry that was nationalised was returned back to the old people.

SHRI BHUPESH GUPTA: Because the nationalised industry was made over to the capitalist class. They made a mess of it in order to discredit the Labour movement

2 P.M.

SHRI LALCHAND HIRACHAND DOSHI: Yes, you can have socialism: certainly where you have despotism. Without despotism socialism cannot exist. That is the experience not only of England but the same thing happened in Germany; the same thing happened in Italy. Wherever socialism was trying to raise its head, it was crushed by the counter-force of Nazism. Despotism only can allow socialism to exist and that is what is happening in Russia where State socialism is maintained purely by force and nothing else. A lot of a few people called the Communist group is ruling there, as everybody knows.

SHRI BHUPESH GUPTA: And I understand that the Congress Party

is having friendship with that country. How do you reconcile such utterances from the Congress benches about a country with whom they are developing friendship? Let the Minister explain.

SHRI M. C. SHAH: The Minister cannot speak.

SHRI LALCHAND HIRACHAND DOSHI: Socialism can survive under such conditions only. Given responsibilities, it cannot survive. Even in this country, don't you know, Sir, that a little power was given to the Socialists in the small State of Travancore-Cochin and you know the fate of that State and what happened in that small period of six to eight months.

SHRI B. C. GHOSE: What happened?

SHRI LALCHAND HIRACHAND DOSHI: The whole party has been shattered simply because of some small responsibility.

SHRI B. C. GHOSE: What wisdom!

SHRI LALCHAND HIRACHAND DOSHI: Therefore, if responsibility is given, it does not work. And my submission is this. In a democratic country or wherever you want to see that public institutions thrive, give the people the freedom of choice; put before them the different alternatives, and from among those alternatives let them come forward to make their selection. Let us not thrust our ideas on the people; otherwise we will end up in something which we do not look for.

Sir, I have placed before you in detail, my ideas about the managing agency. There are other points to which I would like to refer, particularly to the question of remuneration. As I mentioned, the whole basis of the managing agency system is profit on results, remuneration on results. If the remuneration is too inadequate, well, I am afraid it is going to handicap the work. If you do not care for results, it is a different

matter but if you really want results you should give the person who strives for results adequate and good return; otherwise his enthusiasm for work will not be there. What we are trying to do is to copy a little from here and a little from there and make a jumble of ideas whereby you cannot have one clear picture of the whole thing. Are not director-managed companies operating in other countries? But we do not follow them in other respects. There a person who shows good results gets much more than a person who does not show results. Therefore, you ought to encourage the people who show good results irrespective of what income they get. My submission is that this idea of reducing income will not work well. It has not worked in other countries. What is the experience of the world? Lenin started with big ideas, I am told, in Russia that there should be equality. I had the opportunity of seeing things in Russia with my own eyes. What did we find there? Equality? Not a trace of it. Leave aside any talk of equality. There was not even a trace of equality there. I could see there was inequality much more than what we find in this country or in many of the Western countries. And what about direct taxes about which we hear so eloquent speeches here? Least, no Estate Duty, nothing. Where is the question of equality? All this has started from the idea of levelling of inequalities and creating equal status. As Prof. Ranga mentioned yesterday, they found in Russia that it did not work. The production that was needed could not be obtained unless payment was made on the basis of results and that is what we are saying.

SHRI BHUPESH GUPTA: There if you become a good worker, you will get good wages.

SHRI LALCHAND HIRACHAND DOSHI: But not in this country? Here if I become a good worker, would I not get the dues I deserve! You want equality; you want that every man should be equal here while

[Shri Lalchand Hirachand Doshi.J in Russia we are maKing an these provisions for about which you are so much enamoured you do better management of companies, we not care. and that we do not handicap the economic development of the country by introducing rigid rules and regulations which will not only handi-cap their working but ultimately cause stagnation in the country.

THE VICE-CHAIRMAN (SHRI H. C. MATHUR): We are not discussing Russia.

SHRI LALCHAND HIRACHAND DOSHI:

We are discussing economic points and I am trying to place before the House what has been the experience of the world. What has happened in countries where such experiments were tried and ultimately to what conclusion did they come to? I am not discussing Russia and I do not care for Russia from that point of view. But I do care for the experiment that has been conducted. When we are making an experiment to establish a socialistic pattern of society, let us not all of a sudden go the whole hog about it. When we are doing an experiment, it must be 'guinea-pigged' and it should not be done wholesale. The experiment has got to be done on a small scale first on a variety of items so that we can watch the results and it is only on the basis of the experience gained that we can make it a whole-scale operation. Take the case of B.C.G. about which we see so much controversy. It was not introduced in a minute. Several experiments for several years were conducted and it is only after they were sure that that medicine did improve the health of the people, it was adopted on a large scale. Therefore, when we say that we want to try a certain experiment or follow certain new ideas, we must be sure that these ideas will work to the benefit of the people, the large number of people; and it is only when we are sure about it, we can introduce those ideas on a large scale. The experience so far gained, from 1914 onwards, has not confirmed that the idea of equality is a workable proposition. Wherever this idea of nationalisation has been taken up, it has had big reactions and resulted in a setback, J, therefore, submit that when

श्री गोपीकृष्ण विजयवर्गीय : उपसभाध्यक्ष महोदय, मैं इस बिल का सामान्य समर्थन करता हूँ और अपने दिल और दिमाग में सिर्फ एक मजबूरी के दर्जे ही इसका सामान्य समर्थन कर रहा हूँ। हम अपने संविधान में आर्टिकल ३८ और ३६ पास कर चुके हैं। उन के अनुसार हमको एक वेलफेयर स्टेट का निर्माण करना है और वेलथ कंसंट्रेशन नहीं होना देना है जिससे हमारे राष्ट्र का सार्वजनिक अहित हो। दूसरे हम अपने दृश में एक अहिंसात्मक ढंग का प्रयोग कर रहे हैं। हम को कुछ पुरानी प्रथाओं को मिटाना है। हम को कुछ पुराने रिवाजों को भी मिटाना है, जिनमें कुछ आर्थिक रिवाज भी शामिल हैं। लेकिन हम वायलेंस या बल-प्रयोग के तरीके पर नहीं जानें वाले हैं। सिर्फ कानूनों से, दलीलों से और धारा सभाओं से हमको इन पुरानी प्रथाओं को सुधारना है। इस लिये मैं इस कानून का समर्थन करता हूँ।

इस बिल का इतिहास सन् १८६० से शुरू होता है, लेकिन मैं इसके पुराने इतिहास में जाना नहीं चाहता। हिन्दुस्तान में जो दूसरे वेस्टेड इंटरेस्ट्स थे, जैसे राजे, रईस या जमींदार थे, उनका भी हमने अपने भारतवर्ष के खास तरीके से जो कि हमने इस दृश में ईजाद किया है अर्थात् एक अहिंसात्मक तरीके पर या कानून के जरिये सुधार किया है। तो हम को वास्तव में उन पूँजीपतियों से या उन मनीजस एजेंसियों से, जिन्होंने किसी समय में सेवा की है या किन्हीं ऐतिहासिक कारणों से वे हिन्दुस्तान में उत्पन्न हो गये हैं, उनसे

हमारी कोई व्यक्तिगत दुश्मनी नहीं है। लेकिन आज की हिन्दुस्तान की हालत में जो करोड़ों लोग हैं उन करोड़ों लोगों की और गरीब लोगों की हालत किस तरह से सुधर सकती है और हमारा देश में उद्योग धन्य किस तरह से पनप सकते हैं इसका हमें खयाल है। मेरा खयाल है कि पुराने तरीके से या इस मैनेजिंग एजेंसी के सिस्टम से वह सुधार नहीं हो सकता।

यह कानून काफी बड़ा है और लगभग साढ़े पांच सौ या छः सौ इसमें क्लॉज हैं। वास्तव में यह ठीक भी है क्योंकि इसमें सम्पूर्ण आर्थिक विषय आ गया है और इस लिये यह कानून लम्बा चौड़ा होना ही चाहिये। भाभा कमेटी की रिपोर्ट के बाद यह बिल पेश हुआ और सेलेक्ट कमेटी ने उसमें जो सिफारिशें की हैं, मेरे खयाल से वे काफी मुनासिब हैं। लोक सभा में भी कुछ संशोधन हुये हैं, लेकिन कोई बहुत जबरदस्त या बहुत बड़े परिवर्तन लोक सभा में नहीं हुये हैं। सामान्यतः जो ट्रांचा या जो स्कीम बिल की शुरू से रही, वही अब तक कायम है। मैं यह देखता हूँ कि ऐसा हमेशा से होता रहा है कि द्रवता से ज्यादा पुजारी का महत्व हो जाता है, यजमान से ज्यादा पुरोहित का महत्व हो जाता है और मालिक से ज्यादा मुनीम का महत्व हो जाता है। इसी तरह से शेयर होल्डर से ज्यादा मैनेजिंग एजेंट का महत्व बढ़ता जा रहा है। लेकिन अगर शेयर होल्डरों की वाजिब दौलत को मैनेजिंग एजेंट अपनी तिजोरियों के भरने में काम लेने लगेंगे, तो मालिक को ऐसा नाँकर हटाना ही पड़ेगा क्योंकि ऐसे संवकों की जरूरत नहीं है। जैसा कि फाइनेंस मिनिस्टर ने कहा कि हम अभी १९६० तक इस प्रथा का स्लाटर करना नहीं चाहते, तो हमें इस प्रथा का स्लाटर नहीं करना है, बल्कि जैसे हमने न जर्मंदारों का स्लाटर किया है, न राजा-रईसों का स्लाटर किया है, सिर्फ उस प्रथा में संशोधन किया है, उनकी गलत सत्ता

को छीन लिया है, उन पर प्रतिबन्ध लगा दिया है, उसी तरह से मैनेजिंग एजेंसी प्रथा का हमें लेना है। इस सम्बन्ध में जो दूसरे पक्ष के लोग हैं, जो सोशलिज्म को मानते हैं या कम्युनिज्म को मानते हैं, अगर उन्होंने डागमैटिक बहस की है, तो मेरे खयाल से जो मैनेजिंग एजेंसी प्रथा को मानने वाले हैं, उन की बहस भी डागमैटिक हुई है क्योंकि यह कानून मैनेजिंग एजेंसियों को खत्म करने वाला कानून नहीं है। हम इस प्रथा को प्रयोग में लाने का और मौका दे रहे हैं। हम उनको हृदय-परिवर्तन का मौका दे रहे हैं। हम उनको कार्य पद्धति के परिवर्तन का मौका दे रहे हैं। नये प्लानिंग के अनुसार अपने को एडजस्ट करने का हम उनको मौका दे रहे हैं, अर्थात् जीवित रहने का अवसर उनको मिलना चाहिये, इसका मौका देने के लिये यह कानून बनाया जा रहा है, न कि उनको खत्म करने के लिये। इस लिये इस पर जो सैद्धांतिक बहस हुई कि मैनेजिंग एजेंसी सिस्टम ने किसी समय में कुछ सेवायें की हैं, उसके सम्बन्ध में मैं बाम्बे शेयर होल्डर्स एसोसिएशन के मेमोरेण्डम में जो लम्बी सूची दी है कि मैनेजिंग एजेंसी सिस्टम से क्या क्या खराबियाँ हुई हैं उसको कोट करना चाहता हूँ। उसका सभी मेम्बरों ने पढ़ा होगा।

I am quoting from the Bombay Shareholders' Association's memo<sup>^</sup> random:

"Trafficking on a large scale has taken place in management rights and these rights have been sold regardless of the financial standing; and reputation of the purchasers; and the welfare of shareholders and" the staff .....

Unwarranted restrictions have been put on the Directors' powers of management and Board of Directors have been converted into packed hodies,,,,,,etc.

[श्री गोपीकृष्ण विजयवर्गीय]

A systematic exploitation of companies and their shareholders for the sectional interests of Managing Agents etc."

कहा जाता है कि मैनेजिंग एजेंसी सिस्टम तीन सेवाएँ करता है, एक तो प्रमोट करता है, दूसरी फाइनेंस करता है और तीसरी मैनेज करता है। यह मालूम नहीं पड़ता है कि वह अपने इंटरस्ट को प्रमोट करता है या कम्पनी के इंटरस्ट को प्रमोट करता है। यह भी समझ में नहीं आता है कि वह कम्पनी का फाइनेंस करता है या कम्पनी के फाइनेंस से कभी कभी अपना भी काम चला लेता है। इसके अतिरिक्त वह कम्पनी का मैनेज करता है या अपने को करता है यह भी समझ में नहीं आया। इन तीनों बातों के बारे में काफी दलीलें यहां दी गईं। मिस्टर किशन चन्द ने काफी विस्तार से यह बतलाया कि मैनेजिंग एजेंसी सिस्टम ने वास्तव में कोई सेवा नहीं की और अगर यह सिस्टम न होता तो शायद कोई दूसरा सिस्टम एवाल्व होता। इस लिये यह हमारे देश की आर्थिक प्रोग्रेस को रिटार्ड कर रहा है। सन् १९३० से पहले मैनेजिंग एजेंसी सिस्टम का कोई कंट्रिब्यूशन हिन्दुस्तान में नहीं है या नहीं के बराबर है। अब आप देखें कि हिन्दुस्तान में सारी डॉलर की तरक्की या आधुनिकीकरण क्या मैनेजिंग एजेंसी के सिस्टम से ही हुआ है? क्या हिन्दुस्तान में स्वदेशी मूवमेंट ने उद्योग धंधों को तरक्की नहीं दी? क्या हिन्दुस्तान में जो टैरिफ वाल्स लगाई गयीं, जो प्रोटेक्शन मिले, उनसे तरक्की नहीं हुई? जो हम को १९२० कम्पनियों का नक्शा सप्लाई किया गया है, उसमें पंड-अप कैपिटल २१५ करोड़ है, डिबेंचर्स २४ करोड़ हैं, लॉन्स १० करोड़ हैं। लॉन्स दो तरह के हैं, एक मैनेजिंग एजेंट्स ने दिया है और दूसरे गारंटीड बार्ड मैनेजिंग एजेंट्स हैं। ३१६ करोड़ में से मैनेजिंग एजेंट्स का लगाया हुआ रुपया या लोन ४७ करोड़ के लगभग है जो कि १५ परसेंट बनता है। फुलफा ३८ करोड़ तक बतलाया गया है जिसमें

से सार्द १० करोड़ मैनेजिंग एजेंट्स को बतौर रैम्युनेरेशन वगैरह के मिला है। यह २७ परसेंट के लगभग होता है। इससे यह मालूम होता है कि सेवा कम्पनियों की, जनता की या शेयर होल्डर्स की उतनी नहीं हुई है, जितनी कि उनकी खुद की सेवा हुई है। यह मैं मानता हूँ कि यहां कुछ कम्पनियों का हवाला दिया गया है और उनमें मैनेजिंग एजेंसी सिस्टम की तारीफ की गई है, लेकिन आप नेशनल प्लानिंग कमिटी की राय देखिये। उसने लिखा है :

"The system is rotten, root and branch, leaf and bark, and blossom."

तां इसके लिये और इससे ज्यादा क्या कहा जा सकता है, लेकिन मैं इसमें जाना नहीं चाहता।

मैं यह कहना चाहता हूँ कि जो बिल आज हमारे सामने है उसके ऊपर यह बहस करने से कोई लाभ नहीं है कि मैनेजिंग एजेंसी सिस्टम अच्छा है या बुरा है क्योंकि न तो हम इसको कटई मिटाने ही जा रहे हैं और न इसको पूरी तरह से संस्थापित ही करने जा रहे हैं, इसमें कुछ रंसीट्रक्शंस लगाये जा रहे हैं, कुछ प्रतिबन्ध लगाये जा रहे हैं, जो कि उस सिस्टम को अच्छी तरह से वर्क आउट करने के लिये उपयोगी हैं, इसलिये यह बहस केवल सैद्धांतिक है। देश में ज्यादातर लोगों की, जिन्होंने कि आर्थिक व्यवस्था के विषय में अध्ययन किया है, राय यह होती जा रही है और बाम्बे शेयरहोल्डर्स एसोसियेशन की राय भी यही है कि इसको कुछ और दिनों के लिये ट्रायल दे दिया जाय। बम्बई के शेयरहोल्डर्स एसोसियेशन ने जो अपना मंगो-रैडम दिया है, उसमें सबसे ज्यादा इसकी खामियों को और बुराईयों को बताया है कि किस तरह से ये लोग कम्पनी के रुपये को बर्बाद करते हैं, किस तरह से अपना निजी फायदा उठाते हैं और कितना करप्शन है, लेकिन यह सब बातें बताते हुये भी ज्वाइंट सेलेक्ट कमिटी के सामने जो उसकी एविडेंस हुई है, उसमें कहा है कि इसको कुछ दिनों

के लिये और ट्रायल दं सकते हैं। इसी म्याल से यह बिल एक बीच का गस्ता है। इसमें न तो इस सिस्टम को बिल्कुल मिटाया जा रहा है और न इस सिस्टम को हमेशा के लिये कायम किया जा रहा है, बल्कि ट्रायल के तौर पर १९६० तक रखने के लिये कुछ प्रतिबन्ध लगाये गये हैं।

श्री ४० प्र० सक्सेना : आप क्या चाहते हैं, रहने देना चाहते हैं या मिटा देना चाहते हैं ?

श्री गोपीकृष्ण विजयवर्गीय : मैं तो मिटाने के पक्ष में ही रहूंगा लेकिन इस ट्रायल के पक्ष में हूँ और इसलिये इस बिल का समर्थन कर रहा हूँ। इसके लिये इस प्रथा को सुधारने के लिये कुछ वक्त दिया जाय और अगर इसमें एडजस्ट करने की शक्ति होगी, वाइटीलटी होगी तो और मौका दिया जा सकता है। इसके अलावा यह भी है कि हमारे देश में जो दूसरा फाइव ईयर प्लान बन रहा है उसके लिये इतना पैसा और धन नहीं है कि सारे कामों को सरकार अपने हाथ में ही ले ले, इसलिये प्राइवेट सेक्टर का रहना भी आवश्यक है और उसके लिये एक सिस्टम यह भी है।

मिस्टर किशन चन्द के कुछ सुझाव मुझे पसन्द आये। उन्होंने यह बतलाया था कि मैनेजिंग एजेंसी प्रथा के कारण हम किसी दूसरी आल्टरनेटिव प्रथा को पनपा नहीं सके। मेरा यह खयाल है कि जैसे और बहुत से डीलिंगेजेंस और इंपुटशंस इस देश से जाते हैं उसी प्रकार से डिजनेस मैनेजमेंट के तरीकों को स्टडी करने के लिये भी हम बाहर के देशों में एक इंपुटेशन भेजें जो कि रूस, अमेरिका और जापान आदि देशों को, जहाँ कि अच्छी अच्छी इंडस्ट्रीज रही हैं, जाय और इस विषय में स्टडी करें। मेरा सजेशन यह है कि सब तरीकों को देख कर डिजनेस मैनेजमेंट का एक अच्छा तरीका निकालना चाहिये। यह कहना कि कोई आल्टरनेटिव सिस्टम ईजाद नहीं हुआ है या बतलाया नहीं गया है, बिल्कुल गलत बात

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है। जहाँ कॉर्पोरेटिज्म नहीं है, पूंजीवाद नहीं है, व्यक्तिगत पब्लिक सेक्टर नहीं है, जैसे कि रूस वर्गरेह में, वहाँ भी मैनेजमेंट होता है और मैनेजमेंट का एक नया तरीका ईजाद किया गया है। अमेरिका में भी जहाँ कि पूंजीवाद पूरी तरह से मौजूद है वहाँ भी इसके लिये आल्टरनेटिव तरीका है। तो यह कहना कि किसी अपोजीशन के मेम्बर ने या दूसरे मेम्बरों ने कोई आल्टरनेटिव तरीका नहीं बताया, ठीक नहीं है। मेरे खयाल से इस का आल्टरनेटिव मौजूद है और अमेरिका में डाइरेक्टर्स द्वारा और दूसरी तरह से कम्पनीज चल रही हैं। हिन्दुस्तान में भी दूसरे आल्टरनेटिव हैं, जैसे कि हिन्दुस्तान में बहुत सी ज्वाइंट स्टॉक कम्पनीज ऐसी हैं जहाँ कि मैनेजिंग एजेंसी नहीं हैं।

मिस्टर किशन चन्द ने वॉटिंग प्रोसीजर के विषय में सुझाव दिया और बताया कि बहुत सी हिन्दुस्तान में विदेशी कम्पनियाँ हैं जो कि अनफेयर कम्पीटीशन करती हैं। उनकी पूंजी कम कम्पनियों में लगी है और पूंजी ज्यादा है, इसलिये उनके मुकाबिले में हिन्दुस्तान की जो छोटी पूंजी वाली कम्पनियाँ हैं, वे टिक नहीं सकती हैं। तो इस बिल में कोई ऐसा प्राविजन होना चाहिये जिससे कि हिन्दुस्तान की कम्पनियों को अनफेयर कम्पीटीशन से, खास कर इन विदेशी कम्पनियों के कम्पीटीशन से, बचाया जाय। अगर हम इस कानून के डिटेल्स में जायें तो इसके पहले हिस्से में कुछ प्रारम्भिक बातें हैं, जिसके विषय में कुछ ध्यान दिलाने की जरूरत नहीं है। दूसरे हिस्से में संगठन, निर्माण और इनकापॉरेशन आदि की बातें हैं। तीसरे में शेयर्स, डिबेंचर्स वर्गरेह की बातें हैं। इसका छठा हिस्सा ही सब से महत्वपूर्ण है क्योंकि उसके अन्दर मैनेजमेंट एंड एडमिनिस्ट्रेशन है। डाइरेक्टर्स के बारे में, मैनेजिंग एजेंसी के बारे में, संक्रंटी और ट्रंजसर के बारे में, सार्व वलॉजेंड इसके अन्दर हैं। इसके आगे के हिस्से में वाइटीडिंग अप की बातें और दूसरी बातें हैं। पार्ट ११ बाहर इनकापॉरेंट हुई कम्पनियों

[श्री गोपीकृष्ण विजयवर्गीय]  
 के विषय में हैं। तो मैंने इसका काफी डिटेल्स में दूँगा, हालाँकि मैं कोई कानूनदा नहीं हूँ कि क्लोजेज की प्रेजेंटलजी में ऑन उसकी बारीकी में जाता, लेकिन जो उसूल मोट' तौर पर रखा गया है वह यह है कि हमको मैनेजिंग एजेंट्स पर प्रतिबन्ध लगाना है ताकि वे शेयरहोल्डर्स के पैसे का दुरुपयोग न कर सकें और इसके लिये उनका १० या १५ परसेंट का एक खास मुनाफा कायम कर दिया गया है। तो इसके ये जो सब क्लोजेज हैं वे मेरे खयाल में मोट' तौर पर मुनासिब हैं। जब डिटेल्स में, क्लोज वाई क्लोज, इस पर विचार किया जायेगा, उस समय डिटेल्स में अपने सुभाव में दे सकूँगा।

इसी तरह से मुझे यह भी कहना है कि लोक सभा में जो परिवर्तन किये गये हैं और जो ५० हजार से ज्यादा खर्चा लेने के बारे में गवर्नमेंट का डिस्क्रिप्शन दिया गया है वह एक रियायत है, जो कि मैनेजिंग एजेंट्स के हक में जाती है लेकिन कभी कभी इसकी जरूरत हो सकती है इसलिये मैं समझता हूँ कि यह मुनासिब है। माइनिस्ट्रीज की रक्षा के लिये प्रोपोशनल रिप्रेजेंटेशन के द्वारा चुनाव का जो तरीका रखा गया है वह भी मुनासिब है। संक्रेंटरी और ट्रंजर्स की प्रथा को डेवलप करने के लिये इसमें बहुत से क्लोजेज हैं। मुमकिन है कि यह प्रथा डेवलप हो और मैनेजमेंट करने का एक नया तरीका हिन्दुस्तान में ईजाद कर सके लेकिन जैसा कि कई मेम्बरों ने इस सदन में कहा कि मैनेजिंग एजेंट्स इस ढंग से बर्ताव कर रहे हैं कि मैनेजमेंट का कोई आलटरनेटिव सिस्टम डेवलप न हो सके और मुमकिन है कि वे संक्रेंटरी और ट्रंजर्स की जो नई पद्धति निकलने वाली है उसका अमल में न आने दें।

इस बिल के बारे में एक आलोचना, खास तौर के कम्पनियों की तरफ से और मैनेजिंग एजेंट्स पद्धति के समर्थकों की तरफ से, यह हुई

है कि गवर्नमेंट ने एनारमस पावर्स, बहुत ज्यादा पावर्स, अपने हाथ में ले लिया है। मेरे खयाल से यह जरूरी है क्योंकि बिल इतना डिटेल्ड है कि आज कल के जमाने में, पेचीदा आर्थिक व्यवस्था के जमाने में, जब कि कम्पनियों का काम बहुत ही पंचिदा होता है, अगर डिटेल्ड पावर्स, एनारमस पावर्स न हों तो कानून ही इनएफीक्टिव हो जायेगा। इसलिये मेरा खयाल है कि ये पावर्स, जिन की कि कुछ आलोचना हुई है, मुनासिब हैं। फाइनेंस मिनिस्टर साहब ने अपनी स्पीच में जाहिर किया था कि वह गवर्नमेंट की तरफ से पूरी कोशिश करेंगे कि एडमिनिस्ट्रेशन अच्छा हो, पावर्स का दुरुपयोग न हो और वह देखेंगे कि जो इसके लिये अधिकारी रखे जायें वे ठीक तरह से इसका काम करें। यह बहुत मुनासिब है। इसी तरह से एडवाइजरी कमीशन रखा गया है और उसमें भी ठीक प्रकार के आदमी रखे जायेंगे।

आखिर मैं मुझे एक सजेशन देना है, जो कि मैं पहले दे चुका हूँ, और वह यह है कि बिजनेस मैनेजमेंट का अध्ययन करने के लिये कोई डेपुटेशन, डीलिंगेशन या कोई कमेटी बननी चाहिये जो कि सारे देशों के आलटरनेटिव तरीकों का अध्ययन कर के हिन्दुस्तान के लिये एक मुनासिब तरीका निकाले।

SHRI B. M. GUPTE (Bombay): Mr. Vice-Chairman, I hope that the primary object of this Bill will be achieved and that object is, I believe, the improvement of the safeguards for the interests of the shareholders and the strengthening of their position in the management of their companies. I, therefore, hope that, as a result of this measure, confidence among the shareholders in the administration of the companies will be restored. Today at least as far as my part of the country is concerned, I think that confidence is rudely shaken. The shareholder—the ordinary investor—is not inclined to put his money in putoUe

companies and equity capital for new enterprises are not forthcoming. In fact, many companies have gone into liquidation and even many of those that are existing have not paid dividends for years together. Naturally, therefore, the ordinary investor feels that the formation of a company simply means raising, of funds for which no interest has to be paid and for which there is not even the liability to repay the principal. The shareholder feels bitterly that it is his money that finances all the operations of the company and yet he suffers the most. The officers go on drawing their salaries; the managing agent goes on drawing his remuneration, the depositor is paid the interest and if there is some profit, the Government takes away its share by taxation. It is only the shareholder whose claim is considered last though it is his money that really finances all these operations. Therefore, at least today there is a great disinclination to invest one's own savings in the public company.

Apart from failures from malpractices or failures from unforeseen circumstances, *i.e.*, if you take into consideration the honest promotion and honest management of a company, I think, there are two evils which are prominent in my part of the country, Maharashtra. One of the evils is inadequate finance and the other is finance through deposits. The inadequate finance arises because the minimum subscription required for allotment or for commencement of business is pitched at a very low figure without reference to actual requirements. Naturally, therefore, the company makes a start with inadequate resources. It makes a start as a lame duck, limps throughout its career and ultimately collapses. Sir, this evil, to a certain extent, has been provided against in the new Bill. In the new Bill, under item 5 of Schedule II certain specific items of expected expenditure have to be mentioned in the prospectus itself. Therefore, it is not possible to put down the Ditch of the minimum sub-

scription of share allotment to a low figure without the promoter incurring the grave risk of civil and criminal liability for misstatements in the prospectus. Therefore, some provision has been made which, I hope, will succeed in checking the evil.

There is the second evil, namely, finance through deposits, which has not been provided against in the Bill. I am sorry, no provision has been made at all in this respect here in this Bill. As far as I think, the second evil, finance through deposits, has arisen because of the mistrust of the investor in the company's administration. Naturally, when the company's promoters or the managers, who are in need of funds, find that the funds are not coming as share capital, they advertise high rates of interest and secure large number of deposits. The evil has grown to such an extent that some of the companies—I know some of them—have accepted deposits to the extent of six or seven times their paid-up share capital and free reserves, while the provisions were that they should not have borrowing in excess of paid-up capital and free reserves. Some remedy should be provided for this evil. I, therefore, submit that the companies should be prohibited from accepting short-term deposits for long-term purposes. I am not opposed to acceptance of deposits but the evil is that short-term deposits, ranging from three months to one year, are accepted and used for long-term purposes. Naturally, the company comes to grief; the depositors suffer and the shareholders suffer. So, I want that this should be prevented altogether. Since companies can get their current finance, their working capital, from the bankers, there is no reason why they should take short-term deposits from public. If this is prohibited, the evil might be checked to a considerable extent. I am chary in tabling amendments as I know there may be a reluctance on the part of the Government to accept amendments at this stage. Nevertheless, I shall venture to table certain amendments and I

[Shri B. M. Gupte.] hope the Government will consider them.

I will refer to one or two points more. One point is about the election of director by proportional representation. I am glad that the provision has been made optional and I hope the Government will allow it to remain optional and will not try to enforce it through certain other provisions where they have taken power to compel its inclusion in the articles of association. After all, the Board of directors is not a debating society. It has to carry on the actual administration of a big concern for which there must be homogeneity in the executive. There is no use having quarrels and wranglings in the Board of directors.

Then, Sir, I come to minority interest for which proportional representation is suggested. What are these minority interests of the shareholders? In most cases the minority centres round a personality and not round any principle of management. Moreover, there are other remedies against oppression of minorities. So there is no necessity of giving representation to them in the Board of directors. I, therefore, hope that most probably that provision will remain a dead letter and it should remain a dead letter, because it should not be foisted. There is no proper minority interest as such which should be put into the executive.

Finally, I will refer to clause 641. Sir, very wide powers have been given to the Government to alter or add to Schedules, etc. I do not like that such wide powers of legislation should be given to the Executive. Of course. I know a popular Government will not misuse them. I also know that this evil of legislation by the Executive is not confined to our country alone; it has overtaken most of the modern democratic countries. Even in England the protest was very prominently expressed by Lord Hewart in his famous book, "The New Despotism". Since the evil is there

in other democracies also, it does not mean that we should go on copying it blindly. Generally, there is a note on delegated legislation in a Bill. Perhaps, its omission in this Bill is significant. I do not know whether it was done purposely. Then it cannot be said that all the schedules are unimportant. Take for instance, Schedule II which contains matters to be specified in prospectus and reports to be set out therein. The provisions with regard to prospectus are very important. They can be changed by the Government under clause 641. I do say, as I said, that Government is not going to abuse those powers since it is a popular Government with a popular backing, but at the same time on principle, I think, it is not proper to extend this power so widely to the Government. My argument is that if the Government thinks that certain provisions are quite worthy of being included in a Bill then, surely the modifications of those provisions are also worthy of being embodied in a Bill. Therefore, if an amendment is to be made, it should be made by another Bill. I, therefore, submit that in principle I object to this provision. With these observations, Sir, I support the Bill.

SHRI D. D. ITALIA (Hyderabad): Mr. Vice-Chairman, let me first congratulate the hon. the Finance Minister for so wisely, ably and calmly piloting the most difficult, complicated and voluminous piece of legislation ever introduced either in the provisional Parliament or in the present Parliament after we have attained our independence.

As we observe, it has as many as 658 clauses and 12 Schedules. The hon. the Finance Minister has done ' the greatest service by bringing forward this important Bill and thus safeguarding the interests of thousands of investing people in particular, as also the minority interests, and he has, in fact, helped the advancement of the economic progress in the whole country in general.

Sir, our congratulations are also due to the Members of the Joint Select Committee for their wise, able and thoughtful guidance.

I welcome the various changes intended to ensure the maintenance of standards of good behaviour in the companies' promotion and also in the companies' management on healthy and progressive lines. And I cannot hesitate in saying that there are also certain changes of a far-reaching character which cannot cripple the functioning of joint stock enterprises and the development of various industries in our country.

The private sector has a very important role to play in the establishment of various new industries and also in the development of the existing Industries in the years to come. So naturally the country's eyes are upon the private sector for the development of the country's economy. And it is a noted fact that the private sector fundamentally functions through the joint stock enterprises.

The object of the present Bill is to amend, and consolidate the various laws relating to companies. We are going to have a planned economy, which means that the private enterprise must accept a new code of discipline in the larger interests of the nation. I am sure that many of the hon. Members will have no much faith in ensuring honest and efficient administration of the companies by means of legislation alone. The shareholders themselves must take special and keen interest in the activities and the managements of their concerns, and they must always keep vigilant eye and safeguard their own interests, as also the interests of other creditors. Then and then only the managing agents will be alert and the business and the management of the companies will be conducted in an efficient and honest manner. Many of the clauses of the present Bill make it possible for the shareholders to exercise a more effective general control over the

management of the companies, I am sure there is not a single Member in this House who is against the enactment of legal provisions for checkmating illegal practices or inefficient administration.

Then, Sir, there is a great hue and cry in the other House as well as in this House and outside against the continuance of the managing agency system. There are all round complaints about the malpractices and mismanagement by the managing agents, which have no doubt excited public attention and public comments. But as was explained by my hon. friend, Shri Parikh, the new managing agency system as provided for in the Bill is entirely different from the one which is existing at present. The new managing agency system is a refined system. Hon. Members will find that according to our present Bill the remuneration of the managing agents will be curtailed from over 30 per cent, to 10 per cent, or all round 11 per cent. There are other provisions also which curtail the various powers of the managing agents. Their power with regard to the appointment of directors is also being taken away. If the hon. Members will go through the provisions of this Bill carefully, they will find them quite good. And, therefore, they should not unnecessarily blame the Finance Minister. The managing agents in future will have no power to give selling agencies to their associates or to their family members, which itself is a very great change.

I am sorry to say, Sir, that we entirely forget the yeoman service rendered by many competent and experienced managing agents in the past, not merely in promoting and establishing various industries, but also in well managing and putting them on sound lines. The various large-scale industries in our country today are entirely due to the skilfulness of the various managing agents. They have no doubt rendered greatest services in developing large-scale and small industries by their skill, talent,

[Shri D. D. Italia.]

efficiency, money and brains. Take the example of Sir Jamshedji Tata, the pioneer of industries, who promoted

and established the Tata Iron and Steel Plant at Jamshedpur, the biggest steel factory in India. He established this industry during his life time by his personal supervision and with the assistance of experts from America and other countries. And he made several provisions for the amenities of labour. Sir Jamshedji Tata, with his far-sighted policy and philanthropic nature, made several provisions for amenities for the labour, and he provided various facilities for the workers. I am informed that the workers worship the Tata statue at Jamshedpur daily before going to work, as the earning-giver. Sir Jamshedji Tata gave his attention not only to one industry, but he had directed his attention to various other industries also. The three hydro-electric companies in Bombay State, the largest in India, were established by Sir Jamshedji Tata, and they provided cheap electricity for the development of various other industries. The Tata Oil Mill at Tatapuram in the South and the largest textile mill, the Empress Mill of Nagpur, were all promoted and established by this energetic gentleman. There are various other managing agents who have promoted and established several textile mills in Bombay and Ahmedabad. And many managing agents deserve credit for establishing various jute mills in Calcutta, and various sugar and cement factories. Therefore, I definitely say that in the past, managing agents have played a great part in the industrial development of our country.

There is no doubt that in recent years, *i.e.*, during the second World War, a few inexperienced persons came forward as managing agents, and they created a kind of black spot on the managing agency system due to their malpractices and mismanagement. And it is due to such mis-

management that the Government thought of bringing forward this Bill. According to this Bill, the managing agents are liable to be prosecuted criminally for their mismanagement, defective administration, and malpractices. In the Bill there are many drastic provisions. There are over 130 clauses regarding criminal offences. I am sure that my friends will agree with me that we want to modify the managing agency system and not to put an end to it. My personal suggestion is that the managing agency system should continue for at least ten years more.

THE VICE-CHAIRMAN (SHRI H. C. MATHUR): Mr. Italia, you can certainly refer to your notes, but you can not.....

SHRI D. D. ITALIA: As we have already provided in the Bill the Government will have power to terminate any managing agency if it is responsible for mismanagement of the company. In the best interests of industrialisation of the country, specially in the countryside, it is necessary that more and more companies should come into existence and for this purpose, the Companies Law should be as simple and flexible as possible in order to make the operation easy for promoters and organisers specially in the countryside. Recently, I think in Jaipur, our Home Minister Pandit Pant said that the legal system must be simplified as much as possible. I am glad that the hon. the Finance Minister has agreed to the creation of a Central authority to direct and supervise the administration of this Act. No one can deny that there is great need for a Central organisation for continuously watching the activities

of joint stock companies. It is only in this way that the Central Authority can maintain an independent character and avoid the suspicion of bias in the discharge of its functions. I am sure if the Government keep a vigilant eye over the managements, all the complaints will vanish and there will be no fear of

any kind of malpractice or mismanagement.

The fixation of maximum managing agents' remuneration is a step in the right direction. I don't agree with clause 80 which provides that preference share shall be redeemed out of the profits of the company or out of "the fresh issue of shares specially made for the purpose of redemption. What harm will there be if the company disposes of some of its unwanted property in order to redeem the preference shares? If this clause is not removed, it will rather be a hardship for the managing agents to redeem their preference shares. I request the hon. the Finance Minister to think about my suggestion.

I also do not understand why the premiums collected may not be allowed to be written off against revenue losses and other appropriate items. I don't see why there should be this restriction. I welcome the restrictions imposed that a managing agent cannot be a managing agent for more than ten companies. To my mind, it would have been better if it had been reduced to five companies so that the managing agent can give more attention and more time for their supervision.

One more important point is that there must be certain powers in the hands of the managing agents to reject transferring of shares to the hands of mischief makers who specially want to become shareholders simply to create mischief and cause trouble at meetings. We have heard many times that they create a lot of mischief and discontent.

There is one more point about the private limited concerns. As all such private limited concerns are mainly family businesses, their accounts may be audited by any person and they should not be compelled that the same should be audited by a recognized auditor as otherwise it will be an unnecessary burden to pay the auditor's fee. In the Bill I do not find any clause regarding the legal adviser of the companies or regarding their

powers, remuneration, etc. As I find that every company appoints a legal adviser who, in the majority of cases, is also a director, I would like to know whether it is advisable. I wish to know whether this system should continue or the legal adviser must give only the advice.

Lastly, I don't agree with the age-limit fixed for a director. I have myself completed 73 years and am at present director of four companies, in Hyderabad State. I don't see why there should be this restriction.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh); May you live for a hundred years!

SHRI D. D. ITALIA: There are Ministers in the Central and State Governments who are over 65 or 70 years and who serve better with their mature knowledge and vast experience. I know that there is a provision here that if the company wants, it can have. If at all you want any age limit, it must be fixed at 70 years as was suggested by my friend hon. Shri Kishen Chandra on this side. With these few words, I commend the Bill.

SHRI FAKHRUDDIN ALI AHMED (Assam): Mr. Vice-Chairman, the Bill to consolidate and amend the law relating to the companies has been under the active consideration of the Parliament for the last two years. What we seek to amend and consolidate are the Act of 1913 and the subsequent amendments which were made thereto in 1936 and later on in 1951. In order to appreciate the provisions which are being considered on the floor of this House, it will be necessary for us to take into consideration the circumstances under which the Act of 1913 was enacted and the amendments in 1936, were made. We know that in those remote years, India was under the control of the British Government and the Company Act of 1913 was enacted for no other purpose than for serving the imperialist economy, i.e., mainly for the purpose of giving sanctity to unrestricted profits. But now

[Shri Fakhruddin Ali Ahmed.]

when we have to provide a law which will govern the business transactions in a free country, our objective has to be changed. We have also to consider that, notwithstanding the efforts made by the Government of the day in 1936, by amending the Act of 1913 for removing such malpractices as had come to their notice. The object was not fulfilled. It, therefore, became necessary for us to amend this Act later on in the year 1951. Further, we cannot help taking into consideration the fact that as a result of the second World War more money came into the hands of a number of business people in our country who, instead of utilising it for the benefit and for the development of industry in our country, mismanaged the whole thing to such an extent that some sort of a control on their activities became necessary in the national interest. It is in this background, it is in this perspective, that we have to consider the present proposals which are being considered by the Members. I feel that the provisions as have emerged from Joint Committee and the Lok Sabha and which are now being considered, will to a great extent check the evils or malpractices which have been practised since the war and since the previous Company Laws came into existence. I must confess that the Government have, to a great extent, contributed in accepting their proposals.

3 P.M.

Secondly, we have to see what is our objective in addition to the necessity and desire that this law should be changed. Our Constitution enjoins that the ownership and control of the material resources of the country should be so distributed as best to serve the common good; and that the operation of the economic system should not result in the concentration of wealth and means of production in a manner detrimental to the common good. This is a Directive in our Constitution but it does not say that we

should prescribe any rigid economic or social frame-work. It only provides the guiding lines of State policy. As we know, the Planning Commission have for the present, in the national interest, instead of going for wholesale nationalisation of industries, adopted a policy where they have allowed the policy of *laissez faire* in certain spheres to continue, that is to say, private sector also is permitted to function. On account of our existing conditions, and on account of the fact that we have not got sufficient resources, the Planning Commission have rightly allowed the existence of the private sector in our present economy. At present we have no other alternative but to accept that and accordingly frame our policies and our laws for a mixed economy. I know that my friends opposite would like to see this mixed economy to go at once, and that there is no private sector and that the State should at once take over all enterprises and industries. But that is where we differ from them.

SHRI BHUPESH GUPTA: From whom?

SHRI FAKHRUDDIN ALI AHMED: From our friends opposite.

SHRI BHUPESH GUPTA: We have never said that the State should take over all the industries.

SHRI FAKHRUDDIN ALI AHMED: I am much obliged to my friend for telling me that he does not believe in the State taking over all the industries at once. But what I maintain is, once that policy has been accepted, and when we have even the blessings of our hon. friends opposite to that policy, we have to fashion our laws in such a way as will help, encourage and provide impetus to private sector, keeping in view the benefit of the nation and development of industries. It is from this point of view that we have to consider the present proposals and see whether they meet the requirements that we have in view.

Sir, it is not necessary for me to take I hon. Members through the various provisions of this Bill. There are some 650 and more clauses in it. Therefore, I shall mainly confine myself to some of the major proposals under which changes are sought to be introduced in the Company Law.

First of all, I consider

that the provision concerning the managing agents, and the secretaries and treasurers provide major changes, because they help a great deal in reducing the wealth in the hands of the few. Then there are provisions under which greater details are required to be given in the balance sheets and profit and loss accounts and in the filing of balance sheets of private companies with the registrar. These proposals will certainly help and are for the benefit of the shareholders. Then again, there are provisions which affect the qualifications, rights and duties of the directors. To a great extent the qualifications, rights and duties provided will fit in with our present objectives. There are also proposals for investigations of the ownership of companies and for giving increased powers to the Central Government in respect of the appointment of inspectors. Sir, I feel that all these provisions are salutary and will achieve the purpose, the objective that we all have in view. There are also the provisions which tighten up the laws relating to prospectuses. As far as I have been able to go through the main provisions under these four or five heads, I have no hesitation in saying that many of the evils, many of the malpractices hitherto practised and of which we are afraid, will be removed if this law is properly administered.

We have also to consider the question whether the mere provision of a law can help the shareholders for whose benefit many of these provisions are made.

[MR. DEPUTY CHAIRMAN in the Chair.]

However, good a law may be, unless it is enforced until those persons for whose bene-

fit a law has been enacted take an active interest in the provisions of that law and understand their rights and duties, the law by itself can give them no benefit, whatsoever. If today there is a complaint from the shareholders that their interests are not properly served, by the managements and the organisations under the present Company Law, I am sorry to say, that to a great extent the shareholders themselves are responsible for such a state of affairs because they have not been taking an active interest. They merely purchase shares of the company and there they stop. I find that the provisions of the present Bill go to an extent of removing this indifference of the shareholders. If, for any reason, they are prevented from attending a meeting of the company, they can now authorise some one else not necessarily a member to go there and attend the meeting on their behalf. This I consider to be a very great advance. Till now we had only the practice of signing proxy papers and handing them over to the managing director or other persons who were vitally interested in the organisational work. But the present provision goes to the extent of providing the facility that in case a shareholder is interested that his viewpoint should be represented in any general meeting, that viewpoint can be represented not only by giving a proxy to a person who is interested in the management of that company, but to some outsider who can be conveniently present at that place at the time of the meeting.

SHRI SHRIYANS PRASAD JAIN:  
But he cannot speak.

SHRI FAKHRUDDIN ALI AHMED: But he can be present there, take part in voting and watch the proceedings and these, I submit, will mean a great help, because such presence will serve as a tremendous help in securing the necessary information to the shareholder and I am sure the shareholder after getting that information can take the necessary action

[Shri Fakhruddin Ali Ahmed.] A great deal of argument has been advanced regarding the managing agents and the secretaries and treasurers. My hon. friend, Mr. Ghose, in opposing the retention of the managing agents and secretaries and treasurers, went to the extent of indulging in analogies. He said that Members on this side of the House could perhaps be compared to persons who take pleasure in fattening a pig only for the purpose of slaughtering it later on. I do not know whether that analogy can have any application here or even support the cause for which he wanted to cite that. So far as we are concerned, we are not interested—and nor is it our job—in fattening a pig for the purpose of slaughtering it. If any person is interested in slaughtering a pig, it is my hon. friends opposite who want that the capitalists, foreign and Indian, should be done away with at once without rhyme or reason. It is they who want that the capitalists should be expropriated. It is they who see a fat pig and derive pleasure by the prospect of doing away with the fat pig. So far as we are concerned, we have adopted a policy of extending our objective in a peaceful and non-violent way.

SHRI BHUPESH GUPTA: The patient will die.

SHRI FAKHRUDDIN ALI AHMED: The patient will not die. Mr. Gupta says that the patient will die; I am alive, he is alive and many of us are alive after winning the freedom by peaceful and non-violent methods from the mighty British Empire.

We have to consider whether this system is such an evil as to be done away with at once lock, stock and barrel. I admit that there are many malpractices to which some of the managing agents have resorted to; there are cases where the shareholders and others have suffered because of fraud and bad management by some of the managing agents. At the same time, we cannot forget the fact that to

a great extent this system has also contributed to the development of our industrial wealth. We should not forget that. When we have not got sufficient resources to take up all the industries, we must encourage all such systems which would bring in capital and help in the development of our country. If we want the capitalists to put in their money, whether they belong to India or to outside, we must provide sufficient impetus for them to do so. We must also realise that in the national interest we cannot today go in for any policy which will result in unemployment. It has become all the more necessary now for us to retain this system till we are in a position to stand on our feet. By having this system we shall be able to bring in more capital which will help in increasing our production and in reducing unemployment. It is true that the system is bad. This fact has been recognised by the Joint Select Committee and by the Government as well. In recognition of this fact they have reduced the powers and profits of these managing agents to a great extent. The managing agents who will be found in existence after this Bill has been enacted will not be the same as exist today. Under these provisions when it will be the responsibility of the Central Government to see that no one is allowed to do such an act as will go against the national interest, there is no fear for us. We should allow this system to continue at least for some time. After all, this Bill also envisages a gradual liquidation of this system. Government has power to stop this system in such industries where it thinks that it is not necessary. There are also other provisions which will help in gradual elimination of this system if it is found, in the experience of the next three or four years, that the managing agency system continues to operate in a way which is harmful to the country. From whatever point one looks at this system, there can be no hesitation in saying, as had been very aptly put by Dr. Kunzru this morning, that reason is on the side of

the Finance Minister and not on the side of those who are opposing this system.

There are two or three matters to which I should like to draw the attention of the House and of the Minister in charge. I would first like to refer to the definitions. If the hon. Minister would please see.....

SHRI BHUPESH GUPTA: He is gossiping.

SHRI FAKHRUDDIN ALI AHMED: ..... clause 5, he would find that a difference of treatment exists in regard to two categories of persons. Clause 5 provides as follows:

"For the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any punishment or penalty, whether by way of imprisonment, fine or otherwise, the expression "officer who is in default" means any officer of the company who is knowingly guilty of the default, non-compliance, failure, refusal or contravention mentioned in that provision, or who knowingly and wilfully authorises or permits such default, non-compliance, failure, refusal or contravention."

In one case, "knowingly guilty" has been provided whereas in the other case "knowingly and wilfully" has been considered. My submission is that this differentiation should be removed. There may be officers who, because of some instructions given to them by their superiors, may have done certain acts in the belief that what they are doing is legal. But even though they have done it, without wilful intention they will be held guilty under that provision. My submission, therefore, is whether it is the person who authorises a particular act or the omission of that act or the person who actually does that act or omits to do certain act, both should be treated on the same level in the same way and there should be no distinction that in

the case of one only "knowledge should be sufficient while in the case of the other "wilful knowledge" should be proved.

Then, Sir, there is another provision about which I would like to have certain information from the hon. the Finance Minister—I am glad that he has come when I am dealing with that matter. You know, Sir, that that part of the country wherefrom I come, that is Assam, has many tea companies which are registered in London,

SHRI BHUPESH GUPTA: British tea companies incorporated in India.

SHRI FAKHRUDDIN ALI AHMED: Yes. Now, for the last two or three years tea has become a very prosperous industry and this has resulted in the disposal of some of the tea estates belonging to these companies at a very exorbitant and enormous price. The result is this. Under an agreement entered into with the United Kingdom we are not allowed to purchase shares of sterling companies in London, but if any tea estate of those companies is sold and it is purchased by one of our nationals, then the purchase money thereof has to be transferred to the United Kingdom. I want there should be some safeguard, some protection and some provision under which a restriction is placed for disposal of such assets at high prices so that our capital may not flow out of India at a time when the prices are very high. I do not find any provision in this Company Law under which Government can come forward and say that they will restrict the sale of these properties .....

SHRI BHUPESH GUPTA: They will never stop.

SHRI FAKHRUDDIN ALI AHMED: ..... beyond a certain price. So my submission is that the Government should consider the desirability of bringing forward a suitable amendment under the Company Law or some other measures under which such control can be exercised by the Govern-

[Shri Fakhruddin Ali Ahmed.] ment in the matter of disposal of such tea estates which are owned by companies registered outside India, particularly when the price is very high. Sir, this is a matter in which national interest is involved and the hon. the Finance Minister can realize to what extent we stand to suffer if we allow unfettered permission to our nationals to spend money for purchasing those properties at a time when the price is so high because it will mean that the money will have to be paid to those persons outside India and that will affect our foreign exchange.

SHRI BHUPESH GUPTA: I hope the hon. the Finance Minister is assimilating these things coming from his side.

SHRI FAKHRUDDIN ALI AHMED: Mr. Gupta need not be anxious and I am sure the Finance Minister will deal with this question in a proper manner.

SHRI BHUPESH GUPTA: You need not feel embarrassed; I only pity that you are crying in the wilderness.

SHRI FAKHRUDDIN ALI AHMED: My friend, Mr. Gupta, was very vociferous in asking for the liquidation of foreign capital. I was really amazed how such a proposition could have been put forward by him. Only recently he said that he was not much of a believer in expropriation.

SHRI BHUPESH GUPTA: I did not say that which you would impute to me. I have said today we are not demanding the expropriation of all industries.

SHRI FAKHRUDDIN ALI AHMED: At any rate, he demands discrimination against the foreign concerns, especially the British. That is a very dangerous demand and I think we should be ashamed of putting such a proposal before this House that foreign capital should be given a treatment different from what is given to indigenous capital.

SHRI BHUPESH GUPTA: You should be proud that there are some people in India who put forward these proposals.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI FAKHRUDDIN ALI AHMED: At present our objective is the increase of production and the reduction of unemployment and we should, therefore, be interested that, from whatever source the capital comes, capital must be utilised for the purpose of production and for the purpose of securing employment to our people in this country. That is a policy which is in the national interest and, if that is our policy, how can people living outside India think of putting their capital in our country when they hear such sermons as come from my friend, Mr. Gupta? I am sure that his speech will do more harm than good to our country and I hope the Finance Minister will not pay any regard to this and will continue the policy of giving equal facilities to foreign capital and to our capital in this country.

Sir, from whatever point of view we look at these proposals, we cannot but think that the present proposals, if enacted into law, will to a great extent reduce the malpractices in the management of companies which are prevalent in our country today and will to a great extent help in bringing about the objective which we have in our view.

Some friends have suggested that, instead of the Government taking power in their hands for the purpose of controlling these companies, they ought to have appointed a statutory body for the purpose of doing the same job. I appreciate the arguments which were advanced by Dr. Kunzru that once these powers are taken by the Government some people fear they will bring in rigidity, they will bring in delay and they will bring in corruption. These are matters to which all of us, whether we belong to the Opposition or to the Government

Party or those who are in the Treasury Benches, have to give our thought, but I consider these are problems which cannot be solved by transferring those powers from the hand of the Central Government to a statutory body because, after all, whether the power is exercised by the Central Government or the power is exercised by a body of persons comprised in a statutory body, it will be done by our people. And unless and until the character is changed, the look-out is changed of the persons composing either the statutory body or of those working under the Central Government, the evils of which Dr. Kunzru is afraid cannot be eradicated. And I hope, Sir, that the Finance Minister will see that the apprehension which exists in the mind of Members of this House that the taking over of such companies will result in delay, rigidity, etc. will be removed and he will use his personal influence and ability to see that this law is administered to the satisfaction of all concerned.

SHRI H. C. DASAPPA: Mr. Deputy chairman, let me join *my* hon. colleagues in extending a very warm welcome to the Bill that is before us. It is the result, as has been said, of the *tapasya* over a long period, the result of earnest and devoted and patriotic labours of the hon. the Finance Minister and of the Members who served on the Committee and also of the Chairman who seems to have guided the deliberations exceedingly well.

I am afraid there is not much time at my disposal and so I would like to get into the subject straightway. My fear is that those who have been critical of this measure have more or less taken to what is known as tiogan-mongering. I have listened to their speeches and I thought that they would be able to contribute something by way, if not of an original idea, of at least a new argument.

SHRI BHUPESH GUPTA: For that you are there.

SHRI H. C. DASAPPA: But I find that it is only some stereotyped statements that have emanated from the Opposition. I have listened to my good friend, Mr. Bhupesh Gupta. Almost all his speeches—it does not matter on what subject he speaks—have the same complexion and the same content. There is nothing fresh on the subject.

Let me take, for instance, this question of foreign capital on which he continuously harps. I thought that, with the Plan that we have got before the country, and, what is more, with the ideology that India has placed before herself right through centuries and even more so—I emphasize—in later years as given to us by Gandhiji, he would take a more liberal attitude towards a subject like the foreign investments in this country. India, Sir, has given refuge to a large number of people who have sought refuge. She has also not raised any kind of a China Wall against people from outside preventing the inflow of their culture. She has also opened her hospitable shores for the inflow of trade through centuries. I do not know why my friend there should be so oblivious of these historical facts and why today when the world is trying to become one, he should be so hostile to foreign investment here. I would have appreciated if he had said that these investments should not take the character of the camel walking into the tent and then ousting the people there. When there is a measure like this which hedges in these investments with a number of safeguards, I have absolutely no fear that anything would be done by these foreign people that would be detrimental to the progress of India. The moment there is any such trace of it, I am sure the watchful and vigilant eye of the Government and the Finance Department will be there.

SHRI BHUPESH GUPTA: Why are you thinking in terms of taking over the Mysore Gold Mines?

SHRI H. C. DASAPPA: Sir, I would not like to say anything about that somewhat controversial matter.

SHRI BHUPESH GUPTA: Yes.

SHRI H. C. DASAPPA: If I were to say anything, I am afraid it will not be correct for me because that would be prejudicing the discussions that are now going on. I have got my own views about this idea of nationalisation in general but I would not like to be Jed into that. But I may say in passing that this idea of nationalisation to me, at any rate, is not going to be an unmixed blessing.

SHRI BHUPESH GUPTA: No wonder you have become an 'ex' now.

SHRI H. C. DASAPPA: And grown wiser. Even if I am 'ex' I am in good company very much with the Finance Minister here.

SHRI BHUPESH GUPTA: Plus and minus become minus.

SHRI H. C. DASAPPA: It is not all very much 'ex'. Anyway, it is a very simple thing which I thought my friend, Mr. Ranga, had sufficiently argued the other day. It would be absolutely meaningless for us to divert all the resources that may be available for new industries to merely acquiring the existing ones which are doing fairly well. That would be an ill wind that blows no good and I do not think it will be of any use to us. But what I do say in regard to these foreign companies is that we have got to be vigilant. I would much rather like all these foreign companies to convert themselves into rupee companies and I would also like to see a great deal of what is known as Indianisation introduced in the working of these companies.

SHRI C. P. PARIKH (Bombay): How can it be done when they have assets outside?

SHRI H. C. DASAPPA: That is what I say. They have got to be converted

into rupee companies. Now, in the agreement that has been entered into about the Kolar Gold Fields, there is a definite clause for Indianisation and it is open to us to interfere with its operations in case the company does not make good the agreement.

SHRI H. P. SAKSENA: All tea gardens are Indianised. All the labourers are Indians. Where is the point of Indianisation?

SHRI H. C. DASAPPA: It is rather a difficult thing for my friend to appreciate. He thinks of labour; I am not thinking in the least of labour. They are not going to import White labour into our country. It is in the administrative side, in the managerial side where as many Indians as possible should be entertained. That is another thing to which I wanted to refer.

SHRI BHUPESH GUPTA: And the shares?

SHRI H. C. DASAPPA: They will all come in good time and many of them are getting now into Indian hands.

The other thing that my hon. friend, Mr. Bhupesh Gupta, referred to was about the provision in the directorate for the representatives of the employees. I was rather surprised that he should have made such a tremendous *volte face* over that question. Sir, the other day he waved some pamphlet and said that they had this idea sometime back, that they did not favour the introduction of employees into the directorate. But here is the Report of the Joint Committee and the dissenting minute attached to it by his fraternity.

SHRI BHUPESH GUPTA: You can save your time. We all know that.

SHRI H. C. DASAPPA: Messrs. Satyapriya Banerjee, K. K. Basu and another, gentleman have said very clearly that they would like to have employees on the directorate. I am just reading this:

'111 Chapter II, dealing with the appointment of Directors, we suggest that the provision should be made for the appointment of Directors from amongst the employees also. Often the Government are propagating that employers and employees are the joint participants of a common venture. Therefore, only by giving them a share in the management we can generate the feeling among the workers and the staff that they are so."

And, therefore, I wonder how Mr. Bhupesh Gupta has chosen to give up that stand and now seriously say that he does not want the workers to be on the directorate. I have got a shrewd suspicion that it is because he and his fraternity have either lost ground tremendously or are losing ground that they do not want this. If it is a question of finding representation for them on the directorate, it would mean that none of his fraternity would have any chance of coming into the directorate. So, that is the only explanation I can offer.....

SHRI BHUPESH GUPTA: Profound originality, great profundity.

SHRI H. C. DASAPPA: Sir, with regard to the important question of managing agency, I would like just to say a few words. Practically every aspect of this issue has been considered and discussed threadbare and I do not know whether I should take much time. Sir, there are managing agencies and managing agencies. I do not think it would be fair to the managing agencies or even to this country which has been served by them to tar all of them with the same brush. There are quite a number who have given their very best for the country. Maybe that they started on the profit motive. I do not say that they have not, but to say that they have not contributed to the building up of the industrial economy of the land is, I think, altogether an overstatement and a wrong statement. And, therefore, let us not proceed on such a basis. 1

I myself in my little experience have come across certain managing agencies functioning in a hopelessly bad way. I can give one instance, rather two instances, one of a very big house and the other of a small local managing agency. Now, in the case of this big house, I expected when they started on an industry—that was something connected with Mysore—that they would make good their words which they assured to the Government of the day. But later on I found that they did nothing in fulfilment of what they held out to us and I am afraid that that particular industry has become now a lame duck, which it is impossible to recover. That is an unfortunate experience that I have had of a very big house.

Another one is of a very peculiar character or may be of the normal character, in the sense of normality pertaining to the bad companies. This managing agency floated a company for the manufacture of a certain article. They had to find a chairman. So they hunted up a respectable gentleman and asked him to be the chairman of that company. Now, the chairman was supposed to have subscribed Rs. 5000. worth of shares, but he had not parted with one pie. And likewise when he found that the thing was not functioning well he left it; another chairman was got and he too was not to pay a pie from out of his own hands. It was merely there, Rs. 5000 worth of shares. And where did the managing agents get all the money from? They went about collecting shares and transferred those to the name of this chairman. All the while, they were receiving their directors' fees, rather heavy. And what is at the end of it all? They had collected about Rs. 10 or Rs. 12 lakhs. There was nothing done. Possibly at the most they might have spent Rs. 50,000 or a lakh of rupees on the concern. And today there is nothing of the 10 or 12 lakhs.\* The rest is all gone towards the managing agents' remuneration and other expenses. That is a typically bad instance which has come to my notice. Therefore, I said, "There are managing

[Shri H. C. Dasappa.] agencies and managing agencies", and it would not be right for us to only-look at those managing agencies which have misbehaved and forget all the good, efficient and patriotic managing agents.

SHRI C. D. DESHMUKH: In this instance, is the loss due to the mode of management or is it due to the fact -that somebody set out to be a managing agent and collected money and then decamped with it?

SHRI H. C. DASAPPA: There was hardly anything like management. They collected the shares all right, but they did nothing earnestly except that as managing agents they swallowed a good bit.....

SHRI C. D. DESHMUKH: What I meant was, any other promoter could have done just the same thing.

SHRI H. C. DASAPPA: Of course. I do not know whether my hon. friend, the Finance Minister, wants my corroboration on that. There are many adventurers, not necessarily in the capacity of managing agents, who resort to these things. In fact that is a ground which has been advanced by almost everyone that there is nothing intrinsically wrong in managing agencies and all the\* evils that may have cropped up in the course of the functioning of managing agencies are evils which would easily have cropped up in the case of other concerns and have cropped up in the case of other concerns. Now, let me answer the hon. the Finance Minister. I know of co-operative institutions. Now, nobody, on the other side, can accuse co-operative institutions of being capitalistic in character. How have these co-operative institutions been functioning? I know quite a number of co-operative societies which generally had not been managed well—I am sorry to say that. There is something wrong in many of them. I know also of such instances where the •secretaries have had a hay day when working in the co-operative institutions. For instance, when there was control on iron

and steel, a secretary would sell iron and steel to bogus people or his relations and do the trade in black-market and make fortunes. This is a thing which has happened in a co operative institution .....

SHRI C. D. DESHMUKH: Also, was not there an engineer in Mysore whose ingenuity cost about four crores?

SHRI H. C. DASAPPA: Well, I am very thankful to the Finance Minister. I had that case in my mind, I did not want to disclose that on the floor of the House. It was a most wonderful venture on the part of a man.

SHRI BHUPESH GUPTA: Were you then a Minister?

SHRI H. C. DASAPPA: Yes. I will let you know what I did as a Minister in his case. Here was an adventurer who started giving not 10 per cent, or 20 per cent, or 30 per cent, dividend, but 50 per cent, and cent per cent dividend and let me tell you that a lot of high-placed officials were taken in by this kind of promotion of this concern.

SHRI C. P. PARIKH: All intelligent persons.

SHRI H. C. DASAPPA: Yes, intelligent. Also poor widows and others were taken in.

SHRI BHUPESH GUPTA: May I know what you did with the officers?

SHRI H. C. DASAPPA: I will tell you what we have done. If my friend is very anxious, I can give him the whole literature. But I can say this. Before we got into power, the matter had gone to the insolvency court and there the official assignee had got declared three pies in a rupee. When we got into power, we appointed a special committee and got a number of people who had taken unconscionable advantage to disgorge the gains to the extent such they had, and were asked to pay, instead of a quarter of an anna, six annas in a rupee. That

is the thing which my friend Mr. Bhupesh Gupta should know. An important official was sacked.

SHRI BHUPESH GUPTA: What action?

SHRI H. C. DASAPPA: That is the action that we took. Therefore, let my friend not meddle very much with me because I am on fairly strong ground when I speak on this matter.

I would like to refer to another matter. My hon. friend, Mr. Kunzru for whom I have great respect and from whom the House has had a very good contribution, referred to corruption and nepotism in services. Merely because certain administrative sections misbehaved in the land, it does not mean that you can say that the whole Government is rotten. I am not pleading; I do not know whether I am in a happy position or in an unhappy position. There is the! capitalist triumvirate just behind me and the Minister in front of me. I am like a buffer more or less.

AN HON. MEMBER: Take care.

SHRI H. C. DASAPPA: I am well able to take care of myself. But what I wanted to say was this. Let nobody mistake me that I am trying to defend anybody who resorts to these malpractices. What I was pleading with my friend, Mr. Kunzru is that it is a wholly wrong picture that we are drawing, as though there is no truth in India; there is no honesty; there is no patriotism; there is no skill. That would be altogether a wrong thing. We have not done badly in the past. But consider .....

SHRI H. N. KUNZRU: Whoever brought such a charge against India?

SHRI H. C. DASAPPA: The charge is that the managing agency is something very rotten. They have used epithets like thugs, humbugs and so on in characterising them. I say it is not correct. We are unnecessarily

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painting ourselves in too thick a colour.

In regard to these managing agencies what we have to be mindful of is that we must see that their propensity for resorting to these malpractices is clipped and effectively clipped. That is the main thing. It is as much as to say that there must be proper regulation. I think that this measure is going to secure that result and I have absolutely no doubt about it. Therefore, when we talk hereafter of the functioning of managing agencies, it should not be on the basis of how they have behaved in the past, but how they are going to behave in the future. That is a very important point. That is, I think, what the hon. the Minister also says—that it is not possible for him today to give a date by which he will liquidate these managing agents. I think it is a perfectly justifiable and reasonable stand. Suppose by the coming into operation of this measure you find that they are really becoming the trustees of their money, their funds and their talent for the benefit of the country. Should it be a thing on which we should weep over and should it be a reason for us to do away with the managing agents? Therefore let us wait and see how they are going to behave. In fact, when there are these many safeguards here, I felt that the Government was on its trial because they have got to see that they are properly exercised. But, even more than the Government being on trial, it is these managing agents who are going to be on trial. In the early days, these people, because of certain amount of enlightened self-interest, built up these industries in a fair way, but because of certain temptations which supervened during the war, some of them fell from their ideals. Well, I feel that today they may reconsider their own part that they have to play in the rebuilding of this nation and I expect them to render really good patriotic service.

The second thing that we must remember is, of course, that which

[Shri H. C. Dasappa.] has already been stated by some hon. friends. We have got the Second Five Year Plan. How are we going to achieve the results—production on the one hand and employment on the other? I have a shrewd suspicion and I hope I am wrong—that friends like Mr. Bhupesh Gupta and others are going to sabotage this Second Five Year Plan that we have got before us ami then say that we have not been able to accomplish it. I am sorry, but I have got to speak in this strain because nobody who has got a desire to see that this Five Year Plan becomes a success can afford to resort to monkey tricks. It is impossible. Here there are thirty thousand companies managed by managing agents and do you think that it would ever be possible for us to dislocate the whole of production in the land merely by listening to my friend, even granting that there is some meaning in it.' I think it is altogether a very very wrong thing for us to follow.

*(Time bell rings.)*

I will .....

MR. DEPUTY CHAIRMAN: How much time will you take?

SHRI H. C. DASAPPA: Just two minutes.

SHRI BHUPESH GUPTA: There is a shrewd suspicion. I would .....

SHRI H. C. DASAPPA: I thought there was some very important point in what our friend, Mr. Ghose said. He said, "I grant that the managing agents have behaved very well. They have contributed to the building of the industry. Even so, they are a little outdated because they do not lit into the new ideology of India, the socialistic pattern of society. And, therefore, however useful a function they may have performed, it is a thing which is not desirable." There is some point in that. Sir, a realistic approach to this question can only lead to one conclusion and it is that we must

retain the managing agents as long as it is absolutely necessary for us to do so.

There is one other thing and I will finish. We have had a political revolution—a peaceful revolution. Now, the question is one of having an economic revolution. Are you going to have it on a peaceful basis or not? In fact we have had the merger of all the princely States, a revolutionary achievement in a peaceful way. In this as in other things we have had a revolutionary evolution.

SHRI BHUPESH GUPTA: What is that?

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SHRI H. C. DASAPPA: That is to say, without waging a war against capitalistic society or trying to upset the whole existing social order and shedding any blood, we are working out this kind of evolution which is of a revolutionary type. And consistently with our past traditions we must act in the future. In the political field we have had the ideal, "spiritualise politics" I would say in the economic field, "spiritualise economics". With these words I support the Bill.

SHRI H. C. MATHUR (Rajasthan): Mr. Deputy Chairman, the importance and significance of this Bill before us, over which we have poured so much of labour, can hardly be over-emphasised. This Bill does not concern only the business community, but it concerns all of all. It concerns us very much because it effects us in our every day life

Sir, in the present context of things when we are developing our economy, the importance and significance of all such measures, which go to regulate and control industry and commerce, becomes all the more greater. We know, Sir, that we. in Asia and Africa, have a population of more than 60 per cant, of world's entire population, our income is hardly 8 per cent. Now in such a context we cannot take any

decisions in a light-hearted manner. We will have to weigh and consider all the aspects very thoughtfully. We are not prepared to be carried away by any sentiments, prejudices or predilections. There may be many things which we may not like but we will have to examine them and their propriety in the present context of things, in the light of the targets and the aims and objectives that we have before us. Sir, I speak in this context and with full realisation and appreciation of all these facts.

Sir, I feel very much concerned about the way in which our industry and trade have discharged their obligation to the country. There are many bright spots, we have done many good things. We have no doubt about it but we have not to our credit very healthy traditions, the business integrity *ffbach* the business community have built so far. They do not command the respect which we would li'-a them to command, for instance, the judiciary for which we have a great respect. Our business and industry have made marvellous progress in many spheres. Many people have contributed to it and we owe a debt of gratitude to them. But still I have not the least hesitation to say that the business integrity and traditions are not such as we could be proud of. We have now to take all necessary steps which we can, to eradicate the necessary evils which at present subsist in our system and we have to adopt ways and measures which will help us in bringing about a social structure which we have envisaged and which we visualise and aspire for.

In this respect my first thoughts go to the industries and enterprises run by the Government, because I am very anxious that these enterprises should be run in an ideal manner. Unfortunately, our experience has not been very happy, possibly because we have not got the experience, possibly because we have not got the necessary personnel and may be, for many other reasons. It is no use citing any

examples 01 illustrations here. We know, Sir, that in any industrial enterpriser which the Government have taken up, they have not faired well. It has not created any confidence in our minds and in the minds of the general public. We read only the other day about the national transport in Bihar which is a State industry. We know of certain industries in other States and we know of certain enterprises which were Centrally undertaken, Why I lay particular emphasis on this is because it is our decided policy that we want to have all the key industries, (the essential industries being gradually and progressively nationalised and run by the Government. If we are to succeed in that policy, it is not the capitalists whom I fear or for whom I care very much, because they cannot sabotage our scheme, they cannot obstruct us in our progress in that direction, we should guard against our own failures in these enterprises which are likely to sabotage this ideal and objective. So we have got to be very careful in this matter. We have got to evolve a system which will be in the best interest of the industrial progress of this sector.

Sir, I do not wish that we should be told that these institutions, which we are setting up, are independent bodies. I do think we need set up independent autonomous bodies but this autonomy should be of a limited nature and of a limited character. What I would suggest is that these enterprises should have all the liberty to carry on their day to day administration. They should not be forced for unnecessary rigidity. The management should be able to do what is necessary in the best interest of that concern. There need be no reference as there is a great difference between de»artmental working and the working of an industrial enterprise. I wish there was flexibility, I wish there was authority in these enterprises. In a Department we have got to go through so many procedure— reference to the finance, previous sanction and so on—and it is only these restrictions and these 'hannels which

[Shri H. C. Mathur.] have been responsible for a failure of certain enterprises which were started by the Government. We have heard something about Nilokheri and Farida-bad. I have gone there and I have seen these industries; why they have all failed and why they are now being transferred to private enterprise. So I do maintain that while there must be all the flexibility, autonomy should be limited and it should end there. There should be a judicious control over it. The Auditor-General must audit the accounts. I will go a step further and say that the Public Accounts Committee of the Parliament must examine these accounts and the audit report. It should be placed on the Table of this House. There must be that control. I am not for super-autonomous bodies, I am for limited autonomy which will permit these concerns to run their day to day administration in an efficient manner but all these institutions should all the time be aware of the control which the Government and the Parliament have to exercise over them.

In this connection, another thing which is very necessary is the personnel to be trained. My hon. Friend, Mr. Ranga, who is so watchful and vigilant, was not even aware what we have done in this matter because we have done little or nothing. It is not that this question does not engage the attention of the Government. This question, I believe, was taken up as early as 1950. The Joint Committee on Industrial Administration and Business Management of All India Council for Technical Education submitted in 1956 a report. But so little has been done in this matter that even the well-informed Members of Parliament know very little about it. At least we have never received any literature or information on this subject. I made certain enquiries about it and in 1954 I received a note which only goes to show that little or nothing has been done in this direction. This is a very important affair. It is not only the engineers that we have got to train but we have to train people in the industrial

management for our concerns which we run as Government concerns, and also to make such personnel available for private industry and private enterprise. I hope, Sir, that necessary steps will be taken in this direction even from now so that the progress in this sector is not retarded.

Now, Sir, passing on to the private sector, so much has been said about the managing agency system. We all are fully aware of the abuses with which the managing agency system is associated. But I think, apart from the contribution made by the managing agencies, all of them—there may, of course, be an exception of one per cent., two per cent, or five per cent.—had, I believe, only one purpose, not of developing the industry, but the purpose of making money. But I do not find fault with it. There is nothing wrong about it. Everybody seems to be engaged in making money. Now in the present context of things we are trying to regulate the business, we are trying to regulate the managing agencies, as well as the other institutions. And this Bill has certainly put a number of restrictions on the managing agencies as well as on the directorates.

Sir, if the managing agencies can be charged with all these abuses, the managing directors could also have been charged with the same abuses. It is not only that the system of the managing agency is such that these abuses are possible. If a particular gentleman could get a house built out of a certain factory material, because he was a managing agent, a managing director could have also done the same thing. But there is the least doubt about it that these abuses are more open to the system of managing agencies. And, therefore, it is that a frontal attack has been made against this system, not because of its past lapses, but because this system is more open to abuses than the other one which is obtaining in other countries. And it would not be correct to say that the Indian genius or the local conditions, or our past traditions

demana that this managing agency is the only suitable system. I do not see anything of that type, Sir. We have developed this system because of certain historical reasons, and because of certain other reasons, and it has remained there. That is all right. But if certainly is open to more abuses, and there is no reason for our capitalist friends to be very much afraid, if this system is done away with. They might be afraid as to where they would go. But I can tell them that they are going to remain in this country, and they are going to be the people who will run the industry. Whether they run it as managing agents, or as managing directors, or as directors, that will be a different question. But they are certainly going to run the industry. And these businessmen, shrewd as they are, know how to adapt themselves and where to adapt and when to adapt. It is only so far as they know that they can bamboozle the Government in taking a particular decision that they stick to their guns. And once they know that the Government is made up of some tougher stuff, there is not the least doubt that, shrewd businessmen as they are, they will adjust themselves to the system. We were told that the abolition of the jagirdari system or the abolition of princedom would result in chaos and confusion, and that there would be anarchy and all that. But nothing of the kind happened, and it is now the time when we should do away with the managing agency system, because this system is so rotten. The princes had their great merits, and the *jagirdars* were, in fact, the real leaders of their groups at a certain time, and they had all the qualities of leadership in them. But when those qualities deteriorated and when they became nothing but exploiters, it was easier for us to do away with them. But on the other hand, if they had retained their qualities of leadership, and if they had continued to work for their people, it would not have been possible for us to do away with them. Therefore, **the** same thing applies, and with the same emphasis, to our friends, and to

the business houses to which such references have been made. They have also, during all these years, acted in a manner that they have forfeited the confidence of the public to a very large extent. And the entire public opinion at the present moment runs against them.

In this connection, Sir, I recall to your attention the atmosphere which prevailed in this House and in the other House when the fourth amendment to the Constitution was passed. There was not a single dissentient voice. We passed <sup>that</sup> measure unanimously. Why? Because every Member in this House felt enthusiastic about it. That is the direction in which our minds are working. That is the direction in which the mind of the entire country is working at the present moment. Sir, we have not the courage possibly to go into the spirit of that direction. And because of that you find the Members of this House—not only on this side, but a vast majority of the Members on that side also—having no good word for the continuance of the managing agency system. And those friends who have supported it a little, have supported it only as a temporary measure, and they have supported it only as a necessary evil.

Sir, I wish we could realise the spirit of the times. We have got a very great respect for our industrialist friends, and they will certainly have an honoured place in the future setup of this country only if they realise, now and here, how they have got to proceed in the matter. We cannot do away with them, and we have not the least intention of doing away with them. They have got to play their role adequately in the future set-up of the country.

Sir, these restrictions which have been placed here are only a matter of fun to most of our friends. They are far too ingenious to get over them. We say that we have placed a restriction here that no relation of the managing agents would be the buying or the

[Shri H. C. Mathur.] selling agent. But even now, when we have not yet passed this Bill, they have gone into action. And this Bill will not be able to touch them in the least. They have accepted all this interference in their day to day working, because they rely on their ingenuity and their corrupting influence which they can bring about. So, let us not depend on these reservations and restrictions, because these restrictions and reservations which are meant, mostly for big businessmen will not affect them very much. They will affect very much the smaller man who is in business, and who will find it very difficult to comply with the provisions of this Bill, and also who will find himself harassed by some of the officers.

Sir, another argument that was advanced for the retention of the managing agency system was that the incentive was very necessary. Very much was made of this point. Incentive is certainly very necessary, and I definitely agree with everyone here who has said that we should not take away the incentive. But we must have a healthy incentive. That is all that I will have to say. I do not go beyond that. We must have a healthy incentive. The alternative method which we are proposing does not take away the incentive. It does also give all the necessary incentive, but when we are talking about incentives, may I ask: Have you ever also thought about the incentive to the labourers? That is an important point. Labour plays a very important part in the production sector, and if you are thinking all the time of incentives being provided to the capitalists—to which I definitely agree that we must have the incentive—what about the incentive to labour? What have you done about it? I am surprised that even very modest requests or demands which have been made about participation by labour have not been acceded to on the ground that there would be no homogeneity. What do you mean by that? If you and labour cannot see eye to eye,

there is no homogeneity and you can not go very much for that.....

SHRI H. C. DASAPPA: Who has said that? The capitalist friends may say that but not the Government.

SHRI H. C. MATHUR: This Bill says it and it does not provide for it in spite of our asking for it. That is my point.

SHRI H. C. DASAPPA: That is under consideration.

SHRI H. C. MATHUR: Yes. That is why I am pressing my point with all the emphasis when it is under consideration. We must consider this modest demand which is very legitimate. If we have a soft corner for incentive by the capitalist, we must also provide for incentive by the labour and I am afraid our capitalist friends are unnecessarily apprehensive. They are so much afraid of themselves and of their future. They don't have the courage to see it and face the situation. I had occasion to visit certain factories. I don't wish to draw any hasty conclusions by visiting a few factories in the West where all these three methods have been tried. I happened to go to a factory where the labour has completely taken over and is managing a big factory. I might submit that though the labour is feeling happier because of the freedom and the psychological factor, the production has gone down and their remuneration also has gone down. There is nobody against whom they can complain but that is actually the state of affairs. That factory was run by a capitalist but I am not talking of a country like U.S.S.R. I am talking of a country which you can hardly imagine—it is France. In Paris itself there is one such factory but that is the state of affairs. I saw another factory where the labour has got all the incentive, i.e., participation in the management and they were given incentives in so many other forms for increased production, I might name that factory—it is Merlin Geras and

those people are doing wonderfully well. Every engineer, every labourer and every servant of the company has his attention all the time on thinking as to what methods he can evolve to increase the production, what suggestions he might make so that their representative director on the management can put it through; and those people give to the person who gives this idea or who suggests this improvement a particular share in the profit which accrues because of the improvements so effected. It again has another advantage because it breaks the trouble between the labour and the capitalist. It removes the middleman, the politician, the man who goes and creates trouble between the labour and the capital. I don't say whether it is communist or socialist or anybody. It cuts out that man and it does immense good to the industry itself. I don't know why our friends are feeling so sorry of it. They must have courage and they must go all out for it. The demand should be from them and it is in their very best interests if they can foresee and if they can judge things for themselves, a little ahead of the times when things would be forced upon them. It is now time. If they *suo motu* take this attitude, they will be happier for it.

if you are looking at the watch. I will only touch one other point before I sit down. I will not refer to other important aspects of this Bill at this stage.

The third point which I wish to refer is about foreign capital. I stand here without hesitation for inviting all the foreign capital that we might attract to this country for the building up of this country. There is no harm in it but certainly I cannot agree with the foreign capital coming in the way in which it is coming at present or the foreign capital working in a manner over which we have little or no control. I don't say absolutely that the foreign companies should be treated in any different manner. I wish we have

all the necessary control. The Government must have all the necessary control. We must give to the foreigner all the security which we are giving to the Indian citizen himself, but we must see that the foreigner, while earning his legitimate profit, cannot think in any other manner but in the interest of the national development. That is not so, and for this we will have to take certain steps. We must in future agreements that we arrive at with individual companies, make all the necessary safeguards about it and those companies must have at least some directors who are Indians. We cannot let them exclusively manage in a manner that they like. My friend Prof. Ranga who spoke about it, compared it and said that.....

AN HON. MEMBER: What is the company you have in mind?

SHRI H. C. MATHUR: ..... we were not attracting foreign capital and he wanted to quote certain facts and figures. He said that India had got much less from U.S.A. than what Philippines had got or what Canada had got. I think that comparison is absolutely out of place, to say the least. Canada's economy is completely tied down to that of the U.S.A. and we cannot put ourselves in that position. Philippines also is not to be compared with India in its relationship with U.S.A. We made it clear even then that we would welcome capital and foreign aid from all the countries—U.S.A., U.S.S.R. and U.K. included, but on terms which are suitable to this country and only with one aim and with one object, *i.e.*, the national development of this country.

Now, Sir, so much has been said also about the shareholders' interest in these companies run by the managing agents. I don't see why we have not been able to agree to this proportional representation. This is absolutely a simple matter and as far back as in 1938 the Congress leaders themselves put forth this idea and strongly supported it. If anything,

[Shri H. C. Mathur.] we have marched ahead and in a direction when such a proposal would be easily acceptable. It is not that there are warring groups among the shareholders. My hon. friend Mr. Dasappa asked, "What difference does it make? All the directors are there and all the other shareholders who are not in the majority do not have any clashing or conflicting interests." But Sir, the fact is these directorates are "packed" by nominees of the managing agents and if we have a director who is outside that ring, he will be able to keep a little check over the abuses which the managing agents indulge in. He will be a healthy element in the directorate. That is why we want that directors outside this ring should find a place here. We have made some provisions for that and even the Government have taken certain powers in their hands to nominate directors. But, Sir, that is not at all satisfactory. We definitely feel that it should be left to the shareholders to be able to put in a director when on the proportional basis they are in a position to do so. Thank you.

SHRI AKBAR ALI KHAN (Hyderabad): Mr. Deputy Chairman, the Companies Bill which about 20 years back would have, interested only about half a dozen people is being discussed today threadbare, not only by Members of Parliament, but everywhere in the country. It has evoked the active interest of all in view of the amendments proposed in the existing law. To me, Sir, this is a matter of great satisfaction, because this is a subject that concerns not a few only, but it is one that concerns and concerns very deeply our economic reconstruction and the development that we envisage in our Second Five Year Plan.

Sir, it was to me to a certain extent disappointing when the hon. the Finance Minister made his speech piloting this Bill in this House. The speech was, with due apologies I may say, very sketchy, and to me very

unsatisfactory in the way he took it for granted that the speeches that he had delivered in the other House should be read over and should be taken as a prelude to his speech here, which was confined to the amendments. I do not know, Sir—there are more senior Members here than myself—but I feel that the convention of this House is that when a Bill is piloted, it is piloted as if it is done afresh, and everybody has the opportunity to know not only a few things here and there, but the whole background of the enactment and legislation. The hon. the Finance Minister, I know was fatigued, he was exhausted for he had spoken on the matter so thoroughly in the other House. But when he comes to this House, I am sure he will also make us all feel that he has the same vigour and the same freshness as he applied in the other House. That was by the way.

Sir, from this long discussion in this House, two things have become very definitely clear. Firstly, every one of us, including my hon. friend Shri Bhupesh Gupta, the leader of the Communist group has agreed on this point that we want more and more production and we want more and more employment. There is no difference and there cannot be any difference on that. There is another issue on which also we are all agreed and that issue is that when we want more and more production and employment, at the same time we do not want concentration of wealth or production in a few hands, but we want social justice. I do not think even our friends the capitalists on this side of the House question, or say that there should be no social justice and that the economic strength should be controlled only by a few. My hon. friend Mr. Dasappa was very lucky in being sandwiched between the capitalists and the Finance Minister. But, Sir, I am in the unfortunate position of being sandwiched between the Opposition and the capitalists. So I may be saying a few things in this

connection which might not be in agreement either with the Opposition or with this side of the House.

SHRI V. K. DHAGE: The hon. Member is in the centre all right.

SHRI AKBAR ALI KHAN: I hope so, and I think that is the method followed by this Bill, it has adopted the golden mean. It is on that score that, I think the hon. the Finance Minister and also the Select Committee deserve our tributes. Here is one side saying, "It is all a triumph of the capitalists. They are all jubilant because the amendments have been brought in and the managing agency system is there and it is everything." But my hon. friends on this side say, "Well, it is now to be a socialistic pattern and socialistic ideology has gained ground. Every check and every curb has been put on the private sector. Also it is not now possible to invest money or to do anything in the private sector." These respective positions taken by the two extreme sides make it absolutely and abundantly clear that this measure before us<sup>^</sup> is a sound measure. Considering the attitudes adopted by the two sides, this is a measure which considering the existing facts we, as realists, can say is in the interest of our country. My learned friends on the opposite side, therefore, as represented by Mr. Bhupesh Gupta—I will not say that they suffer from an inferiority complex, for that would offend my learned friends—I would simply say that they should have a little more confidence in themselves. When we deal with a thing, we deal with it with the confidence that if anything goes wrong, we will have the power to control and correct it. I do not think that because in days gone by, the managing agents had done wrong acts, because they had committed some malpractices, because they had not served the country as they should have, because they had not the objectives and the motives that they ought to have had, therefore, we should condemn them wholesale.

That, Sir, will not be the correct attitude.

I say, they have been the pioneers of industry. They have built up our textile industry, our jute industry, our cement industry and several other industries. In those difficult times it was not an easy thing to build up any industry. I accept that when the Britishers thought of this managing agency system, which has really been the subject of discussion and the bone of contention, they really were guided by their own self-interest. They thought that they would get a greater advantage; that was certainly the idea. It is not only this. Do not my learned friends remember the Minute of Lord Macaulay when he wanted to introduce English? Could you say today that the teaching of English had been an unmixed evil? Certainly not. Similarly, this institution has not at all been an unmixed evil. It has done its best; it is entirely a different thing that in the present context of things, especially in view of the malpractices during the war, we are of opinion that it cannot exist and should not exist as it existed in the past. It is with that object that these checks and counter-checks have been placed. Generally, the avenues through which they wanted to benefit themselves were through the selling agencies, giving advantages to their own people and so on and so forth. All these things have been looked into and effective checks have been put. Let us give this system a trial and see how far this new life to this system helps in the industrial development of the country and serves the best interests of the country. When we are having big programmes of industrial expansion, we cannot start by condemning wholesale all those persons who, though they may have some defects, have done well in the past. My learned friend, Mr. Mathur, said that they would adopt any method. That is true. The skill is there and it has to be appreciated but what we want is that they should adopt the right methods. Let us give them a trial; if

[Shri Akbar Ali Khan.]

they behave properly and in the best interests of the country, they will certainly leave their name but if they do not behave they will go and the limited managing agency that is being accepted now will also have to be radically modified.

There have been certain suggestions about labour participation. I would confine myself to one or two things because this point has been fully discussed. I do not approve of this measure in the interests of industrial development. The instance given by my friend, Mr. Mathur, where the whole factory was transferred to labour is an entirely different thing. Labour became responsible to carry out the whole thing but when you bring in an element which may not work—and as things stand it is probable that it will not work—in the running of an industry, I am sure it will create difficulties and it might give a setback also.

SHRI H. C. MATHUR: On a point of correction, Sir. What I said was, when they were running it, production had gone down a little bit but where the participation was there, it was at its best.

SHRI AKBAR ALI KHAN: My hon. friend accepts that the profits had gone down when they were running it.

SHRI H. C. MATHUR: There were some other disadvantages also.

SHRI AKBAR ALI KHAN: On one point he is with me that if the work is entrusted to those who were not properly skilled, the industry will suffer and production will go down. As regards the other thing, it may be that participation might have gone on well in one or two instances but I feel that in the present circumstances of our efforts at development of industry this is likely to create difficulties. When I say that I do not mean that proper attention should not be given to labour problems or to the improve-

ment in the conditions of our labourers. That is a matter that must be dealt with and the fullest attention should be paid to it. It should not be done by a change in the Company Law. The question is: Which is the proper place and proper occasion to press for it? I feel that such an addition will not be in the best interests of the development of industries.

SHRI H. C. MATHUR: Are you aware of the Labour Minister's recommendation?

SHRI AKBAR ALI KHAN: When that comes we will consider it.

SHRI V. K. DHAGE: Then he will support it.

SHRI AKBAR ALI KHAN: My learned friend has more knowledge of these things than myself. I accept that. My own view is this. There is a certain demand of labour. I do not blame anybody. We want our industries to develop and here, I think, Mr. Bhupesh Gupta and his party might help us as he is of the same view. So far as production is concerned we should not hesitate to do anything to increase it subject to certain accepted principles. In the present context of things, I feel that the participation of labour in industry might hamper our production.

SHRI V. K. DHAGE: They are participating now. It is only a question of management.

SHRI AKBAR ALI KHAN: Participation in the management of industry. That is what we are concerned with now.

The other thing that I would like to place before you is this. There is a new institution called the secretaries and treasurers. I accept the ingenuity of the Finance Minister and of the Members of the Committee in that they have brought out a new institution.

SHRI J. S. BISHT (Uttar Pradesh): They have not brought it out. It is already in existence in South India.

SHRI AKBAR ALI KHAN: But not in the same way as in the Bill. It was not recognised by virtue of the provisions of the enactment.

SHRI J. S. BISHT: They have formally recognised it now. That is all.

SHRI AKBAR ALI KHAN: As such, I have my doubts that it may also develop into another kind of managing agency system. If you want this new institution to work, you must put in certain limitations and restrictions so that the purpose and the object that you have—that is, to train the best men to take up this work instead of having the hereditary business of people in the family taking up these posts—may be fully safeguarded. Otherwise, this institution also will get into the evil ways that we want to remove from the managing agents.

Besides this, as had been pointed out by my learned friend, Mr. Mathur, there was a suggestion in 1951 for training candidates on business methods just as we have for the Administrative Service. That is very necessary in the changed conditions of the country. If we do not attach the greatest importance to this and if we do not take all the necessary measures to equip our young men with the art of business management, all these high schemes, especially those in the public sector, will fail as is apprehended by my hon. friends. What we have to see is that we create business skill. In the past, it was only certain sections who used to hold posts hereditarily in the military and in business. But now we want to make it that every man who has got that capacity should be given that opportunity so that he may prove worthy of that position in which he is being put there. For that special attention will have to be given to see that the business administration, the skill is being developed and all opportunities are provided for them.

One thing in the last, Sir. I feel the Government in this amendment has taken a very huge responsibility on it I would have preferred a statutory authority which would be dealing with these matters because at least that would have been something between Government and the business community because my experience is also the same as of some other friends, Sir, that whenever Government takes up some business that rigidity, that red-tapism and all those things creep in and the things that are required to give life and progress to a business, they are lacking. So I hope, Sir, that the Government, when they are taking the responsibility, will give due thought to this matter so that the whole structure and the whole idea of economic reconstruction may not fail because it has passed into hands which were to say the least, were inexperienced and were not up to the mark.

With these observations, Sir, I commend the Bill for the approval of this House.

JANAB M. MUHAMMAD ISMAIL SAHEB (Madras): Mr. Deputy Chairman, in view of the discussion over this Bill in the other House as well as in this House it occurred to me that I may ask a question and raise a point, only one point, and it is for that purpose, Sir, I am on my legs now. But before I ask that question I would say—and I am not flattering but only stating a fact when I say—that the Finance Minister in his speeches made in the other House as well as in this House attempted to take and present an objective and factual picture of the industrial situation of the country as it is now and as it would be as a result of the administration of the Bill before us. Sir, he speaks of the restraints and restrictions that are being forged by the Bill being like hedges grown but not like fetters on private enterprise. Really these provisions of the Bill should be even as he claims them to be. They should not come to occupy a position, as a Tamil proverb goes, *to*

[Janab M. Muhammad Ismail Saheb.] choke and to devour the crop which they are intended to protect. There are very many provisions one would feel nervous about. I think there are nearly a hundred provisions in the Bill which impose one kind of restriction or another, which empower interference in the private industry. These provisions can be so worked as to convert virtually the private industry into a Government concern—only the Government will not have to find the capital for it. Such a situation, Sir, in the administration of the Bill must be avoided and the private industry ought to be given a chance to prove itself once again. In the socialistic pattern of society which the Government and the Parliament have adopted, private sector has been allotted a definite place. Mixed economy is the method by which it is intended to reach the socialistic pattern which has been set before the country. That being so, every fair chance ought to be given for the private industry to work itself to the benefit of the country. When I say that it should have a chance, it should have a reasonable amount of freedom to work; it does not mean that it should not be put under any curb or check. I do not mean that *laissez faire* should be the policy; that policy has become a thing of the past. The aim and object of the State should certainly be to avoid concentration of wealth in a few hands, to avoid formation of tycoons, cartels and monopolies. These are things which would condemn the vast majority of people to economic slavery. Therefore, every step must be taken to avoid such a contingency in which these things like monopolies and cartels would grow. The economic system of the country must be so formulated and managed that the base, the floor should automatically rise without any artificiality or arbitrariness in it and the ceiling will come down or, in other words, should not go up beyond a certain limit. At the same time that system must also be capable of being managed even by average people if it is to be of a

permanent nature. Such a system also would indeed necessitate reasonable restraints, controls, limits and so on.

Now, Sir, the Bill has got very many provisions. I said there were nearly a hundred provisions which restrained the industry in one way or the other. Take for example clause/ 198. It sets a maximum for the remuneration; it prescribes 11 per cent, as the maximum remuneration which the managing agents or managers are to get. Here in the figures that have been supplied to the Members as for 1951-52 with regard to the affairs of the companies managed by managing agents, the managing agents have earned a profit which works out at 17.63 per cent, of the earned profit. When we take into consideration the fact that they are getting dividends on the shares and also interest for the moneys advanced by them to the industry they are managing, this 17.63 per cent, is rather high and, therefore, in my view, Sir, the prescription of the Bill that it should not be over 11 per cent, is right and correct. Then in a certain contingency or emergency, when there would not be adequate profit or there would be loss in the company managed by the managing agents, an amount not exceeding Rs. 50,000 is being allowed to be taken as remuneration. Sir, when speaking of this provision the Finance Minister said that he had been thinking over the question of setting a ceiling on incomes earned generally, and then he went on to say that this figure of Rs. 50,000 had appeared to him to be reasonable and that was why he had been supporting this figure of Rs. 50,000 as mentioned

in clause 198. Sir, I am not 5 P.M. in agreement with him on this question of fixing a concrete amount as ceiling, as the maximum income which <sup>one</sup> can get in the country. As I said already, the economic set-up of the country should be so formulated and managed that these effects must come about by themselves and the floor should become higher.

' Then there is another clause in the Bill, clause 332, which puts a limit on the number of companies which s

managing agent can manage. Here again I say that this limit can be extended and should be extended to the total capital of the companies over which the managing agent would have control. There is another provision which restrains the inheritability of the managing agency by heirs and successors. Sir, there are many other provisions also which would work as a curb on the activities of the managing agents. After having hedged in the agency and also the industry with so many fences, was it really necessary for such a provision as clause 324 to be inserted in the Bill which gives power to the Government to ban the managing agency system in industries to be specified by them as from the 15th August 1960? Now, a set-up has been brought forward in which there are so many restrictions and I do not know whether it will be possible for anyone to jump over these fences. That being so, why should a notice to quit be given to the managing agents? Why should an ultimatum be given to them? It is admitted even by the critics or opponents of this system that it has done really a great service to the country and that it has contributed substantially and in a large measure in putting up the industrial structure of the country. There have been abuses and there will be abuses. They have got to be checked, but on the whole it cannot be denied with any respect for facts that it has done good to the country. Now, this system is being given this ultimatum. The Government may come forward with an assurance that it would not make use of this power in a drastic manner and that it will use it in a very considerate manner, but all the same the Sword of Damocles is there over the head of this managing agency system. What will be the psychological effect of that, particularly when they have to put forth every ounce of their energy and enthusiasm for the fulfilment of the target of the Second Five Year Plan? Now, the private sector has been given a definite place and the Finance Minister also avers that he cannot take the responsibility for the field which is being occupied by the private

sector but then I do not really understand the meaning and significance of this notice under which they would be asked to quit. Now particularly when the Second Five Year Plan is going to be worked, the Government as well as the public must take advantage of the experience, initiative and enterprise of the managing agents and that spirit of enterprise or enthusiasm should not be dampened by any such psychological curb as is being sought to be placed by this clause 324.

In this connection a number of friends have spoken of the failure of companies managed by managing agents as a very strong reason for liquidating the managing agency system. They have raised many points and this is one of them. But then failures there have been. Have there not been failures of concerns that had been managed other than by the managing agency system? Even proprietary business where firms are being owned and managed by single individuals and where the individual's own capital is invested, even such concerns fail and the proprietors are reduced to penury. For that reason, are you going to say that the individual proprietary business should not be allowed? There have been failures but according to the figures supplied to Members the number of failures of companies under the managing agency system is less in a particular year than the number of new companies that have come under their control. Though the capital of these new companies is smaller than the capital of the companies which have failed, the number of shareholders in the case of the new companies are substantially larger than the number of shareholders of the companies that have failed. This only shows the confidence that the managing agents are still able to inspire into the mind of the shareholders and the investors. Sir it is not only money that is required; it is also initiative and brain that is required. Whatever may be the criticism, an industry cannot thrive without brain and without the initiative on the part of those people who sponsor it. The people

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know it; the investors know it and therefore, it is that they come forward in spite of these failures to subscribe to these new companies that are being floated by them.

Another point was raised with regard to the borrowings of the managing agents from the companies which they are managing. They complained, and one friend particularly complained, that there have been large withdrawals from the companies by the managing agents. If it were really serious—there might have been cases here and there—if it were a general case, it would have been reflected in the dividend which they declare for the shareholders, in the profit which the company is able to earn. Sir, some time ago I referred to some figures with regard to the managing agency system. (*Time bell rings.*) A few minutes. Sir. The dividend declared to the shareholders as shown by those figures works at eight per cent, on the capital.

That is not a negligible amount. That is a fairly reasonable dividend. This would show that there have not been large withdrawals from the capital which would affect the business of the concern and, therefore, its earning capacity.

The question to which I referred at first was this. Is it necessary to insert such a clause as 324 in the Bill, when there are other clauses which would really achieve the object? If the object is to correct the abuses, to remove any abuses that may exist in the managing agency system, those other clauses will serve the purpose. Now, this clause is really a damper on the enthusiasm and a damper on the industrial development of the country. This is all that I wanted to say.

SHRI SUMAT PRASAD (Uttar Pradesh): Mr. Deputy Chairman, I accord my wholehearted welcome to the Companies Bill. It is the result of the collective wisdom of the Finance Minister and the Joint Select Com-

mittee. When the Second Five Year Plan is in the process of formation and the Government is about to undertake the industrialisation of the country, it is natural that adequate place has been given to private sector. When the Government is prepared to borrow money from outside the country and give facility to outsiders who want to float companies here, the Government will welcome much more than the capitalist of India should be allowed an opportunity to contribute in the development of the industries here. The Bill as it has emerged from the Joint Select Committee assures them an honourable place even as regards companies which are to be floated in future. The managing agency system has been allowed to function and managing agents can be appointed, in the first instance, for fifteen years, and then the term can be extended to ten years. Twenty-five years is a very long period and they should not apprehend that the Government is going to expropriate them. So far as the existing industries are concerned, there is a provision in the Bill that in certain circumstances, if it be considered necessary, managing agents can again be appointed. Only they have to change their outlook to a certain extent. It was contended that remuneration, was a great incentive in the past towards the building up of industries and ordinarily it must be an incentive for the development of industries and the floating of new companies. But the profit motive is not the only thing. Under the changed circumstances of society, our capitalists have got to work as trustees in the interests of the country as a whole. Parliament has adopted as its objective a socialistic pattern of society. In these circumstances, concentration of wealth and material resources cannot be allowed in a few hands. And this is one of the necessary corollaries of the managing agency system that it tends to the concentration of wealth in a few hands. Managing agents have contributed in the past to the development of industries and they can take legitimate pride in that. But there were other circumstances which helped

shem. For instance, in or about the year 1929, the plight of the textile industry was very bad. On account of the Non Co-operation movement of 1930 and the Civil Disobedience movement, the p

respects Of the industry improved. With the boycott of foreign cloth, there was a great scope for textile industry and they took full advantage of that. On account of the Government's policy, every encouragement was given to the sugar industry. This industrial development was not due only to the skill and the capital of the managing agent. It is quite natural that in the course of thirty or forty years they have acquired skill. They can take risk. They have got experience and the Government wants to take full advantage of their experience. But they have got to At themselves in, in the changed circumstances of society, so that they may function effectively and by their administration of the companies they have to remove the prejudice which attaches to this institution on account of the malpractices resorted to during the war. Even the best exponent of the managing agency system could not explain the malpractices that came to light during the war. Now, this Bill is an attempt to eliminate the chances of those malpractices and corruption. If a manager or a managing agent functions with due regard to the interests of the shareholders, then he need not apprehend anything on account of the various restrictions and safeguards which are going to be incorporated in the Companies Act. But the trouble comes when one wants to evade necessary safeguards by resorting to questionable devices. I do not see anything wrong in the Government reserving power to itself to correct mistakes wherever they occur.

These managing agents subscribe some capital; their relations and friends subscribe and they control the industry. Their interests and the interests of their friends and relations are safe in their hands. But what about the ordinary shareholders? It is the business of the government to safeguard their interests. That has been done I

by providing necessary clauses in the Bill. I have seen companies paying a very small dividend for some years with the result that people begin to feel that they are not paying concerns. The managing agents and their relations purchase those shares at a nominal value and after sometime, the companies prosper. Their business is successful from the point of view of the managing agent. In the larger interests of the country, it may also be considered successful. But, so far as the shareholders are concerned, they suffer.

There is another aspect of this question. The interests of labour should also be safeguarded and it is necessary that they must have representation on the managing board. After all, industry cannot function effectively unless there is co-operation between labour and capital. If the management does not understand the point of view of labour sympathetically, and there are strikes, the company loses heavily. Therefore, I think that if some representation is provided for labour on the managing board, the chances of friction, if not removed, will at least disappear to a certain extent.

As regards auditing, the present system is not very satisfactory. Auditors are generally in the confidence of the directors and the directors and the auditors manage things in such a way that at times the real state of affairs is not evident from the balance sheet and the audit note. Some step should be taken by Government in this direction. It may be by periodical auditing or some other step ensure that the real state of affairs is reflected in the balance sheet. In this connection, I would mention one more thing. If the prospectus of a company which is going to be floated is also examined by the Central Government, then they would be in a position to discourage the floating of the company if it is not considered to be in the best interests of the country or if there are no chances of its being successful. The

[Shri Sumat Prasad.] capital of the ordinary shareholder? will be saved. It may be that the ordinary shareholders are illiterate or it may be that they have no great stake in the company. They invest some money, but the managing agents' stakes are greater. The managing agents and their friends etc. organise themselves and even if the other shareholders are in a majority, they do not care to look into the affairs of the company or they are not in a position to effectively organise themselves. In their interest, the Government has to keep an eye over the functioning of the company. I do not think that the Companies Bill will scare away capital. Patriotic and well-intentioned managing agents can function as such in the new companies. They have got business skill and initiative. They can function as managing directors or treasurers or in any other capacity. There is a great dearth of suitable managers, as has been pointed out by many friends. There is no institution where suitable persons can be trained to discharge their duties effectively. These are days of planned economy and it is inevitable, if the country has to progress, that the industrial development of our country should be according to plan. Now, in a planned economy, Government control is necessary. Why should we fear? After all, every section of society is represented in Parliament. The rules are framed and put before both the Houses. If, after the working of this Companies Bill—when it is enacted into a law—there appears to be any necessity to change the law, it can be done. Let us hope that the Government will act sympathetically and dispose of the matter expeditiously in a way that business is not hampered. Sometimes, a slight delay in the disposal of work in a business concern means a lot. We are confident that the Government will take every precaution that company administration is managed effectively and suitable personnel is trained so that the vast responsibility which the Government have taken by piloting this Bill on account of commercial and industrial activities as a result of the

Second Five Year Plan may be fulfilled. They will find suitable personnel to discharge their duties satisfactorily.

SHRI H. P. SAKSENA: Sir, I congratulate the architect of deficit financing who has sponsored this amending Bill regarding companies on the fertility of his brain and his ingenuity. As we all know, the First Five Year Plan is now coming to an end and the "Second Five Year Plan is about to emerge. Money is needed very badly. Small savings have already been tapped and are being tapped. Money can come only from moneyed quarters. The hon. the Finance Minister whose title I was delighted to read—I refer to page 1 of this printed book known as "The speeches delivered by the Finance Minister" has become a Field Marshal. And in the first line of this book, it is stated "speeches delivered by the 'Field Marshal' in the Lok Sabha on the 10th August, 1955".

On page 1 of the Finance Minister's speech, the abbreviation F.M. is used. From that I could not infer anything excepting Field Marshal.

SHRI BHUPESH GUPTA: He is the political Field Marshal of the big money.

SHRI H. P. SAKSENA: Sir, so far as the husbanding and marshalling of the resources for the Second Five year Plan is concerned, he has succeeded in putting his finger at the very right point. There is money with those people who have been amassing and hoarding it for a long time past. Now is the time to make a little bit hot for them to amass more money in future and to bring out some of that buried and amassed wealth in order to invest in the next Five Year Plan. Unless you make it a little hot for them, they will not part with that money. That is the reason why I congratulate the Finance Minister on his ingenuity in bringing before this House this amendment in the Companies Law.

There was a battle of wits and intellect between the Finance Minister on the one side and the accumulated skill, merit, intelligence, money and all that on the side of the capitalists or their representatives, the managing agents. Now I am certain that the Finance Minister with all his education and experience in finance will win the race. There is no doubt about it. He has spread a net wide and large, long and stupendous to bring in these seemingly unwary people into his net, and I am sure he will succeed.

SHRI M. C. SHAH: They are aware of it.

SHRI H. P. SAKSENA: Well, their awareness will not stand them in good stead, with their awareness pitted against more dexterous, more clever and more shrewd people like our Finance Minister.

Now, Sir, the Bill contains 658 clauses. The managing agency system has taken most of the time that we bestowed to the debate but I am still in an undivided state of mind as to which side has won. There have been supporters as well as opposers of the managing agency system. There were some who wanted this system to continue. So far as I am concerned, I do not want to have it mended; I want ' to have it ended.

Some time ago my hon. friend, Mr. Shah, placed before us some kind of measure and stated in the House the insurmountable difficulties in the matter of abolition of the managing agency system and said that there was no substitute for that system to be found. I had the temerity to observe then that if we could find a substitute for the mighty British Government, it should not be difficult for us to find a substitute for this small, thing known as the managing agency system. Happily the day is now dawning when this managing agency system will have become a thing of the past. I am indeed very much delighted, indeed have become a convert of the skill and the intellect of the hon. the Finance

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Minister for these long three and a half years, that he has devised a very useful method of bringing this obnoxious managing agency system to an end. 1960 is not far off. Many friends will see that the system is over, and I am glad that my friend, Mr. Shah is also very sympathetic to it.

Sum V. K. DHAGE: For the abolition?

SHRI H. P. SAKSENA: In favour or the abolition.

SHRI BHUPESH GUPTA: Are you in favour?

SHRI H. P. SAKSENA: Why should you put that question to me? There is no need of that. So far as this system is concerned, I tried to study it without prejudice. I may quote here a couplet of a very famous poet, who said:

“मैं जुवां से तुम को सच्चा कहाँ लाख बार कह दूँ।  
इसे क्या करूँ कि दिल को नहीं ख़्तवार होता ॥”

It means, if you come to us with altruistic motives and with the best conscience, I submit, I am unable to accept your version and shall always treat you in the same way in which I have always^ treated, that nothing but sell' interest, nothing but exploitation nothing but aggravation of one's own wealth is the purpose and the object and the motive of the managing agency system. Nothing more nothing less.

If, Sir, half the allegations, as stated by my hon. friend, Mr. Dhage, the other day from an authenticated document of the Shareholders' Association of Bombay are correct, then it is a case which requires no proof and no evidence to say that the managing agency system has become condemnable. It may have done meritorious service. It may have rendered a very good account of itself whatever it may have done, but today it is outmoded and outdated. I would remind them that it was because of their having worked as satellites of the British Government and British capitalists who entrenched

[Shri H. P. Saksena.] themselves in our country through the agency of these commercial concerns, that it was not a patriotic act on their part to have increased our subjugation economically also, that we were subjugated for such a long time. So in that respect I have no word of praise, or admiration for them. Simply it was the lust of money, their greed for gold that motivated them to do that thing. There was no patriotic motive behind that, not the least of it, not a shred of it.

For, this reason I am glad that a provision has been made, by reason of many provisions embodied in the Bill, which will bring the managing agency system to an end or it will become very ineffective.. In this connection I refer you to pages 11-12 of the speeches delivered by the Finance Minister at the Tenth Session of the Lok Sabha:

"But, if hon. Members will carefully read the provisions of clauses 378 to 383, which deal with Secretaries and Treasurers, they will have no difficulty in appreciating the object underlying them. While the Joint Committee was anxious to prevent the concentration of economic power in the hands of a few managing agency houses with long established tie-ups with financial institutions like banks and insurance companies, it was equally anxious to ensure that no sudden vacuum was created in the organisation of trade and industry by a possible decline or disappearance of the managing agency system in some sectors by 1960. They recognise that the Secretaries and Treasurers would have no economic power. That is to say, it would be the managing agency system without its teeth."

What I am anxious about is that even -if these teeth are removed, let them not grow into fangs in future which will do more harm than the ordinary teeth.

I am not in favour of the appointment of these treasurers and secretaries

because it is there. Sir.—I warn (the Government spokesman—that through the powers of these secretaries and treasurers the managing agency system will again crawl into our economic-life. I do not want that to happen.

Now, Sir, to use the Prime Minister's phrase, it is progressively to widen the scope of the elimination of the managing agency system that this Bill has been brought forward. And it is in that spirit that we should look at it. Looking at it from that point of view, I wholeheartedly support it, because no patriotic Indian can ever think of seeing before his own eyes the dislocation or the least disturbance of the economic structure of the country. If, as wiser people think, the abolition of the managing agency system wholly and entirely, is capable of producing that disastrous result, I would restrain my personal likes and dislikes and recommend that the system envisaged in the Bill should be adopted.

Then, Sir, my friend, Mr. Dasappa, wanted an original idea. Here is the one. Now, a very eminent representative of the managing agency system, and a capitalist, is present here in the House. I make a sporting offer to him. Up till now, you had been doing what you thought was fit and proper for you to do. Now, I thank you for all that you have done, good, bad or indifferent. And I feel that if this system is abolished, wholly and entirely, and suddenly and immediately, it will give you a great shock. I feel that a sort of a headache is taking possession of them even today. Now, Sir, I want them to be spared that headache. It is just possible that if the shock grows more and more, it may result in producing some bad effect upon the heart. Now that I do not want to happen. And, therefore, I suggest these noble friends, who have experience, skill and the wherewithal to conduct these factories and other commercial concerns, to come forward and to give in writing, jointly, of course, to the Government that they are prepared to work as managing agents, for the

country which they love, for the country which has given them wealth, for the country which has given them protection, for five years at least, as Honorary Managing Agents, charging nothing for themselves, and charging not even a single rupee as their remuneration.

SHRI BHUPESH GUPTA: You want something like *bhudan*.

SHRI H. P. SAKSENA: Well, it is not *bhudan*. It is *sampattidan*, and after all this is the time of *shramadan*. Let them do some labour for the cause of the country, if they mean what they say and declare. It is here an original idea for my friend, Mr. Dasappa. I want him, to persuade his friends to accept that offer, (*Interruptions.*) Sir, I hope I will be spared these interruptions, because the time is so regimented. Now, Sir, even the bitterest opponent of this amending Bill will admit that it is a marked improvement over the Company Law which we had up till now. Now this improvement should be put to its best use. It should not be wasted away. And each and every one of these 658 clauses is to be put to its proper use.

Now, Sir, a sort of grievance was made by my hon. friend, Dr. Kunzru, that immense powers have been given to the Government in many of the provisions here. Now, trusting as we do the Government which is of our own making, and vigilant, cautious and careful as we are of the activities of our own Government, I would not mind giving even more and larger powers to the Government for the sake of succeeding in the total elimination of one greater evil, with which we are still faced. In order to get rid of that greater evil, if greater powers are needed by the Government, I shall not mind that. Now this complaint was also made from some other directions, but then it has not much of substance in it, because the powers given to the Government are under the strict supervision of Parliament. We will see that the Government makes right use of these powers. And, the moment

we find that these powers are abused. Parliament is there to check them.

Now, Sir, something was said about 'lack of confidence' I should call it, in the administrative machinery of the Government. I say that the first and foremost element in making your administrative machinery efficient, honest and hardworking is to trust it. Unless you trust it, it shall have no stamina, no courage, no enthusiasm, to do the things rightly. So, the first thing we have got to do is to see that our administrative machinery is not discouraged needlessly. Of course, there are men, very honest, very able, very capable and very efficient, everywhere, in every sphere of life and in every walk of life, because whole wisdom does not vest in the Members of Parliament alone. It is there in the administrative mechanism also. And, therefore, I say that in order to make our administrative machinery more efficient, which we all desire, the first thing is to trust it, and to trust it entirely.

MR. DEPUTY CHAIRMAN: It is time, Mr. Saksena.

SHRI H. P. SAKSENA: Sir, I need only two minutes more.

MR. DEPUTY CHAIRMAN: All right.

SHRI H. P. SAKSENA: Sir, a very fantastic statement is made that all that the managing agency system people do is well and good. How is that so? If it is so, why are so many companies going into liquidation? If all virtue and all wisdom and all goodness lie in the sphere of the managing agents, how is it that lakhs and lakhs of the poor people who have got no voice even in the selection of the shares that they should buy, are losing their money and the companies are failing? Now I have not heard any reply to that question.

Now, Sir, just a word about the foreign companies about which my friend, Mr. Gupta, has got a sort of veritable obsession. Now, that

[Shri H. P. Saksena.] ciosession, I am sure, he cannot be cured of. But then I may assure him that I am as jealous of the existence of the foreign companies here in India as he himself is but then, the time will come and it will come sooner than he or I anticipate when, like the British Government, these foreign commercial concerns will think it wise to- pack away bag and baggage and that time will come after the year 1960.

Thank you.

श्री कन्हैयालाल दूँ बँध : उप सभापति महोदय, यह कंपनियों का कानून दश के अर्थशास्त्र पर बहुत कुछ असर डालने वाला है। जिस अर्थशास्त्र का इस वक्त सारा धक्कर इस दश में चल रहा है वह दश की जनता का बिलकुल एक निम्न गति में लं जा रहा है। यहां की जो पूँजीवादी व्यवस्था है उसने सार्व कार्यक्रम का एक ऐसा ढांचा बना रखा है कि जिसमें इस दश की जनता स्वतंत्रता मिल जाने पर भी अपने उद्देश्य की पूर्ति नहीं कर सकती। जब किसी व्यक्ति का काम समाज के प्रति या मानव जाति के प्रति ऐसा अपराधपूर्ण बन जाता है कि वह उनके लिए बिलकुल असह्य हो जाता है तब वह एक ऐसा सामाजिक प्रश्न बन जाता है, जिस पर जनता को और राष्ट्र के जो शासनकर्ता लोग हैं, उनकी ध्यान देना पड़ता है। भारतीय पूँजीवाद का या भारतीय उद्योगपति का इतिहास अंगरेजी साम्राज्यवाद के युग का इतिहास है। यह एक निश्चित बात है, और आज इस बात का इस सदन में भी बहुत से लोग दावा करते हैं और बहुत से लोगों ने उस पर आँसू भी बहाये हैं कि हमारे यहां यह जो मैनेजिंग एजेंसी की पद्धति है उसका ही सारा श्रेय उस अकल का, उन दिमागों को है जो कि इस दश की सारी इंडस्ट्रियल प्रगति को आगे बढ़ाना चाहते हैं। लेकिन इतिहास को उन्हें नहीं भूलना चाहिए कि उनके कारखानों में भी बिलकुल ऐसी

स्थिति का निर्माण हो गया था, जिस प्रकार कि आज मैनेजिंस्टर और लंकाशायर के कारखानों की हालत हो गई है, जो कि अंगरेजी साम्राज्यवाद के हाथ से भारत जैसे दश के चल जाने के कारण आज बंद हो रहे हैं। जिस समय हिन्दुस्तान की जनता ने अपने दश की स्वतंत्रता प्राप्ति के लिए विदेशी माल की होली जलाई, और इस आशा पर होली जलाई कि हमारे भारतीय माल की दश में खपत हो, उस समय उसने हमारे दश के कारखानों-दारों का उस स्थिति से बचाया जिसमें कि उनके कारखानों की चिमनियाँ से धुआँ तक न निकलने की नावत आ गई थी। यह सब दश की स्वतंत्रता के लिए चल रहे विदेशी आंदोलन के नाम पर किया गया और इसलिये किया गया कि उद्योगपति जनता की समस्या की पूर्ति करने के लिए अपने कल कारखानों का उपयोग करेंगे और उपयोग ही नहीं करेंगे बल्कि इस दश की आवश्यकता की पूर्ति दश के अंदर बनी हुई वस्तुओं से करेंगे। आपने देखा कि हमारे उन कुशल उद्योगपतियों ने कितना सुंदर जवाब दिया जो आज इस बात की डींग हाँकते हैं कि यह सब हमारे दिमाग के कारण है कि हमने यह सारा रक्षण प्राप्त किया। मगर हम इस बात को भूल नहीं हैं कि हमारे दश में जिस हद तक विदेशों से माल आता था, यदि उसी गति से अब तक आता रहता, तो मैं चैलेंज के साथ कहता हूँ कि यहां के उद्योगपति ब्लैकमार्केटिंग भले ही कर लें, दश की जनता का शोषण भले ही कर लें, परन्तु यदि विदेशों से आने वाला माल पर प्रतिबंध लगाकर सरकार का रक्षण प्राप्त नहीं होता, तो वे बिलकुल टिक नहीं सकते थे। अभी कल परसों की बात है पाकिस्तान ने अपने रुपये का जहां डिबैलेंसेशन किया, वहां की जूट की सारी इंडस्ट्री में क्राइसिस आ गई। यहां पूँजीपतियों ने अपने मुनाफे के धन में कमी न करते हुए सरकार पर इस प्रकार वजन डाला कि उस को मजबूर होकर उस धंधे को रक्षण देने के लिए तैयार होना पड़ा और अपनी एक्सपोर्ट

ह्यूटी खत्म करनी पड़ी। यही हालत अन्य इंडस्ट्रियों की भी है।

मैं आपसे कहूँ कि मैं उन व्यक्तियों में से हूँ जिन्होंने दश में स्वर्दशी के नाम पर विदर्शी कपड़े की होली जलाई थी। किन्तु आज दश के उद्योगपतियों का जो चरित्र दखने में आया उसके बाद मैं इस स्थिति में पहुँचता हूँ कि विदर्शी कंपीटेशन के रहते हुए भी भ्रष्टाचार और ब्लैकमार्केटिंग करने वाले लोग इस दश के अंदर भर पड़े हैं जिनका वही उद्देश्य और ध्येय रह गया है। यह ठीक है जो यह कहा जाता है कि इन लोगों ने दश के राजनीतिक संघर्ष के समय हमारी बड़ी मदद की और जब स्वतंत्रता का आंदोलन चल रहा था, उस वक्त बहुत कुछ उस आंदोलन के समर्थन में अपनी तरफ से रूढ़िदान किया और सहायता की। लेकिन अगर उस सार इतिहास को देखा जाय तो उद्योगपतियों ने उस सहायता के बदले में क्या प्राप्त नहीं किया? जिस समय स्वतंत्रता की लड़ाई जोरों पर थी, "क्विट इंडिया" का स्लोगन चल रहा था, सन् च्यालीस का मूवमेंट चल रहा था और दश की जनता हमारी माताएं और बहनें कपड़े के अभाव में नंगी घूमती थीं, दश के अंदर इन कारखानेदारों की कृपा से कफन तक के लिए कपड़ा नसीब नहीं होता था, उस समय उन्हें २५ परसेंट अपने प्राइव्शन के भाल का स्वतंत्र रूप से राशन के जमाने में बेचने की छूट थी और तब उन्होंने ब्लैकमार्केटिंग के बाजार खड़े किये और जनता का शोषण किया।

दूसरी तरफ इनका इतिहास आप लें कि किस प्रकार वे कंपनियों का निर्माण करते हैं। पार्ट बी स्टैंड्स के अंदर बड़ी बड़ी इंडस्ट्री और कारखाने चल रहे हैं और उन पर अधिकांश में व्यक्तिगत रूप से एक परिवार या कुछ मुट्ठी भर लोगों का कब्जा है। हमारे गरीब वर्ग के लोगों ने एक लिमिटेड कंसर्न में पैसा लगाने के लिए शेयर खरीदे। इनमें

चक्की पीस कर के काम करने वाली स्त्रियाँ और मिहनत करने वाले मजदूर भी शामिल थे। इन्होंने लाखों की पूंजी शेयर के रूप में उद्योगपतियों को सौंपी और उस पूंजी के बल पर बड़े-बड़े कपड़े के और दूसरे उद्योगों के कारखाने इन लोगों ने खड़े किये, किन्तु आप यह जान कर हैरान होंगे कि थोड़े दिनों में उन लोगों (उद्योगपतियों) ने ऐसी परिस्थितियों का निर्माण किया और इस प्रकार हिसाब-किताब में उलटफेर की कि उसके कारण एक ओर तो उनका काम काज और मुनाफाखोरी बराबर चलती रही, किन्तु दूसरी ओर यह बताया गया कि हमारा कारखाना तो घाट में चल रहा है। परिणाम यह हुआ कि बाजार में शेयरों के भाव अत्यन्त गिर गए और लोग परेशान हो गए। और थोड़े दिनों बाद उन्होंने क्या किया कि उनके शेयरों को इकट्ठा करके खरीदना शुरू किया और ५० प्रतिशत से अधिक शेयरों के मालिक खुद बन गये और मालिक बन कर उन कारखानों पर पूरा कब्जा कर लिया। कुछ ही दिनों में वही कारखाना बड़ी प्रगति करने वाला कारखाना बन गया।

उनका दूसरा काम मैं आपको सुनाऊँ। मध्य भारत के अंदर या दूसरे राज्यों में आप जा कर देखें, आपको पता लगेगा कि सरकार का लाखों-करोड़ों रुपये का टैक्स इन लोगों ने नहीं चुकाया। टैक्स से बचने के लिए उन्होंने कई प्रकार के फ्राड्स किये हैं और ऐसे स्कैंडल्स किये हैं कि उनकी जांच पुलिस के डिपार्टमेंट और पुलिस के इंफोर्समेंट के लोगों ने की है। मैं मानता हूँ कि इस कानून में बहुत सी सुंदर व्यवस्थाएँ दी हुई हैं। अंत में कुछ क्लोज हैं, बीच में भी कुछ क्लोज हैं जिन में यह व्यवस्था है कि यदि हिसाब किताब में किसी प्रकार की गड़बड़ी पायी जायगी, तो कैसे जांच की जायगी। परन्तु उसके लिए एक लम्बे चौड़े ट्रायल प्रोसेस का उल्लेख किया गया है। माननीय मंत्री महोदय उत्तर देते हुए कह देंगे कि अमुक बात के लिए बिलकूल व्यवस्था है। लेकिन इस तरह से

[ श्री कन्हैयालाल दौ० वैद्य ]

जो ट्राविड प्राणायाम की व्यवस्था रखी गई है कि १०० शेयरहोल्डर्स या १० परसेन्ट, जो भी कम हों, ये सब मिल कर के अदालत में जायेंगे, अगर अदालत उसको कीसडर करेगी तो नॉटिस इस्यू होगा, ये सब ट्राविड प्राणायाम की क्रिया, जैसा कि मैंने निवेदन किया, हमारे मित्र लोगों की दैन हैं जो कि बड़े कलाबाज हैं। जब तक आप उनको शिक्षा नहीं देंगे उनकी कला का अंत होने वाला नहीं है। ये लोग चेंज आफ हार्ट में विश्वास नहीं करते। यदि ये दश के प्रति ईमानदार थे और हैं या इन्होंने दश की स्वतंत्रता का समर्थन किया, तो मैं आपसे निवेदन करूँ, उसका यह अर्थ नहीं था कि आज ये उसके बदले में दश की जनता का शोषण करते या उसको पंचवर्षीय योजना में बाधा पहुंचाने की स्थिति में लाते। मैं आपसे कहूँ कि सारे दश के ये पूंजीपति लोग जो वस्तुओं के दामों को ऊंचा रख कर और कृत्रिम भाव पैदा कर के या ब्लैकमार्केटिंग की चाल से इस दश को रसातल में ले जाने के लिए सरकार को चैलेंज दे रहे हैं, उनका मुकाबला करने के लिए हमारी जनता ने और सरकार ने पूरी ताकत के साथ इस कानून के अन्तर्गत धाराओं की व्यवस्था की है।

मैं समझता हूँ समय पूरा हो गया है, इस लिए बाकी जो मुझे कहना है वह कल कहूँगा।

6 p.M.

MR. DEPUTY CHAIRMAN: Has the hon. Member finished his speech?

SHRI KANHAIYALAL D. VAIDYA: No, Sir, I have not yet finished.

MR. DEPUTY CHAIRMAN: In that case, the hon. Member can continue his speech tomorrow.

#### ALLOTMENT OF TIME FOR LEGISLATIVE AND OTHER BUSINESS

MR. DEPUTY CHAIRMAN: I have to inform hon. Members that the business Advisory Committee has allotted time as follows for legislative and other business during the remaining part of the current session of the Rajya Sabha:

1. The Companies Bill, 1955. 33 hrs. (In addition to the time taken on the 19th, 20th and 21st September 1955.)
2. The Chartered Accountants (Amendment) Bill, 1955. 1 hr. 30 mts.
3. The Hindu Succession Bill, 1955- 20 hrs.
4. The Prize Competitions Bill, 1955. 2 „
5. The Appropriation Bill (Supplementary Demands for Grants). 2 „
6. The Industrial Disputes (Banking Companies) Decision Bill, 1955- 3 „
7. Consideration of amendments to the All India Services (Discipline and Appeal) Rules, 1955- 1 hr. 30 mts.

In order to be able to complete this programme, the House would sit also on Saturday, September 24, Saturday, October 1 and Monday, October 3, 1955. The House will sit every day from 11 A.M. to 6 P.M. without any recess for lunch. There will be no question hour on October 3, 1955.

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

The House then adjourned at two minutes past six of the clock till eleven of the clock on Thursday the 22nd September 1955.