

[Mr. Chairman.]

The nominations will be received in the Notice Office up to 12 noon on the 15th May. The elections which will be conducted in accordance with the system of proportional representation by means of the single transferable vote will, if necessary, be held in Secretary's room (No. 29, Ground Floor, Parliament House) between the hours 9 A.M. and 11 A.M. on the 17th May 1954.

SHRI B. C. GHOSE (West Bengal): May I make just one submission? I don't want to create any acrimony...

MR. CHAIRMAN: That question is over.

THE DENTISTS (AMENDMENT) BILL, 1953

THE MINISTER FOR HEALTH (RAJKUMARI AMRIT KAUR) : Sir, I beg to move for leave to withdraw the Bill further to amend the Dentists Act, 1948.

MR. CHAIRMAN: Motion moved:

"That leave be granted to withdraw the Bill further to amend the Dentists Act, 1948."

PANDIT S. S. N. TANKHA (Uttar Pradesh): May we know what is the reason for seeking leave for the withdrawal of the Bill?

SHRI B. GUPTA (West Bengal): Yes, let us hear the reasons.

RAJKUMARI AMRIT KAUR: This Bill was introduced in the Council of States on 22nd December 1953. Since then I have received representations to bring in further amendments and to make the Bill more comprehensive. So I want to introduce another Bill.

MR. CHAIRMAN: The question is:

"That leave be granted to withdraw the Bill further to amend the Dentists Act, 1948."

The motion was adopted.

THE DENTISTS (AMENDMENT) BILL, 1954

THE MINISTER FOR HEALTH (RAJKUMARI AMRIT KAUR) : Sir, I beg to move for leave to introduce a Bill further to amend the Dentists Act, 1948.

MR. CHAIRMAN: The question is:

"That leave be granted to introduce a Bill further to amend the Dentists Act, 1948."

The motion was adopted.

RAJKUMARI AMRIT KAUR: Sir, I introduce the Bill.

ARREST OF REFUGEES BY WEST BENGAL GOVERNMENT

SHRI B. GUPTA (West Bengal): Sir, you are aware that I gave notice of a motion for papers to discuss the question of refugees who are now returning from Orissa and are now being arrested by the West Bengal Government. I have come from Calcutta; I was there until yesterday and I found these refugees were being arrested. The West Bengal Government says that it is a matter for the Central Government to decide as to how they should be treated and they have given us to understand that they are awaiting the decision of the Central Government and the stand that the latter is going to take. Therefore I consider the matter of great public importance and it should be taken up for discussion for half an hour before we adjourn for the next session.

MR. CHAIRMAN: We will consider.

THE COMPANIES BILL, 1953— *continued*

SHRI P. T. LEUVA (Bombay): Mr. Chairman, yesterday I was referring to the question of interlocking of funds. Now, it is generally believed that interlocking of funds is not in the interest of the companies, but there might be cases where interlocking of funds might be

quite necessary. It is therefore quite essential that a provision should be made whereby interlocking of funds might be permitted. With reference to this very question there is a provision in the proposed Bill; I refer to clause 353. But before I go to that clause I would like to explain what is the actual meaning of interlocking of funds. It simply means that one company grants loan to another company which has a common managing agent. That is the simple meaning of interlocking of funds. So far as the proposed Bill is concerned, there is no absolute bar on the loans to be granted to another company which has got a common managing agent. For this purpose clause 353 has made ample provision but there is only one proviso which says, that no company (hereinafter in this section referred to as "the lending company") shall make any loan or give any guarantee, or provide any security in connection with a loan made by any other person to any body corporate which is under the same management as the lending company, unless the making of such loan, the giving of such guarantee or the provision of such security has been previously authorised by a special resolution of the lending company. So there is no absolute bar on the giving of loans to another company but there is only one provision that the company's shareholders must give consent by a special resolution.

Now, I will come to the next question of directors. Sir, the Company Law Committee in its report has stated that the reform of the directorate is the key to the reform of the Company Law because the common experience now is that the Board of Directors is too much dominated by the managing agents and some of the criticism which has arisen against this particular measure arises from the fact that the managing agents do not wish to surrender or allow their rights to be whittled down by any provisions in the present Bill.

SHRI LALCHAND HIRACHAND DOSHI (Bombay): All the directors are elected by the shareholders.

SHRI P. T. LEUVA: No doubt the directors are elected by the company but my hon. friend who is intimately connected with corporations knows that the managing agents have a right to nominate their own directors. Now, the only restriction that has been put on the rights of the managing agents is that only one-third of the members of the Board of Directors can be nominated by the managing agents. Two-thirds of the directors should be elected by the shareholders themselves. The main difficulty was that the directors instead of their managing the company allowed themselves to be ruled over by the managing agents who had only a partial interest in the shareholders of the company. In order to prevent that the Bill has provided that the directors should be more responsible. The directors are the persons who have been given powers under the articles of association to conduct the affairs of the company according to the provisions of any law or according to the conditions contained in the articles of association. If directors do not exercise their rights or if they do not perform their duties, surely the law should make some provision so that the interests of the company as such may be guarded against the misdeeds of some of the managing agents. Of course, I do not castigate all the managing agents. The law has, therefore made a provision that the directors should be real directors and they should act as trustees and agents of the companies and therefore, Sir, if there are any restrictions on the rights of the managing agents they are really speaking for the benefit of the company itself. There is some misapprehension in the minds of the managing agents that the directors who are elected by the shareholders might create some disharmony in the Board of Directors and that the company will not run smoothly; that a person who has been elected by minority of shareholders might create some difficulties in the Board meetings, the business would not be carried on smoothly and ultimately the interests of the company might suffer. Sir, there is no justification for this

[Shri P. T. Leuva.] apprehension. As you are aware, there is now a provision that whatever decisions are taken in the Board meetings, if voting is taken, the names of the directors are to be mentioned as to the person who voted for a particular resolution and who voted against it, so that the shareholders will be in a position to know who are acting in the interest of the company and who are acting against the interest of the company. After all, the shareholders are the real masters of the company and not the managing agents or the directors. Therefore there need not be any misapprehension regarding the provisions contained in this Bill with regard to directors.

I shall now come to the next question regarding limitation of directorship. Though the Company Law Committee has made a recommendation limiting the directorship to 20, they have not given any grounds on which they have reached that decision and made the recommendation that some provision should be made accordingly. What are the grounds on which they have made their recommendation, I am unable to find out from the Report of the Company Law Committee. Sir, the prevalent idea is that if a person holds a number of directorships it might lead to a concentration of economic power. I can very well appreciate that. If that is the assumption of the Government, let them say so, and that this provision is based on that particular assumption.

But in the absence of any statement from the Finance Minister or the Deputy Finance Minister, we have to infer that probably it may be the intention of Government that this directorship must be limited to twenty for the purpose of preventing any concentration of economic power in a few hands. If that be the intention, Sir, the next question arises whether the limitation of directors to twenty without reference to share capital of the companies concerned will solve

the problem or not. There are companies and companies. A person may be a director of twenty concerns which may be having very small share capital, but my friends like Shri Lalchand Hirachand Doshi or Shri Jain may be directors of only ten companies whose share capital, business activities and industrial activities may be running into crores of rupees. If the Government's intention is to restrict the concentration of economic power in a few hands, the mere limitation of directorship without reference to the share capital of a company will not at all touch this problem. I have my own doubts with regard to this. I shall request the hon. the Deputy Minister to tell us as to the intention which prompted the Government to insert this particular provision in this Bill.

Then, Sir, I come to the question of the managing agents. The managing agents are appointed by an agreement with the company; their rights and duties are, generally speaking, denoted by the articles of association and also by the contract with the managing agents of the company. To my mind, the greatest advance that the proposed Bill has made is with reference to the definition of 'associates of managing agents'. I do not at present, enter this field, because there are so many questions interconnected with that. As you are aware, Sir, managing agents have the right to appoint servants, managers, selling agents and others, and in doing so, it is common experience that without having any reference to qualifications, experience or knowledge or integrity, sometimes the appointments are made, not for the purpose of furthering the interests of the company, but for providing for some of their relations, friends or associates. So, in order to prevent such abuses, the definition of 'associates of managing agents' will go a long way in removing these abuses.

Now, Sir, one small point to which I wish to refer is regarding clause 117. In clause 117 reference has been made regarding floating charge. Now_K

Sir, when the shareholders have got debentures of a company secured by a floating charge, the receivers can take possession of the property at any time they like. They can exercise this right at any time. The moment the receiver takes over the property or assets of the company under clause 117, it is provided that the receiver should pay debts which are referred to in clause 492. In this connection, I would like to point out that the "words 'floating charge' are very vague words, as everybody knows. There are other charges also. A distinction should be made between the fixed or specified charge and the floating charge. The fixed charge or specific charge is a charge on a particular asset; it is a mortgage and the rights of those creditors are no higher than the rights of a person holding a floating charge. Now, the question to which I want to make a reference is the arrears of salary of servants. When a company is in the course of winding up, secured creditors always get priority; only priority is not given to the ordinary creditors. But, under clause 492, provision has been made regarding the arrears of salaries, taxes and duties and so many other things, which take priority over the creditors generally. My point is that the servants and workers, if their wages are in arrears, should have also a priority over the secured debtors who are holding already a specific charge. Suppose the property of a company is being mortgaged to some creditors. The moment secured creditors take action, they take over the assets without any reference to the claims of the workers regarding their arrears of wages. Now, what is to happen? There may be persons who may be dishonest, who might work dishonestly in order to defeat the claims of the workers and servants. I would, therefore, request the hon. the Deputy Minister for Finance to look into the question whether any provision can be made whereby the arrears of wages for a limited period of time would be made the first charge or anything higher than the secured creditors so far as the payment of these arrears is concerned.

Now, Sir, I would come to the question which has been raised so much. Some hon. Members who spoke yesterday said that there would be no-capital formation because of the restriction placed on the managing agents, directors and so many persons. This cry has now become usual. If you impose the estate duty, there is the same cry that there would be no capital formation; excise duty, increased income-tax, super-tax, whenever these are raised, the same cry is there that there would be no capital formation and that capital is shy. When we want to reform the company law, here also the same cry is raised. What is the reason, may I ask? Those] sons who are holding the purse-strings, what are they trying to do with their money? Are they going to carry that money with them to the other world? If they do not wish to invest their money in the market, where are they going to keep that money? Are they going to keep it in the safe deposit vaults, or in banks, or are they going to keep it in their own houses in cash? Money which is not in circulation has no significance whatsoever. Unless money is put into circulation, what is the use of that? Why are they afraid? If they do not utilise that money, it is as good as no money. But, in the name of capital formation why raise this cry every now and then? After all, every citizen of India, rich or poor, has a duty towards this country. Those persons who have no money contribute towards the furtherance of interests of the country by their own labour. Why not then people with money come forward to invest it? The reason is thp* they want to concentrate as mucR economic power in their hands as possible. If that is so, certainly we will not be a party to that.

Sir, in the end, I will remind them in the words of Bhartrihari:

दानं भोगो नाशस्तस्त्रो गतयो भवन्ति वित्तस्य ।
यो न ददाति न भुवते तस्य तृतीया गतिर्भवति ॥

(There are three ultimate ends of money, viz., charity, enjoyment and

[Shri P. T. Leuva.] destruction, he who neither gives his riches in charity nor uses them for his personal enjoyment, his riches will follow the third end.)

So, for the sake of charity or utilising it in industry, you should make good use of the money for furthering the interests of the country. Why can't you invest the money in industrial expansion of our country?

[THE VICE CHAIRMAN (SHRI B. C. GHOSE) in the Chair.]

KHAN ABDUR REZZAK (West Benfall •

खान अब्दुर रज़ाक : वाइस-चेयरमैन साहब, मैं इस बिल के एक ही प्वाइंट (point) पर अपनी राय जाहिर करूंगा और वह है मैनेजिंग सिस्टम (managing system) के मुताल्लिक। मैं समझता हूँ कि इस बिल में मैनेजिंग सिस्टम को उठा देने के लिये या एबोलिश (abolish) करने के लिये कोई खयाल नहीं किया गया है। यह एक बहुत अफसोस की बात है कि कुछ तो किया नहीं गया मैनेजिंग सिस्टम को उठाने के लिये मगर उसके कायम रखने के लिये, यहां तकरीरों की जाती हैं और आर्गुमेंट (arguments) पेश किये जाते हैं।

हाऊस के मेम्बरों को अच्छी तरह से मालूम होगा कि आज से नहीं, सन् १९१० से, पंडित मालवीय महारूम के ज़माने से आज तक जितने भी कौमी क्वाडरान ने मैनेजिंग सिस्टम के बारे में जो राय जाहिर की थी उससे मुत्तफ़िज़ हो कर सब लोग हमेशा से यह कहते आये हैं कि इस सिस्टम को उठा देना चाहिये। लेकिन अफसोस है कि उस वक्त में जब कि यह मौका है कि मैनेजिंग एजेंसी (managing agency) को हटा दिया जाय उस वक्त में हम देखते हैं कि उसके बारे में कुछ नहीं किया जाता है और कौमी इकोनोमी को गिरा डालने

के तौर पर कम्पनी ऐक्ट तैयार किया जा रहा है। इसके माने यह है कि मैनेजिंग एजेंसी जो कि साघ्राजों की तरफ से कायम की गई थीं, उनके अन्दर जो कंसंट्रेशन आफ पावर (concentration of power) हुआ है और उनका जो स्ट्रांग होल्ड (strong hold) बना हुआ है उसके जरिये से हथियार के तौर पर यहां की कौमी इकोनोमी पर कब्जा जमाया गया है, जिसको हटायें वगैर कौमी इकोनोमी की तरक्की नहीं हो सकती है। अफसोस है कि जब उस पर एक बार साफ राय जाहिर कर दी गई थी और तब से हमेशा की गई है तब भी उसको कायम रखने की कोशिश हो रही है। इसके माने यह है कि इंडस्ट्रियल डेवलपमेंट (industrial development) का रास्ता रोका जा रहा है। यहां जो मैनेजिंग एजेंसी सिस्टम कायम हुआ है वह ब्रिटिश कैपिटल (British capital) का एकोनोमी (economy) पर कब्जा जमाने के लिये और तमाम इंडस्ट्रीज के ऊपर छापा डालने के लिये कायम हुआ था और अब तक वह कायम है। हर कौमी तहरीक के अन्दर से जो आवाज उठाई गई है वह यह थी कि इस कब्जे को हटायें वगैर इंडस्ट्रियल डेवलपमेंट हो नहीं सकता। आज इसको कायम रखने के लिये ब्या वजह हो सकती है। एक तरफ बड़ी मोहिम उठाई गई है कि इंडस्ट्रियल डेवलपमेंट हो, करोड़ों रुपया इसमें खर्च करने के लिये कोशिश की जा रही है। लेकिन दूसरी तरफ जब कम्पनी ला बनाया जाता है, जो कि खास तौर पर इंडस्ट्री और बिजनेस (industry and business) से ताल्लुक रखता है, तो वहां देखा जाता है कि वही जो डेवलपमेंट के लिये रोक थी उसको अब तक कायम रखा जाता है। आज यह गवर्नमेंट का:

तरफ से कहा जा सकता है कि अभी मानोपाली ट्रस्ट (monopoly trust) उठा देने के लिये यह बिल नहीं है। न यह बिल मानोपाली ट्रस्ट उठा देने के लिये है और न इंडस्ट्रियल पालिसी के बारे में यह बिल है। यह आर्ग्युमेंट गवर्नमेंट की तरफ से किया जा सकता है। लेकिन मेरा कहना है कि इंडस्ट्रियल डेवलपमेंट के बारे में हम नहीं कहते कि मानोपाली ट्रस्ट को इसके बीच से हटा दिया जाय। हम यह आशा नहीं करते। लेकिन जहां तक कम्पनी ऐक्ट का ताल्लुक है, मैनेजिंग एजेंसी के मातहत जो मानोपाली (monopoly) थी उसको उठा देने में क्या रोक हो सकती थी। अगर यह कहा जाय कि १५ अगस्त १९५९ में जो आज मौजूदा कांटेक्ट मैनेजिंग एजेंसी का है वह खत्म हो जायगा, तो अगर इतना कहा जा सकता है तो इतना भी कहा जा सकता था कि हमेशा के लिये इसको हटा दिया जाय और यह खत्म हो जाय। ऐसा कहने में कोई रोक नहीं है। तो वह आर्ग्युमेंट फजूल है कि इस ऐक्ट के मातहत कुछ नहीं कर सकते। मोनोपाली ट्रस्ट के लिये यह आर्ग्युमेंट फुजूल है।

10 A.M.

अच्छा अब बात यह है कि कहा जाता है कि साहब यह तो ठीक है कि बहुत सी खराबी है मैनेजिंग एजेंसी में, लेकिन मैनेजिंग एजेंसी के अलावा कोई और आल्टरनेटिव (alternative) हम नहीं पाते। यह सरकार की तरफ से कहा जाता है। आल्टरनेटिव की बात है नहीं। मैं कहता हूँ कि यह भी गलत है। आल्टरनेटिव है। अगर देखा जाय, अगर सरकार की मर्जी हो तो आल्टरनेटिव निकाला जा सकता है और मैं वह सजेस्ट (suggest) करता हूँ। मैं पहले पूछता हूँ कि बैंके क्या

मैनेजिंग एजेंसी से चलती हैं? मैनेजिंग एजेंसी से बैंक नहीं चलती हैं। तो डाइरेक्टर बोर्ड के मातहत सेक्रेटरी मुकर्रर करके काम चलाया जा सकता है जैसा कि बैंकों में चल रहा है। दुनिया भर में और मुल्कों की तरफ नजर डालिये और देखिये, वहां यही चल रहा है। फिर हमारे यहां क्या बात है कि वह जो पुरानी तरकीब, पुराना हथियार साम्राज्यों ने लूटने का कायम कर रखा था, उसी को आप कायम रखना चाहते हैं। कुछ समय में बात नहीं आती। तो पहली बात यह है कि आल्टरनेटिव है। अगर आप चाहें तो उसको हटा सकते हैं। इतने दिनों तक जो आवाज निकाली गई कि कब्जा हटा दिया जायेगा, इस तरह से आप इस मौके का ज्यादा फायदा उठा सकते थे। लेकिन आप इस मौके से फायदा नहीं उठा रहे हैं। यही हमको ताज्जुब है और इसका अफसोस है।

अब दूसरा प्वाइंट यह है कि कैपिटल शार्प (capital is shy) है। मैनेजिंग एजेंसी के जरिये से ये लोग कैपिटल इकट्ठा करते हैं। अगर मैनेजिंग एजेंसी नहीं होगी तो कैपिटल शार्प हो जायगा और आयेंगा नहीं। मैं कहता हूँ कि यह भी गलत है। इस वक्त कैपिटल अगर शार्प है तो वह इसी वजह से है कि मैनेजिंग एजेंसी आज कायम है। आप जानते हैं कि यह हकीकत है, वाक्या है कि ७५ फी सदी, ५० फी सदी से ज्यादा नफा मैनेजिंग एजेंसी की पाकेट में चला जाता है। मैं तफसील में नहीं पड़ता और न डाक्यूमेंट (documents) यहां हाजिर करना चाहता हूँ। अगर जरूरत होगी तो वह पेश किया जायेगा। लेकिन यह वाक्या है। मैं निहायत अदब के साथ अर्ज करता हूँ कि यह वाक्या है कि किसी कम्पनी में ७५ फीसदी अगर मैनेजिंग एजेंसी में प्राफिट का हिस्सा चला जायगा,

[Khan Abdur Rezzak.]
तो शेयर होल्डर (shareholder) को, इनवेस्टर (investor) को क्या इन्सेंटिव (incentive) रह सकता है। तो यह भी बात नहीं है। अब जब इनके कब्जे में सब कुछ होता है तब वे स्टॉक एक्सचेंज (stock exchange) की मानोपली करते हैं। तो इस तरीके से जो लोग इंडस्ट्रियल सिक्यूरिटी होल्डर्स (industrial security holders) होते हैं, उनकी कोई सिक्यूरिटी नहीं रहती है। आप अगर प्रॉफिट (profit) को चन्द आदमियों के हाथ में डाल देना चाहें, आप अगर सिक्यूरिटी होल्डर लोगों के लिये कुछ न करें, तो उसका नतीजा क्या होगा? नतीजा यही होता है कि इन्सेंटिव नहीं रहता। तो आज जो कैपिटल शाई है उसके लिये मैनेजिंग एजेंसी रेस्पॉन्सिबिल (responsible) है। अगर सब को पूरा पूरा नफा मिले, लोगों को रुपया इन्वेस्ट करने का पूरा पूरा मौका मिले और उन्हें पूरा नफा दिया जाय तो लोग ज़रूर आगे आयेंगे और रुपया इन्वेस्ट करने की तरफ रूजू होंगे। पहली बात यह है। इसके बारे में नेशनल प्लानिंग कमिटी की राय आप लोगों को मालूम है। उनकी भी राय यही थी की मैनेजिंग एजेंसी को हटा कर के कैपिटल की शाईनेस (shyness) को दूर किया जा सकता है लेकिन वह बात भानी नहीं गई।

कहा गया कि इंडस्ट्रियल फाईनेंस (industrial finance) को ये लोग हेल्प (help) करते हैं। यह बिल्कुल गलत है। रिजर्व बैंक का जो सर्वे है उस से आपको मालूम होगा कि यह सिर्फ १४ १/२ फीसदी शेयर का हिस्सा ले कर के पूरी इंडस्ट्री को कंट्रोल (control) करते हैं। वह सिर्फ उसी इंडस्ट्री को कंट्रोल नहीं करते बल्कि दूसरी इंडस्ट्रीज को भी कंट्रोल करते हैं

में तो यह भी जानता हूँ कि १ फीसदी से भी कम शेयर खरीद करके, इतनी कम रकम डाल कर के, इंडस्ट्री को कंट्रोल करते हैं। आप कहते हैं कि मैनेजिंग एजेंसी फाईनेंस का इंतजाम करती है, मैं कहता हूँ कि यह बिल्कुल गलत है।

कहा जाता है कि इन लोगों ने रुपया फराहम कर दिया लेकिन होता क्या है। होता यह है कि कम्पनी के जितने असेट्स (assets) हैं उनको मार्टेज (mortgage) कर के रुपया लेते हैं। मैनेजिंग एजेंसी का यही काम है कि कम्पनी के असेट्स को मार्टेज कर के रुपया फराहम करे। इससे ज्यादा कुछ कर नहीं पाते। जो मैनेजिंग एजेंसी का एग्रीमेंट (agreement) होता है उसमें कहीं भी आप यह नहीं पायेंगे कि यह आब्लिगेशन (obligation) हो कि वह सरमाया फराहम कर दें। वह तमाम फैसिलिटीज (facilities) लेते हैं, मुनाफे का आधे से ज्यादा यानी ७५ फीसदी खा जाते हैं लेकिन रुपया फराहम करने के नाम पर कुछ नहीं करते हैं। वह सिर्फ सट्टेवाजी करते हैं और स्टॉक एक्सचेंज में रुपया डाल कर शेयर बाजार में इनस्टैबिलिटी (instability) पैदा करते हैं और इनवेस्टर्स के दिलों में और लोगों के दिलों में खौफ और परेशानी पैदा करते हैं। तो मैनेजिंग एजेंसी के बारे में मुस्तसर तौर पर मुझे यही कहना है कि आज वे कम्पनी के असेट्स को मार्टेज कर के रुपया लाते हैं। इससे ज्यादा कुछ नहीं करते।

अगर रुपया फराहम करना है तो उसकी दूसरी सूरत है। यह बात नहीं है कि इस की कोई दूसरी सूरत है ही नहीं। इसकी दूसरी सूरत है, इसका आल्टरनेटिव (alternative) है और वह बार बार सजेस्ट किया गया है।

नेशनल प्लानिंग कमेटी की तरफ से बार बार मुल्क के सामने सजेसन रखे गये हैं लेकिन उनको ठुकरा दिया जाता है और उसके खिलाफ तमाम अर्गुमेंट्स लाये जाते हैं। आप को मालूम है कि यह क्यों है? यह इस लिये है कि चन्द लोगों के कब्जे में हिन्दुस्तान की तमाम मालियत आ गई है और उनका ही मुंह ताक कर उनके फायदे के लिये तमाम काम किये जाते हैं। तो हम ये सजेसन इस के लिये दे सकते हैं। जो नेशनल प्लानिंग कमेटी ने सजेसन दिया था वही हम आपके सामने पेश करते हैं, कोई नई बात नहीं पेश करते हैं। वह यह है कि बैंकिंग डिपॉजिट (banking deposit) से, उनके तमाम ओवरलैपिंग (overlapping) और बिल बर्गरह में जो इन्वेस्टमेंट (investment) है उस को छोड़ कर भी, साढ़े तीन सौ करोड़ रुपया आप पा सकते हैं। इसी तरह से अगर आप चाहें और सरकार की मर्जी हो तो स्टर्लिंग बैलेंस (sterling balance) से जो एकुमुलेशन (accumulation) हो रहा है उस से भी कम से कम डेढ़ सौ करोड़ रुपया पा सकते हैं। फिर तमाम कम्पनियों के पास जो डिप्रिसियेशन और रिजर्व फंड (depreciation and reserve fund) होता है उसको इन्वेस्ट कराने की कोशिश की जाय और उस पर कुछ इंटरेस्ट (interest) बर्गरह ज्यादा दिया जाय तो वहां से भी आप करीब सौ करोड़ रुपया पा सकते हैं। उसके बाद ये जो मंदिर और मस्जिद के इन्डाउमेंट्स (endowments) हैं उनको अगर आप हासिल करना चाहें और उनको इस के लिये तैयार कर लें कि वह इन्वेस्टमेंट करें तो वहां से भी आप १५ सौ करोड़ रुपया हासिल कर सकते हैं। लेकिन सरकार की तबज्जह इस तरफ नहीं

है। सरकार तो चाहती है कि जो मैनेजिंग एजेंसी अंग्रेजों की तरफ से लूटने के लिये कायम हुई है वह कायम रहे और जितनी भी आज तक कौमी अन्दोलनों की तरफ से आवाजें उठाई गई हैं और जो लोग माकूल राय रखते हैं उन लोगों की तरफ से उठाई गई हैं उनको उसने ठुकरा दिया है। इस बारे में मुझे ज्यादा नहीं कहना है। सिर्फ यही कहना है कि जो बातें पहले कही गई हैं उनको ही मैं दुहराता हूँ। ये तमाम बातें कही हुई हैं, नई बात में कुछ भी नहीं कह रहा हूँ। मेरा कहना है कि इस मैनेजिंग एजेंसी की रोक को हटाइयें। यह ब्रिटिश कैपिटलिज्म (British capitalism) की तरफ से यहां है और उसको हटाये बर्गर न तो इंडस्ट्रियल डेवलपमेंट (industrial development) हो सकता है और न इन्वेस्टमेंट की तरफ लोगों की ख्वाहिश हो सकती है। अगर आप इस तरफ तबज्जह दें तो बहुत कुछ हो सकता है। कम्पनी ऐक्ट को तैयार करने के बदन इस तरह के सजेसन से फायदा उठाया जा सकता था लेकिन कुछ नहीं किया गया। काम से कम अब इतना हो किया ही जा सकता है कि जो कुछ हो गया सो हो गया लेकिन १५ अगस्त १९५६ में जो पुराने कंट्रैक्ट्स (contracts) हैं वे सब खत्म हो जायेंगे। कम से कम इतना इस ऐक्ट में कर सकते थे लेकिन अफसोस है कि आपने नहीं किया। बिल में आप यह बात लाये हैं कि विजनेस में बड़ी एब्ज्यूज (abuses) हो रही हैं, फ्राडुलेंट प्रैक्टिसेज (fraudulent practices) चल रही हैं जिससे कि आज किसी काम को आगे बढ़ाना और चलाना दुश्वार हो गया है। हर विजनेस की यही हालत हो गई है तो जब यह सूरत है और आप चाहते हैं कि उसमें सुधार करके काम को चलायें तब यह सवाल होता है कि आप

[Khan Abdur Rezzak.]

इंडस्ट्रियल पालिसी (industrial policy) को ले करके कम्पनी ऐक्ट बनायेंगे या नहीं। यह नजरिया और यह उमूल सामने रख कर आप काम शुरू करेंगे या नहीं, यह सवाल है। अगर आप कम्पनी ऐक्ट को इंडस्ट्रियल पालिसी के खिलाफ बनाते हैं और उसमें रोक पैदा करके बनाते हैं तो इसका अंजाम भला नहीं हो सकता है और कोई उन्नति नहीं हो सकती है।

मैंने कहा कि आउटरनेटिव है और वह यह है कि मैनेजिंग एजेंसी को हटा कर एक एडमिनिस्ट्रेटिव सेट अप (administrative set-up) तैयार करके जिस तरह से बैंकों का काम चल रहा है उसी तरह से कम्पनियों का काम भी चलाया जा सकता है। इससे फाइनेंस भी ज्यादा मुहब्बा हो सकेगा। बजाय इस के कि मैनेजिंग एजेंसी पर ही सब कुछ दारोमदार छोड़ें, दूसरी तौर पर काम करने से ज्यादा फाइनेन्स जमा किया जा सकता है।

यह थोड़ी सी बात कह कर फिर इस हकीकत को आपके सामने लाना चाहता हूँ कि अगर इसके इंडस्ट्रियल डेवलपमेंट नहीं होगा। अगर इनवेस्टमेंट के लिये इंसेंटिव पैदा करना है तो हमें प्राइवेट लोगों के प्राफिट को बढ़ाना है। आज मैनेजिंग एजेंसी शेयर होल्डर्स के प्राफिट का ज्यादा हिस्सा खा जाती है। तो इसको जब हटायेंगे तभी इनवेस्टमेंट बढ़ सकता है। चुनावों मेरी अर्ज है कि इंडस्ट्रियल डेवलपमेंट पर जो मैनेजिंग एजेंसी की रोक है जो उसकी प्राफिट हैकिंग (hankering for profit) है जो वह दूसरे डेवलपमेंट के काम में रोक है जिससे कि कम्पीटीशन (competition) में उठ नहीं पाता है उसको आप हटायें।

जैसे कि लीवर बर्ड्स के होते हूये क्या कोई सबुन का कारखाना कायम रह सकता है। तो यही सवाल है कि इसको हटायेंगे या नहीं। यही मैं अर्ज करना चाहता हूँ।

SHRI B. GUPTA (West Bengal): Is there quorum, Sir?

THE VICE-CHAIRMAN (SHRI B. C. GHOSE): Yes.

KHAN ABDUR REZZAK:

खान अबदुर रज्जाक : मेरे स्थान में कम्पनी ऐक्ट को तैयार करने के बक्त इसको नजरअंदाज कर दिया गया है। तो यह एक उमूली गलती होगी और कोई काम इस बजह से ठीक से अंजाम नहीं पायेगा। इतना कह कर मैं खतम करता हूँ।

[For English translation, see Appendix VII, Annexure No. 315.]

SHRI J. S. BISHT (Uttar Pradesh): Mr. Vice-Chairman, I support the proposal of the hon. Deputy Finance Minister for referring this Companies Bill to a Joint Select Committee. I oppose the proposal of my hon. friend who just sat down about the abolition of the managing agency system. I think my hon. friend totally forgets how the industrialisation of this country started 100 years ago. If we do not forget all that has been done during this period and try to take our minds back, we will find from that history that the capital in this country was indeed extremely shy. Not only but we had no knowledge of the technical know-how or managerial skill. It was at this time that a group of industrial houses came forward to fill up the gap, as it were, and take into their hands the industrialisation of this country by means of the managing agency system. Now we have to be clear in our minds whether we want the private sector in the industry to develop or not. If we want it to develop, as we do want—because we cannot afford at present to take up all the industries through

the State agency—the State has neither the knowledge nor the personnel nor the finance to take up all this variegated industrial work that is being carried on by the private sector. If that is so, then the only other method is to carry on with this managing agency system. I would remind the House that in 1916 there was an Industrial Commission of which Pandit Malaviya and the head of the firm of Tatas—Shri Tata—were the two distinguished members among others and they, after examining the achievements of the managing agency system, came to the conclusion and made the recommendation that it was a good and useful institution and should be allowed to function. My hon. friend who just now sat down made certain marks, *e.g.*, that this system can be displaced by various means. He quoted the example of banking. So far as banking is concerned, it has been going on in this country for a long time and it does not require the same technical or special managerial skill and all the advancement that has been made in science and industry, whereas in the modern industries specially of a more difficult and complicated type it requires all this type of knowledge which we at present lack. Now except repeating again and again that this system should go, he in fact failed to point out to this House what was the alternative for it. I would point out for instance the case of Bihar and the development of collieries in Bihar. Now a landlord suddenly finds that in some area of his land there is a good seam of coal. He is very anxious, no doubt, to exploit that coal but he has no knowledge about it, he does not know how to do it, probably he has not sufficient cash for that and he has not the technical know-how. It is at this time that he goes to a managing agency which undertakes the development of the colliery and a company is formed and that company buys those lands and in lieu of cash payment, gives him or allots to him a substantial block of shares. Then the managing agents come who are perhaps already running a colliery in some part of Bihar,

or one or two or three collieries and probably some other industries. Now they have the whole staff with them—the engineers, the surveyors, the accountants and the people who are going to do everything. They are the people who go to the spot and do what is called, prospecting, make out the estimates, plans and everything and it is they that invite the general public to subscribe the capital. Now it is the reputation of some of these good firms that induce the people—even the shy capitalists—to subscribe money for the new venture. It is thus that many of the collieries in Bihar had been developed. These managing agencies perform many functions, *i.e.*, they do all the technical part of the work so far as engineering etc. is concerned, they also make all financial arrangements of the whole scheme, they also do all the office work, they also do all the accounting work and they also do all the work that has to be done by the company like contacting the Government Departments, payment of taxes etc.—that is to say, the managerial part and the secretarial part and the technical part and the banking part. That is how all these firms developed in this country. As they developed, you will find that the overhead expenses of most of the companies went down very much. If a company has to engage a whole-time expert engineer or-accountant, this, that and other thing, naturally the expenses go up. What happens is that third rate men have to be employed because they cannot afford to employ real experts of the necessary calibre whereas a managing agency which is probably running similar types of many firms—or auxiliary firms—have got the capacity to engage all these experts which is helpful for the development of the industry.

Sir, before the Indian Tariff Board in 1927, when it was holding its meeting, many people gave evidence; and among them was Shri Purushottam-das Thakurdas, who himself had no agency system and was not at least at that time connected with any managing agency; he gave evidence and

[Shri J. S. Bisht.] proved before the Tariff Board that there were at least 30 cotton mills in Bombay—that was in 1927—which would have gone into insolvency if there had not been this managing agency system at that time. It is these managing agents who have been helping them in every way. In fact it was proved before that Tariff Board that the managing agents were lending money to many of these firms at 6 per cent, interest when money was not available even at 8 per cent, interest in the open market. Thus it will be found that the fact that most of the companies that are progressive or flourishing now is due to the efficient management and managerial and technical skill of the various managing agencies. It is true that some undesirable elements also came in—undesirable elements of the adventurous type—and they did some harm to the public. But so far as this measure is concerned, very great care has been taken in all the provisions from 307 to 369, to plug all the holes that have been found. They have already provided that the managing agents will not be engaged in any other business of the same type as the company that they are managing. Similarly they have made provisions in regard to the restriction or control on these managing agents taking part in store-purchasing or in selling the products of the company. They have also laid down certain restrictions regarding the remuneration that they are likely to get. Clauses 333 and 334 also lay it down that where there are no or only inadequate profits, so much is the maximum amount that they should get. They have laid it down that it should not exceed Rs. 50,000. They have also provided for office expenses etc. There are several other safeguards also there. But if after careful consideration, the Joint Select Committee finds that there are still certain loopholes that need to be plugged, then they can take the necessary steps so that no people of the adventurous type, individuals or firms, come in to defraud the general public or any of the companies.

The most wholesome provision that I find is that on the 15th of August 1959, the terms of the existing contracts will expire. Then it is open to all the companies whether to renew the contracts and reappoint them or to terminate them and appoint somebody else. It is a very wholesome provision in this Bill and undesirable managing agents who have proved to be not good can easily be wiped out. They can enter into new contracts.

There is also the provision to say that the maximum term of contract will be only 15 years so that there will be no temptation on the part of any managing agents to get themselves permanently there. For these reasons, I am strongly of the opinion that the managing agency system is the only system available today which is helpful to us in pushing forward our industrial programmes in the private sector, and I do not agree with my hon. friend there who only made vague remarks about these managing agents. For instance he said that in other parts of the world this system was going on and he asked what was the security for the shareholders. I would ask him a counter question: What is the security if a private company or if a private individual comes in as a director? What is the guarantee or security in that case? The element of risk is bound to be there in all cases. In every enterprise there is some amount of risk and that is unavoidable. Even the best of managements cannot forecast with absolute certainty what is likely to be the expenditure, or what exactly is going to happen. Even in State enterprises, as for instance in the Hirakud Dam project, such things happen. The initial estimate for that project was Rs. 47 crores and today we find that it is likely to come to nearly Rs. 95 crores. This is the sort of thing that happens when you are carrying on an industrial programme or industrial enterprise; there are unforeseen factors in the industrial field, in the international field and so on. These are unavoidable. Even if you abolish

the managing agency system, and have directors, even then you cannot have complete security. There is bound to be some sort of risk.

Then my hon. friend said that about 50 per cent, of the profits are being taken away. Clauses 333 and 334 are there to see that no such development takes place.

In conclusion, Sir, I would say that in the present state of the industrial development of our country, there is no substitute for the managing agency system. I support the measure moved by the hon. Deputy Minister for Finance, especially as regards the managing agency system.

SHRI B. M. GUPTE: (Bombay): Sir, I generally welcome this measure. If people of small means are to be induced to invest their hard earned savings in industrial undertakings, for the purpose of advancing the progress of the country, then their interests have to be protected. This measure seeks to do that. Therefore I generally welcome it. I have, however, one suggestion to make and therefore I am intervening in this debate.

In my part of the country, that is "to say, in Maharashtra, an undesirable form of industrial financing has become prevalent. That financing takes the form of receiving deposits for short periods and using them for long-term purposes. There are many middle-class families and many poorer sections of it who have invested their money in that way. Deposits are made for six months or one year and these deposits are used for the purchase of machinery and for other long-term projects. Of course, these very persons are partially responsible for encouraging this evil and if the firm ultimately fails they are responsible for the loss. In my part of the country recently nearly fifty to sixty companies came to grief in this manner and the deposits involved amount to about a crore of rupees. These persons were partly responsible for making these deposits; they were too gullible. They are influenced

by the big names of the directors, or they are tempted by alluring advertisements and so they invest their hard-earned money in these deposits and then come to grief. Therefore, I submit that they should be protected from themselves. The company should be prevented and prohibited from accepting such short-term deposits. They can get their current finance from banks, and there is no reason why they should receive deposits for period of six months and one year. Therefore, I would suggest that a provision should be made in the Bill that a company should not accept deposits for any period shorter than three years, or it should not accept such deposits without the permission of the Registrar. I do not think there will be any difficulty in doing this and therefore I commend my suggestion to the acceptance of the hon. Minister. With these words, I support the measure.

SHRI B. GUPTA: Mr. Vice-Chairman, as has been pointed out by the previous speaker, the Bill that is now before us is not one that proposes to put our economy, especially our industrial economy, on a sound basis. One should have expected that when a measure of such a comprehensive nature was brought up here, the main object of it would be to eliminate the evils that have entered into the field of our economy, and open new avenues for not only investments but also for creative efforts on the part of our people who are engaged in industrial and commercial activities. Unfortunately, however, the Bill takes up an attitude which will only encourage those people who are high up in the industrial field, controlling almost the whole scene.

Sir, I "do not want to go into the history of the managing agency system in our country, because this is more or less known to all hon. Members here. Yet I think a few words are called for in this connection, because that is the crux of the matter. By means of the managing agency system certain elements, certain houses have been controlling the

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entire industrial and commercial life of the country and directing their efforts in such a way that they help themselves and not the people at all.

At the same time, they utilised these institutions for crushing the smaller elements and the medium elements in that field so that they can assume ultimately what can be easily described as a monopoly position. Once that monopoly position comes in you have the entire control passed into their hands and whatever law or measure, regulation or rules are passed, are made into a nullity by virtue of their pre-eminence and preponderance in the economic life of the country. Sir, after the East India Company lost its monopoly there came about some amount of disintegration of what was once monopoly and some Indians tried to enter the field with their accumulated money for industrial efforts, but the British discouraged them. Not only that, they came in the way of their development altogether and they took the reins into their own hands. A number of firms came into existence and started along monopoly lines. As you know, Sir, the jute mills in India were started by these people. I think it was towards the end of the 18th Century that a certain British gentleman came and¹ started the first jute mill in India. Since that time and until very recently it was they who almost entirely controlled the whole jute industry. They retained this industry in their own hands and even after 1947 it was clearly stated in a special issue of the Calcutta edition of the "Statesman" that about fourteen managing agencies of the British controlled nearly 55 jute mills with a total loom strength of 81 per cent. That shows the domination of the monopoly control in the jute industry—admitted by the experts of that industry and published in a journal which is known as the mouth-piece of British capital in India. It does not, however, mean that they hold shares proportionately. In fact, many shares have passed hands and Indians have acquired

more snares man oeiore especially during the war years and the period immediately following that. But it does not eliminate the British control and the British control remains where it was; holding a small number of shares today, they control the industry and this is so because the managing agency system enables them to do so. There are undoubtedly certain Indian managing agencies they are also controlling a number of mills but their size is small, their control is doubtful, and although one or the other of them is at times placed as the President of the Indian Jute Mills Association as a sort of proof that the British are now turning their attention to giving Indians their due share, that is nothing but a fraud on the public. Everybody knows that whether the Chairman of the I.J.M.A. is Mr. Goenka or Mr. Birla, the ultimate control of that Institution and of the jute industry lies in the hands of the British. That is a fact which no one can deny. Similarly, Sir, in the coal mines and in the plantations a number of huge British concerns are holding the industry, and the smaller and the medium units usually owned by our own people are left entirely at the mercy of these Titans in that field. I can cite one example. For instance, the firm of Andrew Yule, I think, controls not less than fifty-eight concerns and their operations in the field of tea plantation is considerable; in the field of coal-mining also it is very great. This concern is a British concern; of late they have taken one or two directors of Indian nationality but these Lilliputs put there as directors, have little say; they are a kind of window dressing to bamboozle the people, to side-track the attention of the public from the reality of the situation, which is that the British are controlling. As you know, Sir, the name of Clive Street has been changed today to Netaji Subhas Road. Clive Street is no longer Clive Street but it is called the Netaji Road. Clive Street, Sir, as you know, is the seat of the British capital in India and that is now called Netaji Subhas Road. If you probe deep into the matter and enter the big houses which are situated.

on that road, you will find little national there, no one of Indian nationality controlling the scene, but the same British officials functioning in the name of managing agents controlling the business, sitting in the buildings on the Netaji Subhas Road. Now, Sir, this kind of a fraud on the public should be stopped and I wish the Bill was conceived with that outlook, but evidently the hon. Ministers have not cared to go into that matter. This is one aspect of the matter.

Now, my regret is this that it is not merely the managing agency but it is the managing agency of the British which is upsetting our economy and creating a kind of crisis in our economy. One must take into account that factor. Now, the managing agency system, as has been pointed out, was evolved here with a view to keeping the economy under control by certain foreigners. Later on, certain Indians joined them and became their collaborators but by no means got an upper hand in the situation. That position remains unaltered. Therefore, on the one hand the managing agency system which is bad, extremely bad and harmful, is retained and, on the other hand!, the system of control by the British is also upheld and that is the biggest complaint that I can make of this Bill.

Sir, then, look at another angle of the managing agency system. Much has been said in support of the managing agency system. I was not surprised when the hon. Shri N. C. Chatterjee spoke in the other House—and left that House to speak something else about us in Hyderabad. I am not surprised but he made a case perhaps on his conviction. However, everybody knows that a man like Shri N. C. Chatterjee would speak—whatever may happen in the country—in support of the managing agency system because, but for the managing agency system, his very prosperous and rising legal practice is inconceivable. Sir, therefore, he is the champion of big capital and I do not grudge him that position because, after all...

; SHRI H. C. DASAPPA (Mysore): Would it be fair for us to talk of a person who is not here to defend himself?

THE VICE-CHAIRMAN (SHRI B. C. GHOSE): He -S just making out a point.

SHRI H. C. DASAPPA: But to attack a person?

THE VICE-CHAIRMAN (SHRI B. C. GHOSE): He is not attacking him. He says something about Mr. Birla who is not present here but we have allowed that.

SHRI H. C. DASAPPA: To attribute motives and to say that he depends upon their patronage.....

THE VICE-CHAIRMAN (SHRI B. C. GHOSE) : He is not suggesting that.

SHRI B. GUPTA: I am not attributing any motive to anybody. I am stating a fact. What I say is that Mr. N. C. Chatterjee spoke in support of the managing agency system.

SHRI J. S. BISHT: Is the hon. Member not attributing a motive when he says that his professional prosperity is dependent upon their patronage?

SHRI B. GUPTA: That is a matter which one could find out by looking I into the number of briefs that he gets.

It is not a question of motives. I am not attributing any motive. If the hon. Member is interested in finding out, he can go and find out where Mr. Chatterjee was getting his briefs from during the last twenty years.

THE VICE-CHAIRMAN: (SHRI B. C. GHOSE) : Mr. Gupta, I think, let us come to the Bill. Let us leave that point.

SHRI B. GUPTA: It is not a question of motive. Anyway, we will leave it for the present. I would not speak much on these people who speak even in Parliament about their "briefs". I would now deal with the subject matter which stands here in the Bill.

Now, the managing agencies, Sir, as you know, are institutions which are helped by certain groups or certain

[Shri B. Gupta.] houses, as we call them, for example, the house of Birla, the house of Dalmia, the house of Goenka and so on. There are some such happy houses and some great ones of these houses are present amongst us. These houses control the industries, as far as the Indians are concerned and, as far as the foreigners are concerned, the houses exist in some other countries, not in our country, in England for instance. Now, what do they do? They first of all take control of the economic situation and then they usually crush the small and medium units. As we know, in Bengal, we had a number of banks; during the time of the war they came into being and certain business concerns also flourished during the war. I am not going into how they flourished but the fact remains that certain industries and commercial concerns came into existence. After the war they were faced with certain difficulties because they did not always build their industries in an honest way and also because the way in which they wanted to flourish was thoroughly dishonest. Then at that time these monopolists, British and Indian, combined together to see that these small and medium industries were weeded out of existence and financial pressure was accordingly brought to bear upon them which many of them could not stand. When they fell on hard days it was necessary for those people who pretended that they were interested in the industrial development of our country to offer kindly assistance to them so that they could stand on their legs. What did we find? Sir, they combined and created an artificial crisis, and I think about 83 or so Bengal banks, small ones, went into liquidation. Certain other concerns not connected with banking, connected with other fields of industry, were also faced with crisis and went out of existence. Neither did the Reserve Bank nor the big concerns care to help them and the small concerns had to **drop** out because **IKe** had no relief coming from any quarter. This is what they do. So in relation to the smaller concerns this is

their attitude. You can now imagine what is the attitude of these managing agents with regard to labour. Here I am coming to another factor. They control the industry so much that they dictate terms to the Government and they manipulate the accounts in such a way that it becomes very difficult for the public to get something out of them for the labourer.

I can cite the example of the Calcutta Tramway Company. I was connected with, a number of tribunals or adjudications on behalf of the workers as far as that company is concerned. Sir, there you will find every year about £80,000 are **set** apart in the reserve fund and similar sums or even bigger sums are also set apart for various other funds. These are not utilised for industrial expansion. These are not utilised for making the conditions of labour better. These are not utilised for even putting more tram cars on the streets. All the same they are set apart year after year.

Now, when the workers went to the management with **their** demands and represented that certain increments were called for because of the rise in the cost of living, the management told them flatly that it was not possible for them to effect any increment in the wages or emolument of the worker and that it would not be in the public interest to do so since in that case the tramways might not be able to run. They pleaded absolute financial inability in the matter and when we went up to the tribunal and¹ fought a case there, we found, as a result of an examination of their finances, that they were in a position to disgorge at least Rs. 20 lakhs and increase the wages of the workers substantially. Sir, the award was in our favour and Rs. 20 lakhs came out of that Calcutta Tramway Company which pleaded that they had no money. Sir, as far as we know they did not borrow that money. That money came from their cash balances and other balances which they held. This is how they do things. Now, whenever the Government tries to conciliate or adjudicate in such matters, the

managing agencies threaten them with stoppage of production.

If the industrial concerns or particular industries get concentrated in the hands of a few, they naturally occupy such a commanding position that when it comes to a question of bargaining between the employers and the workers or a question of negotiation between the Government and the employers, it is these bosses who dictate. What we find is that, whenever such demands are placed, whether in the interests of the consumers or in the interests of the workers, the managing agents concerned threaten with stoppage or slowing down of work so that there would be a crisis. The Government, having no control over such people, very often plead helplessness and of course sometimes openly support the employers rather than the workers. This is another aspect of the matter. That position would not have been there if we had scotched that system—the system of managing agency—if we had disbanded this pernicious system of managing agency from our economy. Nothing of that sort is being done.

Then, Sir, it may be argued that these gentlemen provide finance and since there is risk in investing money it is fair that they should be allowed to continue. This argument is not acceptable. It is not justified by facts, as they are. What we find at present is this, that the majority of the managing agents contribute very little by way of finance to the industrial development of the country. Now we have managing agents who have less than 1 per cent, share interest or whose share interest does not in any case exceed 10 per cent. And yet we find¹ they control the entire industry. Therefore it is not true to say that they provide the finances for the industry. What they do is that they utilise their position as a financier and monopolist to find some money, to get certain resources mobilized, and that they often do by mortgaging the properties of the industries concerned, and that surely is not a thing which goes to their

credit. The shareholder's assets are mortgaged and money is found that way and that is what they utilise. It is not as if they are finding the money themselves.

Then again most of these managing agents are connected with some of the important banks, especially the leading banks in the country. In Calcutta, for instance, you have a number of managing agents like Andrew Yule, McLeod, etc., belonging to the foreigners and the Birla Brothers, Dalmia Jain, Karamchand Thapar and others belonging to our Indian nationals -who are intimately connected with the leading banks and these banks are persuaded not to advance loans to the small and medium industries so that these small and medium concerns die out of sheer financial suffocation. This is what they are practising. Therefore, Sir, they come in the way of money flowing into the market and the money being invested in the small and medium industries which we require very much in our country. This is another criticism that I wish to make against the managing agency system. They can influence the banks because these managing agents are their biggest clients. This is another aspect of the matter. Now as far as the British are concerned, there are 30 British managing agents of this sort who in 1952 controlled 680 companies. The number would not be less now. It may be a little more. Of them, Andrew Yule control 58 concerns and McLeod control 60. Now Sir, if you take industry-wise, you will find that in jute mills their control is supreme. Eighty-one per cent, of the loom strength, as I have said, is controlled by 55 mills under 12 or 14 British managing agents. Fifty per cent, of mining and coal is again under the control of the British managing agents. Banking under their control is of the order of 48 to 49 per cent.

Here, I would like to say one thing. The control is so big that half a dozen British banks make almost the same profit as all the Indian Scheduled Banks put together. Now, it has been stated in the other House that about

[Shri B. Gupta.] Rs. 3 crores and odd were made by way of profits by these few British Scheduled banks. And last year they made more profits. Their profits increased whereas the profits made by the Indian Scheduled banks remained more or less at the same level as it was in the previous year. These banking concerns naturally play an important part in the economy and they are in the hands of the British and what is still worse, they are interlinked with certain British concerns. There is therefore that unholy alliance between the British banking on the one hand and the British and foreign concerns on the other which operate to the utter detriment of our economy and the managing agency system lies at the root of these dangerous operations of these foreign exploiting concerns.

Of course, I would be reminded¹ of the existence of the Indian managing agents. Now, there are 44 Indian managing agencies which control a large number of companies and there again you would find that Birla Brothers also control, I think 88 companies. Now, our economy is weak. We do not get money. We have no control over our economy and here you have one particular house—the great Birla Brothers—operating 88 companies. They may be very great brothers as between themselves but in relation to the people the mystery of the Birla House remains yet unanswered—a book that was published in Calcutta and which has not yet been answered by either the Government or by the Birlas.

SHRI ABDUL RAZAK (Travancore-Cochin): Will the hon. Member kindly refer to the name of the book?

SHRI B. GUPTA: The name of the book is "Mystery of the Birla House" by Deba Jyoti Barman. That has been published and has been referred to in *the* other House.

SHRI LALCHAND HIRACHAND DOSHI: Is it not a fact that all that has been proved to be bunkum and false?

I SHRI B. GUPTA: The hon. multimillionaires are getting up one after another. It is very good that they are in a chastened mood. What I am concerned with is not the multimillionaire as a person but the institution with which he is associated. I can also refer, if you like, to Walchand Hira-chand and the Scindias and that would give us the same lamentable story but I think for the sake of convenience and the rule that the present company is exge^hted in such discussion we do not refer to such gallant institutions as the Scindias and Walchand Hira-chand.

What I was trying to emphasize is that the connection between these banks and the monopolies is again another impediment in the way of the development of our economy. It is often suggested that, after all, the shareholders' interests are being looked after by the managing agents. That, of course, is not true. I do not deny that at times the shareholders are given dividends and their interests are, to some extent, looked after but their interests are always subservient to the interests of the managing agents. And whenever the business is in a crisis their interests are completely given the go-by and the interests of the managing agents are placed in the forefront. I I would only refer to one in stance. For instance in 1937 ; the 75 textile mills in Bombay \ made a net loss of Rs. 7,36,309 and ¹ in that same year the total allowances and commission drawn by the managing agents associated with those concerns totalled Rs. 30,87,477. This is the story. When the shareholders.....

SHRI NARAYANDAS DAGA (Hyderabad): What were the wages paid to the labour during that period?

SHRI B. GUPTA: These are facts. As you know, Sir, the managing agents seem to feel as if there is an internal statutory provision that whatever happens to the business they must get what is fixed for them. For instance—I can cite an example—H. N. Dutt &

Sons, Managing Agents, who controlled, I think, about 15 companies. After the war the whole business under the control of H. N. Dutt & Sons fell on hard days, difficulties arose and some of them closed down and many went later on into liquidation. The shareholders lost heavily including the depositors who had put their money in the bank controlled by that particular managing agency. Then it was found out that these managing agents or proprietors, whatever they were called, had removed huge funds, actually stolen huge funds to the tune of Rs. 30 lakhs or so. They were sent up for trial and sentenced to imprisonment. This is a case which is well known and many such incidents have taken place. Some of these cases came to the light of day and proceedings were started against them. Therefore what I wish to convey here is that the managing agents do not really serve the interests of the shareholders. They think that the shareholders are the milching cows which they milk whenever they want to make money and then throw them away like squeezed lemons whenever it suits them. Therefore if any hon. Member is at present a shareholder and has not yet had the luck of being elevated to the position of Shri Lalchand Hirachand Doshi, then he will understand that his interests are not in very safe keeping. In Bengal we have a very sorry tale of shareholders being let down by a number of managing agents. We have the great example of..... other concerns.

THE DEPUTY MINISTER FOR FINANCE (SHRI A. C. GUHA): When the banks failed they were not under the managing agency system.

SHRI B. GUPTA: The hon. Minister, since he has come to Delhi, has begun to speak in a different accent. He was not so speaking when he was in Calcutta.

SHRI A. C. GUHA: I am referring to the factual position. When the banks failed they were not under the managing agency system at all. So no question of accent!

SHRI B. GUPTA: I know, but what about H. N. Dutt & Sons? They were in control of the Mahaluxmi Bank. At the same time he was also connected with a mill. They were inter-linked. If I were to develop this sort of stories then, I will have to say a lot of things. I am quite aware that banks are not controlled by the managing agencies but at the same time the hon. Minister should also be aware that the batiks are interlinked with the managing agencies. Many of these concerns failed—the textile mills, small engineering concerns—all failed; but on the top the concerns which are flourishing are the concerns owned by the big capital here. There are many businessmen in the country who will corroborate when I say that they had to face very great difficulties, but, Sir, the Birlas, the Dalmias, the Thapars, the Goenkas and what not, they will never say this, because whatever else happens in the country, they go on making their money and behind the managing agency system they carry on their depredations. Of course, they take lessons from the British because the British are their teachers in this respect. Therefore, I say that the interests of the shareholders are not looked after by the managing agents. The question will now arise as to where to get the money from. If these people are not wooed and sought after.....

THE VICE-CHAIRMAN (SHRI B. C. GHOSE) : Mr. Gupta, there are some more speakers. If you will kindly finish as early as possible.....

SHRI B. GUPTA: I will finish now. As far as the money is concerned, as I have said, they do not find the money Money can be found if we have a Company Law which, encourages initiative of the common man, the small and medium investor, and which curtails the powers and privileges enjoyed by the men on the top and by the monopolies whether they be Indian or British. If we do not have that kind of law, I am afraid the small man and the medium investor will not feel encouraged to advance money for industries because they know that ultimately some of them and most of them

[Shri B. Gupta.] will have been devoured by the rich men, by the financial sharks that are prowling in the industrial life today. The object of the measure should be to help the small man who has put in his money for industrial expansion. That is not being done. The most important thing is to curtail the powers of these rich men and make the money available for industrial expansion or for investment. It has been our complaint that capital is not forthcoming. It is said it is shy. Capital's sts themselves **say this**. No amov-of ^treaties will make them part with their money. We know that shyness by itself is not a virtue; it is an indication of vice in their case. What we should do is to bring such measures as would enable us to break their power and see that the money which they misappropriate, immobilise and misdirect is available for industrial expansion of the country, for the development of our economy.

We should not, Sir, allow ourselves to be misled by the slogan that 'capital is shy*.

We are **told, again, to** seek the of capital **not on our** terms but 0 their terms. I think the Company Law should have been so devised as to enable the country to reach out to them and to get the money from them on our terms and not on their terms. Nothing of that sort is being done.

As regards the other sources of capital, I think I need not go into it. Those have been stated by hon. Members in this House. The main question is that the enormous power that is now concentrated in the hands of monopoly capital should be wrested from them and made available to the country. By *s measure we want to arrange the working of these companies in such a way as would be commensurate with the requirements of consumers and the requirements in the industrial field. We do not want such powers to be allowed - the big money so that the interests of the consumers and the interests of industrial expansion may be megatived by them. It is our main

demand. There are various clauses in the Bill, there are some six hundred and more of them, quite a frightening affair for us, because we do not know as to how to tackle this sort of thing. We have never been near that kind of thing so far. Now that this measure is given to us, the main approach should have been like this, but it is not there. Therefore, I think it will not mend matters; it will not help the development of our economy, it will not stop the malpractices or even reduce such malpractices. I know that even this Bill has given some cause for anxiety to the hon. multi-millionaire Members whose company we are happy to have today in this House. The multi-millionaires are, as usual, always after their multi-millions in money, not in mankind. They are interested in seeing that even the little provisions that are there for interfering with their misdeeds are eliminated. We hope the Government will not yield to such pressure that might be brought upon them. Whenever I read some of the journals or books dealing with this, I find the pressure is there. Unfortunately, the hon. the Minister for Finance has allowed himself to be bullied by them, and the Ministers continue to be bullied by them. They come and say: Wait till 1959. Now, Sir, they started in 1947 and now we are proceeding towards 1959. We have to wait for so many years till even this simple thing, of managing agency is again taken up. Another lease of life is being granted to the managing agency and I do not know who will be there in 1959 to see all this. May I ask why can't it be stopped now? Why carft\ we go into the question here and now, when we know that our economy is not quite what we would like it to be, when enough money is not available for the country's industrial development? Why do we not go into the whole question of the managing agency now?

Government, Sir, talk about mixed economy. They have formulated their economic policies

on the basis of this so-called mixed economy. comprehensive measure provisions that would strike hard at the very heart of the evil economic system of the country. The managing agency system has to be broken; its fangs have to be torn out; and they have to be fully eliminated so that we can at least partially advance in the economic life of the country.

These champions of mixed economy are thinking of all sorts of mixed economy leaving the reins of our economy in the hands of a handful of multi-millionaires. This is no mixed economy! This is a kind of collusion in which the whole arrangement is that a major share of the bargain will go to one party, while the other allows itself to be humiliated in all sorts of ways. This is no mixed economy. This is unmixed surrender to the dictates of the capitalists, to the dictates of the monopolistic element. That spirit, that outlook, that unholy temper, pervades the entire company law measure. That is why these multi-millionaires have not said anything against these managing agency concerns. I think, they have been advised not to say so because the Economist and others of the big money are now saying that the Congress Government must not interfere with the managing agents who, they claim, are beneficial to the country. I find the hon. the Finance Minister and his friend the hon. the Commerce and Industry Minister and their understudies, the other little ones in the Ministries, getting up one after another and saying more or less the same thing as the capitalists are saying. And that makes us believe that they are not going at all to touch these big people.

Sir, with these words, I want to tell them again that the company law measures call for a change, not as it has been changed to accommodate the Standard Vacuum Oil Company where the interests of the Indian shareholders have not been protected. You have surrendered your interests so that they can retain 75 per cent, of the share capital. Now, you are passing this measure. You are not looking after the general interests of the country, the general interests of the public at large or the interests of the shareholders; but you are again surrendering to the dictates of the multi-millionaire. What we press on the Government is that they should bring in this \

There is no use telling us that we are controlling the managing agents for the benefit of the shareholder. The promptings are not the promptings of the shareholder; the promptings behind this measure represent either the promptings of the capitalist or the monopolist class, especially the British monopolists. Therefore, this is not a measure which will satisfy the community in the way in which the hon. Minister would have us believe.

SHRI H. C. DASAPPA: Sir, I am getting up after the thundering ful-minations of my hon. friend, Shri Bhupesh Gupta, on the other side.

AN HON. MEMBER: A disappointed soul!

ANOTHER HON. MEMBER: An appointed soul!

SHRI H. C. DASAPPA: I am pretty sure that there are people who are interested in the system of managing agency who will effectively answer all his queries. I, for my part, hold no brief for them because I have nothing whatever to do with any company or any managing agency. One thing which struck me in his whole speech, was that he did not want any of the foreigners to meddle with our affairs. On that, I think, we are fairly well agreed. I only hope that he will loyally implement that idea which he has put forward in this House.

SHRI B. GUPTA: The hon. Minister feels tickled by your speech.

SHRI H. C. DASAPPA: Well, Sir, the hon. Member thinks that we should / neither have financial help from the

[Shri H. C. Dasappa.] foreigner nor any inspiration whatsoever. I think, Sir, that that is the only* constructive suggestion made by him during his whole speech. I have been trying to follow him very closely. The only thing that he has attacked is the cursedness of the managing agency system.

SHRI K. S. HEGDE (Madia.): Not knowing that he is a party himself to the managing agency system.

SHRI H. C. DASAPPA: Now, Sir, all the arguments that he has put forward were, I think, an effective reason for the introduction of this very wholesome Bill. I think every page of it is full with the idea of trying to cripple the rapacity of the managing agents, if there is any, or I will just modify it and say, wherever it may exist. And I am sure my friend's denunciation is not absolutely unqualified so far as the managing agents are concerned. There are managing agents and managing agents. Just as there are people good and bad, there are managing agents good and bad.

SHR: B. GUPTA: But are there wolves and wolves?

SHRI H. C. DASAPPA: Therefore it is no use making such a tremendous generalisation and trying to harp on only one aspect of the thing. Sir, I was looking at him in the expectation that he would give some constructive suggestions as to how to clip the claws of these managing agents and how to help the poor investors and the shareholders.

SHRI K. S. HEGDE: He is living in a negative world.

SHRI H. C. DASAPPA: I have not yet been able to get any constructive suggestion from him.

SHR: B. GUPTA: The only suggestion is, scrap it.

SHRI H. C. DASAPPA: Scrap it! If for instance you bring down this grand |

House, will you find a most beautiful flower rising in its place of its own accord. That is a note of utter frustration, and I should say, a mere attempt at destroying without trying to build up something in their place.

I have, Sir, something concrete to suggest. I agree that evil, wherever there is, must be fought and neutralised. And we must see that we make this country something happy, something worthy of living in. With regard to these industries, the tendency no doubt should be to eliminate the power that is vested in a few people to order things for the many to the former's advantage. With that I entirely agree. But we have to see how that is going to be done. The Government of India have laid down their policy so far as industrialisation is concerned. In December 1947 and in April 1948, Sir, they referred to two sectors of industry, the public and the private, and called it a mixed economy. Sir, I want to give a new connotation to this term of "mixed economy". It should take the form of Government and the people jointly putting up their moneys for developing these industries. I will, Sir, presently develop this idea, because that is the one thing on which I pin my faith, and that let me add by virtue of my experience. So far as the public sector is concerned, I mean the Government-owned industries, there is no dispute and no trouble about it, because the Government have undertaken to start these key or basic industries, and they will go ahead with their projects and their schemes. But when we come to the question of private sector, the point arises whether that should be allowed to develop on the lines which have been in existence and which are now the point of attack, or follow some other pattern, some other method. My suggestion is this, Sir. When private enterprise is not forthcoming sufficiently, it would be desirable and it would be necessary for the Government to sponsor those industries, taking a certain share in the capital and inviting subscription from the

general public. Now this is not any strange thing. It has been tried very successfully in certain parts of the country. I can only give you illustrations from Mysore. Take the Mysore Sugar Company where the Mysore Government has taken nearly 60 per cent, of the shares; take the Mysore Industrial and Testing Laboratory, the Mysore Tobacco Company; take the spun silk and chrome tanning industries, and so on, where the Government have put in about 10 per cent, of the shares, and the Radio and Electric Manufacturing Company where the Mysore Government have got 60 per cent, of the shares. What the Government does is this. When private people are not forthcoming sufficiently, the Government itself promotes a particular industry and then they invite investments from the general public. When the people know that the Government have some interests in a particular concern, naturally they have greater confidence in that industry than in an industry sponsored by private people. Now, what is the set-up that obtains with regard to the management of these industries? There is no such thing as a managing agency in any of these industries that I have referred to. It is a question of managerial directorship, the chairman either elected or appointed by the Government under the Memorandum and Articles of Association. The people are quite willing to let the Government nominate the chairman, and then a fair number of directors are elected from amongst the shareholders. Now this is a fine system which has grown up, and I see no reason why, in the future ordering of our economy, we should not follow a pattern like this. In fact, Sir, the hon. Finance Minister, in the House of the People, referred to this question when a certain Member raised the question of having official directors or Government directors on these concerns in order to safeguard the interests of the shareholders. He referred to those concerns which were purely Government-owned or which were Government-owned to the extent of 51 per cent, of the shares and above, and

said that he was thinking of incorporating certain provisions in this very Bill, or he would bring forward some other measure to provide for the management of these Government-owned industries. And I think the hon. Deputy Minister for Finance also referred to this matter in his speech here when he said that so far as the Government-owned industries were concerned, he would like to bring forward certain fresh proposals to see that the companies work satisfactorily and that the interests of the other shareholders are safeguarded. Therefore, Sir, here is a constructive suggestion, and I think it is well worth for the Select Committee to consider this matter. I may add, it would be very desirable to have something like an industrial investment fund. I say this for this reason. When these Government-sponsored industries of private sector are put on the rails and are working successfully, I do not say that the Government should continue their character for all time. They may pass it on to private hands if they chose and make it a private concern, not on the managing agency system, but on the system, as I said, of having a board of directors with a chairman.

SHRI GOPIKRISHNA VIJAVARGIYA
(Madhya Bharat): If there are losses?

SHRI H. C. DASAPPA: What does it matter? You cannot have it both ways and say, "Heads I win and tails you lose". And it may be that some of them may not flourish as well as some others. But there is a certain sort of balancing, and I am sure there would be no difficulty. And it is possible for us to withdraw our investments in these concerns which are well-settled and well-established and start fresh industries through the help of this industrial investment fund. Now, as regards the personnel, I do not think that there will be any difficulty about getting personnel by the

[Shri H. C. Dasappa.] Government. When the Government can get personnel for places like Chittaranjan, Sindri, the Penicillin Factory, etc., do you think it will not be possible for them to get personnel with regard to other industries which now are in the private sector? I think there will be no difficulty about getting personnel. In fact, I think this is the most profitable, and the most fruitful line of Government activity in the years to come.

I do not want to take very much time of the House, but what I say is this: I cannot deny that this contains very wholesome provisions, and I would like to refer to one or two of them which, I do not know, whether anybody else has referred to. **One is the** question of amalgamation of companies. What happens in this country is that once somebody starts an industry, dozens of other people start the same industry. They do not want to start new industries; they must start the same industry, with the result that each one of them becomes un-economic, and everyone of them suffers. I have got some experience of the textile industry. My hon. friend over there may know that there are a number of uneconomic textile units in West Bengal. If it is a question of giving more and more spindlage in order to make every uneconomic unit an economic one

SHRI B. GUPTA: They are uneconomic because firms like the Birlas do not allow these companies to develop.

SHRI H. C. DASAPPA: There is not the remotest connection between these uneconomic units and Birlas.

SHRI B. GUPTA: The uneconomic units can become economic units provided there is support and assistance to them. This assistance is not forthcoming now.

SHRI H. C. DASAPPA: If we have to make everyone of these uneconomic units into economic units, then I do not know how many more looms and spindles will have to be provided. It would be a mad idea for us to convert every uneconomic unit in the country

into an economic unit by increasing the spindlage and loomage, since we have already reached our target of production in cloth. If we increase the number of looms of every uneconomic unit from say, 100 to 600, at that rate, there will be thousands of looms added and likewise if in every uneconomic spinning unit we increase the looms anywhere from 6 to 10 thousand spindles to 25,000 spindles, several lakhs of spindles may have to be provided.

SHRI B. GUPTA: For the information of the hon. Member, we have in West Bengal about 30 to 34 textile mills. Of these, one mill, Keshoram Mills, controls about one-third of the total production. The other mills do not have even 100 looms. They are all medium ones.

SHRI H. C. DASAPPA: That is why I say that one of the best provisions in this Bill is the provision for the amalgamation of companies in certain circumstances. Government has taken powers to amalgamate. Even with the best of intentions in the world, I cannot say that the safeguards provided in this Bill are such as will wholly eliminate the evils of the systems that have been in existence in this country. I know that a great jurist once said that there was no law as yet conceived which human ingenuity could not somehow get over. But by and large, here is an effective attempt to see that those evils are eliminated and the interests of the shareholders are safeguarded. **But** I can say this much that this Bill is incomplete, and we should certainly incorporate in this, provisions relating to the purely Government-owned concerns and also concerns in which Government has invested a certain amount of money by way of part of the share capital. When I say Government, I include both the Central and the State Governments. I think it would be very wise if the State Governments also take up some of those industries which, in spite of our best efforts, have not been launched as yet. There are quite a good number of these. For instance, India is the second largest user of raw films, but we have not got

any raw film industry here. Where private enterprise is not forthcoming, it is up to the Government to step into the breach.

Sir, I am very thankful to you for having given me this opportunity to speak on this Bill.

SHRI RATANLAL KISHORILAL MALVIYA (Madhya Pradesh): Sir, I rise to support the motion to refer this Bill to a Joint Select Committee, and while supporting the motion, I have to make some observations on a subject which has been very much talked over in the House on both sides, i.e. the managing agency system as it prevails now. I am confining my remarks to the managing agency system because that is the crux of the whole Bill and also the nerve centre of the Bill. I will refer in this connection to the speech which was made by the hon. the Finance Minister in the other House in which he clearly admitted the evils of the managing agency system. While speaking on clauses 307 to 359 of the Companies Bill which deal with the terms and conditions of appointment of managing agents, the numerous powers of the managing agents *vis-a-vis* the directors, and the powers and duties of the managing agents in regard to borrowing, contracts, purchases, etc., the hon. the Finance Minister in his speech has suggested that the object of the proposed reform is to prevent the widespread abuse of the powers conferred on the managing agents in regard to these matters, which have taken place all over the country more particularly since the commencement of World War II. These provisions are said to be of key importance in the scheme of reforms envisaged in this Bill. The Finance Minister believes that in the present economic structure of the country, the managing agency system will continue to have its use for some time to come. And claimed that in spite of the abuses and malpractices which have disfigured its working in the recent past, the system can 'prove' to be a potent instrument for tapping the springs of private enterprise. He feels that the system should

be purged of the evils which have crept into it as early as possible so that it can play a worthy and useful role in the future development of the private sector.

Let us examine the claim of the hon. Finance Minister of purifying the system of managing agency and I will confine my remarks to some of the clauses between 307 and 359 which deal with the system of managing agency. It is not necessary for me to deal in detail with all the clauses because most of them are of a routine nature. They only deal with the method of appointment or election of the managing agents, their resignation or removal for gross negligence, determination of their profits, system of purchase of raw materials and stores etc., the sale of the output etc. Some of these points are very important for the purposes of the line in which I want to deal with this subject. I will refer to clauses 329, 333, 334 and 336 which deal with the remuneration of the managing agents. The powers which these clauses give to the managing agents, providing for them the remuneration and expenses etc. are very wide and it will not be possible under these powers, given to the managing agents, to find any redress to the shareholder or to the common man which is contemplated under this Bill. To give an instance, one clause allows them a profit of 12½ per cent. Another clause provides them powers to accept as their profits or expenses to the extent of Rs. 50,000 even if there be losses to the company. Another point which I would like to bring to the notice of the House is the provision made in clauses 338 and 340 regarding the appointment of managing agents or associates as selling agents and as buying agents. Besides the fact that there is little control on the profits and the expenses which they will be drawing from the company, provision has been made for associates as buying and selling agents. Of course it may be said that it is an improvement on the past where the managing agents themselves used to do buying and selling. This has been given to the associate. But we very well know

[Shri Ratanlal Kishorilal Malviya.] from the practices which are adopted by these big magnates holding managing agency that it will be very easy for them to manipulate and have their own men or relations or somebody as buying and selling agents of the company and the practice which they have been addicted to upto this time will ; go on unabated and the provisions of laws do not, in my mind, control the practice of the buying and selling which has been so far adopted by them. The evils of this system have been admitted by no less a person than the hon. Finance Minister himself and it is not necessary for me to dilate upon the evils myself. It is well-known how the managing agencies have been provided for their relations and friends and, of course, others in whom they are interested and this has resulted in not only the prejudice which we have now got against this managing agency system but also an infinite loss to the shareholders and the common man. I would draw your attention to the various reports of the Committees and also to some of the cases which have brought to light the evils of the managing agency system. The case of United India Company Ltd. of Bombay which had the managing agency of six mills is now a case which is well-known to the public. This managing agency mismanaged the finance and the affairs of the company so badly that the Government had to appoint the Chopra Committee to go into the misdeeds of this company and of course, though the report is not before us as it has not been published probably it is understood that a very serious criticism has been made by this Committee of the managing agency system and it is believed that that Committee has recommended very strongly that the managing agency system may be abolished as early as possible. Another case—a glaring case—is that of the Sholapur Textile Mills. You are aware that the managing agents of this mill were mismanaging the affairs of the mill and the Government by a special legislation had to take over the management of it and run the concern for some time. This created a

problem, because after the management had been taken over and after a lot of money had been made over to the mill, the directors or others interested in the mill, went on litigation and some time back the Supreme Court held the holding of this mill or the taking over of it by the Government to be void. This has created a very serious problem so far as the managing agents are concerned. Litigation of the kind that came up in the case of the Sholapur Mills is likely to come up in other cases, so much so that the Industries Development and Regulation Act under which the Government had taken over the power to control and administer the mills or other concerns which do not manage the affairs properly would not be found useful. The complication which has been created by the litigation in Sholapur Mills is likely to be created by other concerns as well. In fact, as it stands today, the Industries Development and Regulation Bill is redundant and it has become a waste paper. So my submission is that this system of managing agents itself is so very vicious that unless you do away with the system itself, it will not be possible to mend it, by whatever means you may try to do so. It is actually a relic of the past, of British imperialism. After our Independence was achieved in 1947, within this short period of six or seven years, we have been able to abolish the numerous states. We have been able to abolish the zamindaries and all traces of feudalism from the country. They have disappeared or are in the process of disappearance. But this feudalism in the business world, in the commercial world, how long is the country going to tolerate? Other forms of feudalism have been abolished by the Government or by the country and it is high time that this form of feudalism also, which exists in the form of these managing agencies, which is ruining the business, which is ruining the economy of the country was removed lock, stock and barrel.

I now come to another point. When we are faced with the difficulties in the way of the proper industrialisa-

tion of the country, when we think of the development of our industries, big and small, cottage and others, we start feeling that nationalisation of some of the big concerns or big industries like the coal industry and others, is necessary. But to me it looks as if that is not possible to be achieved in the near future. But it is possible to achieve the same objective by the abolition of these managing agencies. It is going to change the whole picture so far as the industrial and commercial life of our country is concerned and I am positive that with the abolition of this system the cry for nationalisation will not be necessary for some time. As has been said by so many friends, capital formation in the country generally depends on the middle and the lower middle classes. The major portion of the capital belongs to these classes and after the abolition of this managing agency system, I believe if encouragement is given to these two classes, they will provide more money and the progress of industrialisation will not lag behind. I feel that if nationalisation of the industries, partial or wholly, cannot be undertaken for some time more to come, then this is another weapon in the hands of the country whereby they can provide the capital necessary for the development of these industries, I mean the weapon of abolition of the managing agency system.

Now I come to another important problem which has been overlooked in this Bill. We have the provision in the Bill for making profits available to the managing agents, for giving profits to the shareholders, for meeting the expenses of the directors, agents and so on. There is also provision to realise something from the company even if the company in a particular year had been running at a loss. But I most humbly have to submit—it may be said that this is not the proper context, but I have to say it and I feel that it is the proper occasion for an expression of this view, and I express it in the hope that it will receive consideration from the hon. Minister and the Joint Select Committee—that there is no provision for some sort of a share

in the profits of the company for the workers, the workers by whose labour the pockets of the managing agents, the directors, the shareholders, are all filled. The man who fills the pockets of the others, is neglected. You, Sir, are well aware of the industrial disputes that arise on account of the payment of bonus. The workers in trade unions have to contest these disputes every day. Not less than a hundred cases must have been decided or are pending before either the Industrial Tribunals or the Appellate Industrial Tribunal.

I am glad that in very many cases, the cause of the workers is upheld there and they get their due. I am especially talking about bonus but they get it with great difficulty, after a very long time and after a great deal of expense which the workers are not in a position to bear. They have to pay very heavily to contest litigation in the courts. It is necessary that there should be a definite provision made here to enable the workers to get a share in the profits, whether it be in the shape of a bonus or in some other form. I very humbly make this suggestion to the hon. Deputy Minister and I would like the Joint Select Committee to give a serious consideration to this. It may be argued that there are several legislations dealing with labour but I very humbly submit, Sir, that so far there has not been many such legislations and if the Labour Relations Bill which has been circulated in the past to us is any indication of the intentions of the Government, I may say, that there also there is no provision and there is no likelihood of any such provision being inserted. This is the proper Bill where such a provision could be made whereby at least a portion of the profits or some bonus—whatever it may be—is given to the workers. This may be incorporated in some clause and a definite provision may be made for some percentage of the profit to be distributed amongst the workers.

We have given the managing agents 12J per cent.; we have also given Rs. 50,000 whether the unit runs at a

[Shri Ratanlal Kishorilal Malviya.] profit or at a loss but we have said nothing about the workers. This would have been all right when the first Act was enacted in the year 1913 but now, 1954 is the year in which a worker cannot be neglected. He deserves serious consideration or else the time may come when the workers may join hands and compel us to consider their demand. ;Hid make amends in the Bill later on.

One more point and I will finish.

THE VICE-CHAIRMAN (SHRI B. C. GHOSE): Will you finish soon?

SHRI RATANLAL KISHORILAL MALVIYA: I will finish very soon, Sir. I want only one minute. The other point that I want to make is that the workers should have a share in the running of the administration. That is of very great importance. If you want to keep a check on the managing agents—if that system is not abolished and I feel that my speech is not going to abolish the managing agency system, it might continue for some time to come—the only way to do so is to make some provision in the Bill itself for the workers to have a

share in the administra-12 NOON
tion of the company.

They must have an effective voice in the administration and they must have a hand in checking the accounts of the company and in knowing the exact financial position of the industry in which they are working. This is likely to keep a check on the evils which have been admitted by the hon. Finance Minister. I will, therefore, very earnestly urge that these two points may be taken into consideration by the Finance Minister and may also be considered seriously by the Joint Select Committee, namely to provide for a share in the profits by way of bonus or otherwise for the workers and also to provide for the workers to have a share in the administration by way of appointment of one or two directors from amongst the workers or in some other form which the Joint Select Committee may think proper.

With these words, Sir, I support the motion for reference of the Bill to the Joint Select Committee.

THE DEPUTY MINISTER FOR FINANCE (SHRI M. C. SHAH): Sir, I am grateful to the Members of this House for giving, by and large, support to the motion moved by me. Sir, this is one of the most important pieces of legislation that has come up before Parliament in recent years and it was natural that Members should express their views freely and frankly on the Bill. Except three or four Members who attacked the managing agency system and who wanted to have that system put an end to immediately, the others have offered suggestions to be considered by the Joint Select Committee on various clauses of the Bill. I am sure, Sir, that those suggestions will be considered very carefully by the Joint Select Committee when they consider the Bill clause by clause and wherever it is possible to accept the suggestions, I am sure that the Joint Select Committee will look into the matter very sympathetically.

Before dealing with those minor points raised by some of the hon. Members, I will refer to the question of the managing agency system. On the one hand, two hon. Members, Dr. Srivastava and Mr. Lai Chand—both of whom are not here—were rather critical about the restrictions that are proposed to be placed on the managing agencies and the management in the various clauses of the Bill. They thought that by the imposition of these restrictions, there will be some harm to the free initiative and development of the private sector. They complained that though the managing agency system has worked well, has contributed a great deal for the industrial growth of the country, by the restrictions that we propose to impose in order to eradicate the evils that have crept into this system, they felt that the growth of industrial development will be hampered. On the other hand, Sir, my friend Mr. Bhupesh Gupta—and he is not here now—Mr. Rezzak and lastly my friend Mr. Malviya thought that the managing

agency system should be done away with immediately.

Sir, this question of managing agency has been before the country since 1936 when an important amendment of the company law with regard to this managing agency system was passed in the time of the then Law Member of the Government of India, Sir N. N. Sircar. Important changes were then made in the law relating to the managing agency and the hope was then expressed that the amended Act would close most of the loopholes for abuses and malpractices that existed at that time. It is a matter of regret for all of us and it is a matter of regret to admit that those hopes have been largely belied. But we must, at the same time, recognise that this was due in no small measure to the outbreak of World War II and the opportunities it offered to the managing agents to indulge in malpractices on a large scale. The preoccupation of the then Government with the prosecution of war efforts prevented adequate enforcement of the provisions of the amended Act. When the war ended, new constitutional, political and administrative problems of great complexity and magnitude emerged and engrossed the attention of the Government. Nevertheless, even while the Government was thus preoccupied, it took steps to initiate a detailed study of the Indian Companies Act. First the Government of India had appointed an eminent lawyer from Bombay to study the company law and suggest modifications. Thereafter the Company Law **Committee** was appointed. That Committee took the trouble of going to all important centres of trade and commerce in the country to hear those who were interested in this and who wanted to say something on this, and **after a** good deal of deliberation **and** after great pains they submitted a report. That report was very very carefully considered by the Government of India and after such careful consideration they got the information that many evils crept into the managing agency system since World War II and were continuing. So many abuses and

malpractices were found in some of the managing agents' companies. **Still** the Company Law Committee, after careful consideration of all the evidence that was tendered to them, came to the conclusion that, under the circumstances, it was necessary to continue the managing agency system, and they suggested that certain restrictions ought to be placed on that managing agency system and therefore they finally recommended that it is better to mend the managing agency system for the present and not to end it.

In the speech which I delivered yesterday to the House I just explained what were the reasons of the Company Law Committee to come to these conclusions. They had stated that it was very important to continue this system because today we have not got a substitute for it and we have not got a capital market in order to canalise the savings of the people and to direct them for the formation and promotion of companies. If I read a small paragraph from their report the House will agree with me that the provisional decision of the Government, as taken, is rather correct. They have said: "Having regard to all the circumstances we consider that in the present economic structure of the country it would be of advantage to continue to rely on the managing agency system. In taking this view we have not ignored the many abuses and malpractices in the system to which a reference has been made in many past reports and other reports like those of the Income-tax Investigation Commission and to which many of our witnesses drew our pointed attention."

The main reason why the Company Law Committee recommended the continuance of the system subject to adequate safeguards was that no suitable alternative to this system had yet been worked out in this country. The main impediment to the abolition of the managing agency system is the absence, as I said yesterday, of a properly organised capital **market with** well developed financial institutions

[Shri M. C. Shah.] and specialized services needed for the satisfactory functioning of a capital issue market. Therefore hon. Members will appreciate that it will take some time to build up this new set-up, this new organization of an up-to-date capital market providing for all the specialized services which are essential to the successful floatation of joint stock companies. Therefore, though the Government are fully alive to the abuses and malpractices of certain companies managed by managing agency firms.....

SHRI S. MAHANTY (Orissa): What are you doing about it?

SHRI M. C. SHAH: We are just proceeding on these lines.

SHRI S. MAHANTY: Which lines?

SHRI M. C. SHAH: To just have this set-up of capital market but it will take time. In the transitional period we have to go on with the institution that is working though there are evils and though there are abuses. We want to check those evils and abuses and we want to utilise that agency with the curbs and checks that we propose to put on it. Therefore if hon. Members will study this Company Law Bill very carefully they will find that we have placed so many restrictions on the powers of the managing agents so as to eliminate abuses—restrictions on the powers to make contracts, on the powers to raise loans, on the nomination of directors, in the matter of having selling agencies, etc.

Some Members complained and I remember Shri Kishen Chand complained that the managing agents had the selling agencies and purchasing agencies in some others' names and for that we have already got all the provisions in this Company Law Bill and, as I said, because of these restrictions there is rather a fear expressed by some of the Members, but we feel that it is absolutely necessary in the interests of the shareholders to have all these restrictions imposed on the managing agents. And

so what I have stated is that we cannot all of a sudden end a system unless we have a substitute to take the place of this system. Today we say that there is no substitute and therefore it is necessary that this agency may continue for some time so that in the transitional period we can have set up that up-to-date capital market.

So, Sir, I feel that it is no use going over the same field over again. I had sufficiently explained the position in my speech at the beginning and why we have come to these conclusions and it is now for the Select Committee to consider this question.

My friend Mr. Bhupesh Gupta is not here. I thought his speech was a rather disappointing one.

SHRI S. N. MAZUMDAR (West Bengal): You may reply to his points though he is not here. It is not that he is not coming till the end of the debate. He will come.

SHRI M. C. SHAH: I will reply to his points, but I thought that he would remain present to hear the replies to the points he had made. When he is not here

SHRI ABDUL RAZAK: You may reply. He will read it in the press.

SHRI M. C. SHAH: That is all right. Sir, he also said that all the evils of the economic policy of this country and of the industrial management of this country come from this managing agency system, and he traced the history from the British people who came over here and who introduced the managing agency system, and thereafter that system was adopted by Indians. But I am afraid he has missed the point. Really speaking, even if the British had not introduced the managing agency system the same thing would have happened because of the British Imperialism in India for over 150 years. So, there is that historical background. It is not that they would have put up another system and got control of all these things. The real difficulty was the colonial system of

the British. Therefore to condemn that system and say that all the evils that exist now spring from this managing agency system is not correct. As a matter of fact.....

SHRI S. N. MAZUMDAR: It was the specific expression of that colonial system which you are referring to.

SHRI M. C. SHAH: That is a historical factor. It is not correct to say that all the evils have come up because of the managing agency system. As a matter of fact, if we are fair we must concede that this managing agency system followed by Indians has given good dividends for a number of years. We must concede that in the industrial development of the country this system has played its part and as I said particularly during World War II and there after so many evils have crept into this system and, therefore, we can say today that there are certain evils which ought to be curbed. And this is an attempt to curb those evils which exist in the managing agency system. Therefore, what I say is that Mr. Bhupesh Gupta's diagnosis was not correct. He said.....

SHRI S. N. MAZUMDAR: According to us, it is correct.

SHRI M. C. SHAH: According to me it is not. I cannot deny your own views, My view is.....

SHRI S. N. DWIVEDY (Orissa): It is not acceptable to us.

SHRI M. C. SHAH: May not be acceptable. Yet, Sir, they have not shown any substitute for this managing agency system. I have heard Mr. Gupta with great attention and I did not find any substance in what he said. There was no constructive suggestion whatsoever except his oft-repeated slogans that the foreigners came and this has happened. There are certain industrialists who are on the brain of my friend Mr. Bhupesh Gupta and his other friends there but we must in fairness concede that the managing agency system in the beginning has played an important part in the industrial development of the country.

30 CSD.

SHRI H. P. SAKSENA (Uttar Pradesh): The hon. the Finance Minister . said that there was no substitute for the managing agency system. Now, Sir, I beg to remind him that if we could find a substitute for the British Government it should not at all be difficult to find a substitute for the managing agency system.

SHRI M. C. SHAH: Right; I entirely agree with my hon. friend that we must find a substitute and that is why I have stated that in this transitional period this managing agency system with all the curbs imposed on it should continue for some time. I do not say that it should continue for ever; I have not said that. At the same time I am not defending the abuses and the malpractices of the managing agency system. I have said that they are there and that is why the Government of India appointed eminent lawyers to go into this question and then the Company Law Committee which took a good deal of time. Thereafter the Government considered all those recommendations and came to the conclusion that under the present circumstances this ought to continue. I do not say that a substitute should not be found nor do I say that it cannot be found.

SHRI RAJAGOPAL NAIDU (Madras): May I interrupt at this stage? The hon. Minister has said that there is no alternative for the managing agency system, but will the hon. Minister please consider whether the co-operative principles may not be a suitable alternative for the managing agency system? Several big industries in this country are being managed on a co-operative basis. Is it not a fair substitute for the managing agency system in our country? It may be, that the Government may not collect any tax from any cooperative institution because cooperative institutions are exempt from taxation.

THE VICE-CHAIRMAN (SHRI B. C. GHOSE): But has the hon. Minister finished?

SHRI M. C. SHAH: He goes on speaking. What can I do?

[Shri M. C. Shah.]

I was talking about this managing agency system. I do not think I need take much more time on that point because I have already explained it in great detail, and it will also be discussed in the Select Committee.

Then certain points were raised by my friend Mr. Kishen Chand.

SHRI RAJAGOPAL NAIDU: The hon. Minister has not replied to my point.

SHRI M. C. SHAH: Co-operatives do not come up to expectations and I do not think that at present the cooperative societies can take the place of the managing agencies in such a wide industrial field. I do wish that the co-operatives should come up but I do not think that it is a substitute for the managing agency system on such a big scale.

SHRI RAJAGOPAL NAIDU: I am glad the hon. Minister admits that it is going to be a substitute though not in the near future.

SHRI M. C. SHAH: I did not say that. It may be or may not be but today it is not in a position to take the place of the managing agency system in such a wide field.

Sir, there were suggestions about the Board of Directors, about the remuneration of managing agents, about the appointment of the relatives of the managing agents, and so on. All these points can be answered by referring to certain clauses in the Bill. Some suggestions were made for constitutional safeguards for the interests of the minority shareholders and it was said that a percentage of the directors should be appointed by the Government. This will be extremely undesirable because the Government will become liable to criticism for the sins of the directors, while they will have no hold on their activities. If it is intended that the Government should appoint their own officers as directors of companies, it will be impracticable to do so to any appreciable extent.

There was also some suggestion that there should be a separate representation of minority interests on the Board, of Directors. This is bound to lead to conflict in the Board itself and would not be conducive to efficient work which is essential for the success of any business organisation. The whole scheme of this Bill is to give more and more powers to the shareholders, to look after the management and to curtail more and more the powers of the managing agents as well as of the directors. It has been laid down as to who will be the directors, who will elect the directors, etc. There is also a provision that certain relatives of the managing agents will be debarred from being taken as directors. We have also provided for the appointment of selling agents, purchasing agents, and certain associates of the managing agents or their relatives have been debarred unless a certain procedure has been followed. All those loopholes which are there today and which allow managing agents to exploit the resources of a company for their own benefit will be curbed to a very great extent. And, therefore, what I submit is that this a very great improvement on the present Company Law and we hope that when the Bill is passed, with the improvements that the Select Committee may think fit to bring to bear on the present clauses, I am sure that for some years to come, the private sector will be well-regulated by this Company Law Bill.

There are certain other points which are simply suggestions for the Joint Select Committee; and I think I should say nothing on those points which the Select Committee is going to consider because I feel that it will fetter the powers of the Select Committee which I do not propose to do.

I do not think, Sir, that I need take much time of the House on this matter. But really speaking, there are not many more points except this managing agency system; either it has to be dropped or it has to be kept. Therefore, I submit that the motion be accepted by the House.

SHRI KANHAIYALAL D. VAIDYA (Madhya Bharat): Sir, it has been stated by the hon. the Deputy Minister that it was the managing agency system that **had** so far protected the industry and helped to industrialise the country, but really speaking, it is the purchaser or the consumer who has given that protection and the managing agents have completely exploited the consumer. As such, what protection are you going to give, under this Company Law Bill, to the consumer who has hitherto been exploited, is being exploited and will be exploited by these managing agents?

SHRI M. C. SHAH: The Company Law Bill is with regard to the formation of companies and the management of joint stock companies or corporate bodies. There are to be shareholders, some people gather together, they subscribe the sharecapital and the company is formed. Therefore, the Company Law Bill is not concerned with the protection of the interests of consumers. For that, Government must take some other measures.

THE VICE-CHAIRMAN (SHRI B. C. GHOSE): The question is:

"That this Council concurs in the recommendation of the House of the People that the Council do join in the Joint Committee of the Houses on the Bill to consolidate and amend the law relating to companies and certain other associations and resolves that the following Members of the Council of States be nominated to serve on the said Joint Committee : —

1. Dr. P. Subbarayan
2. Shri S. P. Jain
3. Shri Somnath P. Dave
4. Dr. R. P. Dube
5. Shri B. K. P. Sinha
6. Dr. Nalinaksha Dutt
7. Shri R. S. Doogar
8. Shri Jaspat Roy Kapoor
9. Shri S. Chattanatha Karayalar
10. Shri Amolakh Chand
11. Shri M. C. Shah

12. Shri V. K. Dhage
13. Shri G. Ranga
14. Shri Satyapriya Banerjee
15. Shri B. C. Ghose
16. Dr. P. V. Kane."

The motion was adopted.

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL, 1954

THE MINISTER FOR HOME AFFAIRS AND STATES (DR. K. N. KATJU) : Mr. Vice-Chairman, I beg to move:

"That this Council concurs in the recommendation of the House of the People that the Council do join in the Joint Committee of the Houses on the Bill further to amend the Code of Criminal Procedure, 1898, and resolves that the following Members of the Council of States be nominated to serve on the said Joint Committee : —

1. Shri K. Madhava Menon
2. Shri T. S. Pattabiraman
3. Shri Barkatulla Khan
4. Shri Biswanath Das
5. Shri Sumat Prasad
6. Shri J. S. Bisht
7. Shri Gopikrishna Vijaivargiya
8. Diwan Chaman Lall
9. Shri K. B. Lall
10. Shri P. T. Leuva
11. Shri S. D. Misra
12. Shri M. P. N. Sinha
13. S. N. Dwivedy
14. Shri Bhaskara Rao
15. Shri P. Sundarayya
16. Shri M. Roufique"

Mr. Vice-Chairman, it is unnecessary for me to dwell upon the importance of