

(b) (i), (ii) and (iii). Newsprint is not produced in India.

(c) (i) and (ii). The National Newsprint and Paper Mills Limited, Chandni (Madhya Pradesh) is the only mill under construction in India for the production of newsprint. It is expected to produce approximately 30,000 tons of newsprint per annum.

(d) :	Tons
1950-51	75,206
1951-52	50,481
April 1952 to September 1952.	21,867

DISQUALIFICATION OF RADIO ARTISTES

33. SHRI B. GUPTA . Will the Minister for INFORMATION AND BROADCASTING be pleased to state whether it is a fact that certain Radio artistes of Calcutta have been disqualified for any assignment over the All India Radio ; if so, why ?

THE MINISTER FOR INFORMATION AND BROADCASTING (DR. B. V. KESKAR) : Artistes are engaged by All India Radio Stations according to their suitability for various broadcasts and the requirements of programmes scheduled from each Station. It is not possible to detail the reasons for not engaging any particular artiste or artistes. It is largely a question of choice and judgment which might differ.

CONCERNS SET UP BY GOVERNMENT

34. SHRI L. H. DOSHI : Will the Minister for PRODUCTION be pleased to lay on the Table of the Council :

(a) a statement showing the names of the industrial concerns including utility concerns set up by Government and the year in which each concern was set up ;

(b) the names of the concerns which are under independent corporations and of those which are under the direct control of the different Ministries of the Government of India ; and

(c) the annual financial statements of these concerns for the last three years ?

THE MINISTER FOR PRODUCTION (SHRI K. C. REDDY) : (a), (b) and (c). The required details are being collected and will be laid on the Table of the Council shortly.

LAKKUVALLY BHADRA RESERVOIR PROJECT

35. SHRI BASAPPA SHETTY: Will the Minister for PLANNING be pleased to state. :

(tt) whether Lakkuvally Bhadra Reservoir Project in Mysore is included in the Planning Commission Report and Five Year Plan ; and

¹ (b) if the answer to part (a) be in the affirmative, how long it will take to complete this project ?

THE DEPUTY MINISTER FOR PLANNING & IRRIGATION AND POWER (SHRI J. S. L. HATHI) : (a) Yes, Sir.

(b) The first stage of the project is expected to be completed in 1955-56 and the whole project in 1960-61.

PROJECTS UNDERTAKEN UNDER FIVE YEAR PLAN

36. SHRI M. VALIULLA : (a) Will the Minister for PLANNING be pleased to state what are the projects undertaken by the Central Government as distinguished from those to be undertaken by the State Governments under the Five Year Plan ?

(fe) In which States are these Central Government projects undertaken ?

(c) What is the cost of each of these projects ?

THE DEPUTY MINISTER FOR PLANNING & IRRIGATION AND POWER (SHRI J. S. L. HATHI) : (a), (b) and (c). A statement is laid on the Table of the House. [See Appendix III, Annexure No. 34.]

IMPORT OF FOREIGN LIQUOR

37. SHRI M. GOVINDA REDDY : Will the Minister for COMMERCE AND INDUSTRY be pleased to state : I

(a) the particulars and quantities of the foreign liquors imported during the years 1948, 1949, 1950 and 1951 ; and

(b) the restrictions if any imposed on the import of such liquors during those years ?

THE MINISTER FOR COMMERCE I (SHRI D. P. KARMARKAR) : (a) A statement is laid down on the Table of the Council. [See Appendix III, Annexure No. 35.]

(b) A statement is laid on the Table of the Council. [See Appendix III, Annexure No. 36.]

INTER BORDER TRADE

38. SHRI M. GOVINDA REDDY : Will the Minister for COMMERCE AND INDUSTRY be pleased to state :

(a) Whether the inter border trade between Pakistan and India is affected by the introduction of the passport system ;

(b) if so, the extent to which such trade has been so affected ; and

(c) The steps taken by Government to promote such trade ?

THE MINISTER FOR COMMERCE (SHRI D. P. KARMARKAR) : (a) and (*). Since the passport system was introduced about the middle of October 1952 it is yet too early to assess its effect on our border trade which is also affected by import and export trade control restrictions.

(c) Does not arise.

MADRAS HANDLOOM WEAVERS' CONGRESS MEMORANDUM

39. SHRI K. SURYANARAYANA : Will the Minister for COMMERCE AND INDUSTRY be pleased to place on the Table of the Council a copy of the

Memorandum presented by the Mdras Provincial Handloom Weavers' Congress, Nidubrolu to the Prime Minister at Madras on the 10th October 1952 asking for the grant of protection and help to handloom industry, and state what action has been taken thereon by Government ?

THE MINISTER FOR COMMERCE (SHRI D. P. KARMARKAR) : A copy of the Memorandum is placed on the Table of the Council. [See Appendix III, Annexure No. 37.] A statement showing the measures taken by Government to assist the handloom industry is also laid on the Table of the Council. [See Appendix III, Annexure No. 38.]

CONSULTATIONS WITH TEA PRODUCERS AND TRADERS

t-p SHRI S. N. MAZUMDAR : Will the Minister for COMMERCE AND INDUSTRY be pleased to state :

(a) whether it is a fact that a representative of the Commerce and Industry Ministry is at present having consultations with the representatives of tea producers and traders at Calcutta; and

(b) if so, whether his programme includes consultations with the representatives of tea garden labour ?

THE MINISTER FOR COMMERCE (SHRI D. P. KARMARKAR) : (a) Secretary, Commerce and Industry, had consultations with the representatives of the tea industry when he visited Calcutta recently.

(b) No, Sir. Questions affecting the labour will be discussed at a conference convened by the Ministry of Labour at Calcutta during the third week of this month.

SHRI A. P. JAIN : Sir, with your permission, I would like to correct a figure which I have given in answer to question No. 146. I said that the

tOriginal Unstarred Question No. 40 of 8th December, 1952 has been transferred as Starred Question No. 40 A for 10th December 1952.

number of Yol Camp members settled in Jammu was 9,132. Actually, it was 4,734. I want that to be corrected.

MR. CHAIRMAN : 4,734 and not 9,132-

MESSAGE FROM THE HOUSE OF THE PEOPLE

INFLUX FROM PAKISTAN (CONTROL) REPEALING BILL, 1952.

SECRETARY : Sir, I have to report to the Council the following message received from the House of the People signed by the Secretary to the House :

"In accordance with the provisions of Rule 115 of the Rules of Procedure and conduct of Business in the House of the People, I am directed to enclose herewith a copy of the Influx from Pakistan (Control) Repealing Bill, 1952 which has been passed by the House at its sitting held on the 6th December 1952."

I lay the Bill on the Table.

LEAVE OF ABSENCE TO SHRI K. SURYANARAYANA

MR. CHAIRMAN : I have one letter of leave of absence from Mr. Kommareddi Suryanarayana :

"As I am suffering from fever since 15-11-1952 I could not attend the session from 24-11-52 and I think that I may not attend the present session. So I request the House through your Honour to grant me leave from 24-11-1952 up to closing of the present session."

Is it the pleasure of the Council that permission be granted to Mr. Suryanarayana ?

(No Hon. Member dissenting.)

MR. CHAIRMAN : Permission to remain absent is granted.

MOTION FOR PAPERS RE. SHRI SRIRAMULU'S FAST.

SHRI P/V. NARAYANA (Madras) : Sir, I have given notice of a motion for

papers on a matter of urgent importance arising out of the precarious condition in which Shri Sriramulu is today.

AN HON. MEMBER : We do not hear the hon. Member.

MR. CHAIRMAN : Who he says is that he has given notice of a motion for papers in connection with the grave situation in which Shri Sriramulu is.

SHRI P. V. NARAYANA : Sir, it is an urgent and serious matter and I request the Chair to admit that motion so that we may have a chance to know Government's views on this matter. The other day the matter was raised by my hon. friend Mr. Sundarayya. In fact, on two occasions the hon. Member moved this matter on the floor of this House. There was then no hon. Minister—there might have been a good number of Ministers present—who cared anything for the motion. But, Sir, it is a very urgent matter and if the Government could come forward with an announcement that may make him give up this fast and save his life. I therefore request the Chair to admit this motion and allow it, so that the Government will have the benefit of the opinion of the hon. Members and the country will know of the announcement that the Government would like to make?

MR. CHAIRMAN : This question was raised two or three days ago by Mr. Sundarayya and Prof. Ranga.

SHRI P. SUNDARAYYA (Madras). I may remind the House and bring to the notice of the hon. Members that day after day telegrams are pouring in. Here, I have got a bunch of telegrams and, I think, the hon. Ministers are also receiving many and though it is the fiftieth day.—

PROF. G. RANGA (Madras) : Fifty - first day.

AN HON. MEMBER : How is it that the Communist Members are alone getting telegrams ?

SHRI P. SUNDARAYYA : Yes, even though it is the fifty-first day and the Members have brought this to the notice of the House and informed the Government that he is seriously ill—on his death-bed he is now vomiting blood—Government have not moved in this matter at all. Therefore, I think this question must be discussed and the Government should be pleased to make a statement.

PROF. G. RANGA : We are also in favour of it.

SHRI B. GUPTA (West Bengal) : Sir, for the last three days the matter has been brought before the House. But then the Prime Minister was not here. Since he has come, it is his duty to make a statement. This is a matter which is of great importance not only to the people of that area, but to the whole country and the Minister must take us along with them.

MR. CHAIRMAN : It is a motion for papers which will have to be examined and then admitted. I will consider the question and you have the decision soon. Would you like to make a statement, Mr. Biswas ?

THE LEADER OF THE COUNCIL (SHRI C. C. BISWAS) : Sir, the Chairman was good enough to mention this matter when I was in his chamber. But I do not know what papers are available to Government on this subject. If there are any papers, I think, they will be placed before the House. I believe the question relates only to the condition of the gentleman who is on hunger-strike. If it raises the other question over which there is so much controversy

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PROF. G. RANGA : Surely.

SHRI C. C. BISWAS : Sir, if the point is raised as to the formation of the Andhra State, that is a different matter. It is a subject

PROF. G. RANGA : Why is it different ?

MR. CHAIRMAN : Order, order.

SHRI B. GUPTA : Sir, I am astounded by the reply that the hon. Minister gave before the House.

MR. CHAIRMAN : Order, order*

SHRI C. C. BISWAS : The right to feel astounded does not belong only to one section of the House.

MR. CHAIRMAN : Order, order—SHRI B. GUPTA : What he means is only the hunger-strike. You cannot separate the question of the immediate formation of the Andhra State from the other.

SHRI C. C. BISWAS : Sir, I was going to say that if that issue is going to be raised by the House, what I have to submit is this : This is a matter on which the Prime Minister has had occasion to make a statement both in this House and in the other—if not in this House, at least in the other. With reference to Government policy on the subject, I think, it is well-known, and if a fresh statement is desired, then, of course, the Prime Minister is here and he will be in a position to make any announcement of policy. So far as I am aware, there is no change in the policy of Government. So far as announcement of policy is concerned, I will say only this much at this stage. I think the question can be further considered.....

MR. CHAIRMAN : The point is that this is a motion for papers and it is for me to consider the admissibility. I will consult the Prime Minister. If the Prime Minister is prepared to make a fresh statement, I will allow it.

PROF. G. RANGA : Sir, if time I cannot be allowed today, it should be allowed tomorrow. Otherwise, there would be no occasion to discuss it.

SHRI B. GUPTA : May I prevail upon your wisdom to bring home to-

the hon. Minister the necessity of treating that misfortunes do not come single. In the matter a little more seriously instead of Madras we have had considerable treating it technically? damages due to drought. Coming on the wake of this, the havoc that has been caused by the cyclone is very severe. The situation is very serious as regards men and materials and some immediate step is called for.

SHRI C. C. BISWAS : Sir, I am surprised that there should be anything in my observations which deserves the castigation that I was not serious.

MR. CHAIRMAN : Order, order.

SHRI P. SUNDARAYYA : My only submission is that the reply of the hon. Minister is not satisfactory and that the Chairman must be pleased to give the time for the discussion of the motion.

MR. CHAIRMAN : I will try.

SHRI P. SUNDARAYYA : For the information of the Government, I may say there are two more telegrams which I have received just now.

MR. CHAIRMAN : You cannot discuss the question.

SHRI T. S. PATTABIRAMAN :

Sir, I am only mentioning it. Sir, the Government of Madras thinks that the increase in the expenditure has been so high that it is ten crores today. We are faced with this cyclone and yesterday it was announced that another cyclone was forming at the very place where it had struck earlier. I would draw the attention of the House as well as the Government to the fact that the situation is very grave and that the area, is in urgent need of help for the affected persons. They require urgent help for rehabilitation of the distressed persons. I understand that in the other House the Government have agreed to lay on the Table of the House a detailed report of the calamity that has taken place and the damages that have been caused to communications—railways, telegraph and other things—and also the damage done to agriculture and also—they have promised to give an indication of what the Government of India is going to do towards relief of the stricken province of Madras. May I request through you that the Government can also place a similar report on the Table of this House: for information and if necessary, have a discussion on the same so that the Government may be fully posted with the facts and Members also may be satisfied that this Government is doing all that is possible for them.

CYCLONE IN SOUTH INDIA

SHRI T. S. PATTABIRAMAN (Madras) : Sir, with the permission of the Chair, I desire to draw the attention of the House as well as the Government to the great calamity that has taken place in the South. We are all aware that a cyclone of great intensity hit the South very recently and the damages effected have been considerable. Sir, communications and transport have been completely paralysed through out many a district in Tamil Nad and in some parts of Madras. We are not as yet in full possession of the facts. Several reports have appeared in the newspapers of Madras, especially, the 'Hindu' giving the day to day occurrences that are taking place and the gruesome spectacle of suffering witnessed in those areas. Many villages have been erased and in fact many cultivators' lands have been erased. The sea has advanced as far as ten miles in many a coastal area and practically, the entire area of the Tanjore district which is the granary of the South, the greatest paddy-growing centre is flooded with water. The loss caused to agriculture will run to several crores. The total havoc has been considerable and the modest estimate can put it down at Rs. '5 crores. Sir, it is true

THE LEADER OF THE COUNCIL (SHRI C. C. BISWAS) : Sir, Government are fully alive to the situation which has unfortunately arisen in Madras. As the hon. Member said the matter was raised in the other House and a joint report is under preparation which will give a full account of the damage which has been caused and the steps

[Shri C. C. Biswas.] which will be taken to ameliorate the situation and as soon as that report is ready, it will also be placed before this House.

MR. CHAIRMAN : No discussion is necessary. There are Private Members' Legislative business.

Mr. Satyapriya Banerjee is off to Vienna.

SHRI C. G. K. REDDY (Mysore) : Has he ?

MR. CHAIRMAN : That is what the papers said. There is another motion here by Shri Guruswami.

THE FACTORIES (AMENDMENT) BILL, 1952.

SHRI S. GURUSWAMI (Madras) : Sir, I beg to move for leave to introduce a Bill further to amend the Factories Act, 1948 (Amendment of Section 2.)

MR. CHAIRMAN : Since there is no opposition I put the motion to the House.

The question is :

That leave be granted to introduce the Bill further to amend the Factories Act 1948 (Amendment of Section 2.)

The motion was adopted.

SHRI S. GURUSWAMI : Sir I introduce the Bill.

MR. CHAIRMAN: Government legislative business. Mr. Shah.

THE INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL, 1952

THE DEPUTY MINISTER FOR FINANCE (SHRI M. C. SHAH) : Sir I move :

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

Sir, the Industrial Finance Corporation was set up on the 1st July 1948 and has upto the end of October 1952 sanctioned loans to the tune of Rs. 15,22,70,000 to 103 industrial concerns of varying sizes all over the country engaged in all types of industries. I have already had" circulated to hon. Members of this House the statements showing the classification of the number and amount of loans and advances granted industry-wise and classification of loans and advances industry-cum-State-wise upto the 30th June 1952. Copies of the 4th Annual Report of the Corporation are also available in the Library of the House for Members' use. I think the hon. Members will agree with me that the Corporation has rendered very useful service in supplementing the capital requirements of Industrial concerns at a time

12 NOON.

when the industrial enterprises found that while, on the one hand, the capital they had raised for their schemes proved insufficient on account of rising costs, and on the other, it has become more difficult to raise fresh equity capital from the market.

With the experience gained in the working of the Corporation for the last 4 1/2 years, it is now possible to expand its activities on fruitful lines so that the Corporation may render greater service to the private sector for the industrial development of the country. The main purpose of the Act is to enable the Corporation to supplement its resources from loans from the International Bank for Reconstruction and Development. I may here mention that the original Act provided for the Corporation borrowing in foreign currency from the International Bank or otherwise ; but no provision was made for the Central Government guaranteeing such loans. As the House is aware, it is customary for all loans granted by the World Bank to third parties to be guaranteed by the Government of the country to which the loanee belongs. The Act only provides that the bonds and debentures raised by the Corporation in India shall be guaranteed by the

Central Government and the guarantee now proposed to be given in respect of foreign bodies will be in keeping with the scheme of the Act. As regards any loss or profit in exchange which might arise as a result of transactions in foreign borrowings, it seems appropriate that the Government should undertake both the risk of loss as well as the advantage of profit that may accrue. It may be difficult for the Corporation to borrow from the International Bank for Reconstruction and Development on any large scale if it has also to undertake the risk of exchange loss. It may also be remembered that all the profits of the Corporation in excess of 5 per cent, accrue to Government. It will be noticed that the amended section 27 of the Bill provides that all loans and advances to industrial concerns out of foreign currency shall be granted in Indian currency and shall be repayable by such concerns in Indian currency. Consequently, so far as the industrial concerns are concerned, there will be no loss or profit on exchange transactions.

In order that India should get full advantage of any loan agreement between the Industrial Finance Corporation and the International Bank for Reconstruction and Development, it is desirable that the Industrial Finance Corporation should be in a position to grant loans in particular cases for even larger amounts than the maximum of Rs. 1 crore. Ordinarily in the case of very large industrial enterprises, it should be possible to negotiate for a direct loan from the International Bank for Reconstruction and Development. Such cases need not, therefore, be included in the arrangement between the Industrial Finance Corporation and the International Bank for Reconstruction and Development. There may, however, be intermediate cases where such separate negotiations would be unnecessary and could be avoided if the loan is initially given by the Industrial Finance Corporation so that it could fall within the scope of its loan arrangement with the International Bank for Reconstruction and Development. It is for this reason that

the further provision is being made for a loan exceeding Rs. 1 crore to be given by the Corporation if it is guaranteed by Government. In order to ensure that the guarantee is not given by Government before the Corporation itself is satisfied that it is a good business proposition and it is in favour of such a loan being sanctioned, it is further being provided that the loan should be sanctioned only if the guarantee is given on the recommendation of the Corporation.

The Corporation has already got supervisory staff for the purpose of inspection of concerns to which it advances loans. In order to cope with its increasing activities, it proposes to strengthen the staff, particularly of technical experts. Thus the Corporation will be increasingly in a better position to scrutinise the industrial schemes for which loans are required and to supervise the functioning of industrial concerns. It will, therefore, be in the fitness of things if the agency of the Corporation is available to both the Central Government and the International Bank for Reconstruction and Development whenever either of them give direct loans to industries. The provision made in this regard in the Bill is discretionary and its utilisation will depend on the ability of the Corporation at any particular time to deal adequately with the work which would be involved in the discharge of this function.

The strengthening of the financial structure of the Corporation is sought to be achieved by the following measures. In the first place, it is proposed to make provisions which would ensure that the Corporation does not suffer any unnecessary losses of interest or losses by way of capital depreciation on its investments. The present position is that the Corporation raises funds by issue of bonds in the market. The money so raised cannot, however, be utilised in advancing loans to industrial concerns for a considerable time because disbursement in respect of loans sanctioned is made only after scrutiny of title deeds and compliance with various other essential formalities.

[Shri M. C. Shah.] and also because the money is paid in instalments as and when required by the borrowers. At the same time, the Corporation has to cover itself in respect of loans sanctioned by making provision for the whole amount through the issue of bonds. The amounts raised by bonds have, therefore, to be invested in the intervening period with the Reserve Bank or its agent under section 19 or in Government securities under section 20. The interest which the Corporation earns both on deposits and Government securities is much less than what it has to pay on the bonds, and moreover the realisation of Government securities when loans have to be advanced sometimes involves the Corporation in loss. In order to get over these difficulties, it is proposed to allow the Corporation to keep its funds in deposit with a scheduled bank or a State Co-operative bank in consultation with the Reserve Bank. It is also proposed to permit the Corporation to borrow from the Reserve Bank on short term basis against Government securities so that it may not be forced to sell them at a time when such sale may not be desirable. It is further proposed to authorise the Corporation to borrow from the Reserve Bank up to three crores of rupees for a period not exceeding 18 months so that the actual issue of bonds in the market need not be made by the Corporation long in advance. This will save any loss of interest and at the same time the limitation of the period will ensure that the Corporation does not carry on its business on the basis of such temporary borrowings from the Reserve Bank, but issues its own bonds on the market.

Another way in which the financial position of the Corporation is sought to be strengthened is by the provision of a Special Reserve Fund to which the dividend earned by the Government and the Reserve Bank are proposed to be credited, until the reserve reaches Rs. 50 lakhs. It has not been possible for the Corporation to build up its Reserve Fund quickly on account of the provision in the Act which requires

it to pay the guaranteed minimum dividend on its shares from its very inception. The foregoing of their dividends by the Government and the Reserve Bank for a few years would seem to be, therefore, the best method of building up an adequate Reserve Fund in the shortest possible time. It will be remembered that when the Reserve Bank was established, the Government made a special contribution of Rs. 5 crores to the Reserve Fund of the Bank and the present proposal is a more equitable variation of the same idea.

I shall now take up the amendments which relate to the provisions required for enabling the Corporation to exercise its powers. Though the Act provides that in the event of certain contingencies the Corporation shall have the right to take over the management of the industrial concerns which have borrowed from the Corporation, there is no detailed provision indicating how the Corporation will exercise its rights. It is accordingly proposed to insert five new sections—viz., 30-A to 30-E in partial supersession of provisions in the Indian Companies Act and the Memorandum and Articles of Association of the industrial concern. These Sections authorise the Corporation to appoint directors of an industrial concern the management of which has been taken over. The powers and duties of such directors have been elaborated. On the appointment of such directors, all existing directors will be deemed to have vacated their office. Similarly, any existing managing agency agreement will be deemed to have terminated without any claim for losses or damages. The right of shareholders to nominate any director will be abrogated and no resolution passed by the shareholders will be given effect to unless approved by the Corporation. No winding up proceedings against the industrial concern will lie except with the sanction of the Corporation. Power is also being taken for the Corporation, on the analogy of section 153—C (5) (d) and (e) of the Indian Companies Act, to move a court for termination of any unconscionable contract subsisting

between the industrial concern and any other party.

The rest of the provisions in the Bill are based in the experience gained in the actual working of the Corporation during the last four and half years. I shall briefly indicate here the nature of these amendments. In the first place, the number of directors to be nominated by Government is being increased from 3 to 4. It is not intended to use this power for nominating more Government officials on the Board, but to enable Government to give proper representation to all j interests. In view of the responsibility undertaken by Government on account of the guarantee of principal, I dividends and debentures, it cannot be said that Government would be getting | disproportionately large representation. Secondly, section 10 is being J amended to include the Deputy Manog-, ing Director of the Corporation in the j directorate of the Corporation without voting rights. Thirdly, a provision j is being made for the removal of the Managing Director if such removal, becomes necessary. Such a provision exists in the Reserve Bank of Indu ; Act in regard to the Governor of the Bank, and it is clearly necessary that there should be some power for the termination of the Managing Director's services, during the period of his appointment. Fourthly, section 34 of the Act is proposed to be amended to bring it in line with the State Financial ■ Corporation Act, 1951, with a view to associate the Comptroller and Auditor General of India more closely with the audit of the affairs of the Corporation. This will be in accordance with the wishes expressed by the Public Accounts Committee in respect of statutory bodies.

Lastly, various minor amendments are being made to bring the Act in line with the State Finance Corporation Act, 1951. The Select Committee which considered thit legislation— j which itself was based on the model of ; the Industrial Finince Corporation Act, 1951—made certain improvements in the said Bill and we are taking this

opportunity to embody t hese improve-ments in the I. F. C. Act.

Sir, there is also widening of the scope of the loans to be granted : Section 2 is being amended and there, we have included Shipping also to be eligible for taking loans. Shipping, we know, is a key industry and we are all aware that we have got a very small tonnage and we want more and, so, we want to encourage more and more shipping concerns to work efficiently and, so, that provision has been made there.

Sir, as I have explain;d already, I expect that the working of the Corporation will be considerably improved and it3 usefulness in the sphere of India's development will be enhanced by fh.2 provisions which are proposed in the Bill.

Before concluding, I should like to assure the House that under the existing Constitution of the Corporation, Government exercises very full and effective control over the day to day administration of the Corporation. The activities of the Corporation are constantly under review by Government and full facts about the various loans granted by the Corporation to individual industrial concerns are available with the Government.

SHRI C G. K. REDDY (Mysore) : Sir, I did not wish to interrupt, but it is unusual for a Minister to read a speech. If it is a complicated state-me it he may do so but it is not a precedent that we should establish in the House It is unusual and it is not done. Otherwise, Sir, you will have to allow us also to read our speeches.

SHRI H. P. SAKSENA (Uttar Pradesh) : I would request the hon. Minister to carry on with his elaborate statement.

SHRI M. C. SHAH : I can speak *ex-tempore* at least for one hour as I have done in the other House.

MR. CHAIRMAN : He is trying to economise the time of the House by reading something. If *ex-tempore*, he will take twice or thrice the time ; that is what he is aiming to avoid.

SHRI C. G. K. REDDY : That is a precedent that should not be encouraged.

SHRI R A J A G O P A L NAIDU (Mad ras): The time of the House could have been much more saved if the hon. Minister had cyclostykd the speech and supplied copies to us in advance.

MR. CHAIRMAN: All right, get along. Stauncnis which tie serious and responsible are semtt't'mes ics d.

SHRI B. GUPTA (West Bengal) : How many pages left ?

MR. CHAIRMAN : It is all right, go on.

SHRI M. C. SHAH : Most of the criticisms that have been levelled against the Corporation are unfounded and uninformed.

SHRI B. C. GHOSE (West Bengal) : Question.

SHRI M. C. SHAH : Sir, I commend the Bill, as passed by the House of the People for the consideration of the House.

MR. CHAIRMAN : Motion moved :

That the Bill further to emend ihe Industrial Finance Corporation Act, 1048 as passed by the House of the People, be taken into consideration.

SHRI B. C. GHOSE : Mr. Chairman, not unnaturally, this Bill to amend the Indian Finance Corporation Act has roused considerable heat and acrimony.

SHRI H. P. SAKSFNA : May I know if this motion has re ccived the approval of the House ?

MR. CHAIRMAN : It is being considered. It is at the very first stage.

SHRI B. C. GHOSE : I was saying I that it had roused considerable heat and acrimony and, qukc nautally,

for, its function has a very important bearing upon the industrial development of the country, particularly in the private sector.

I should like, Sir, to take advantage of today's discussion to deal with two or three things : first, about the extent to which the Corporation has fulfilled the purpose for which it Mas established ; second, how it has actually functioned and; third, I want to make certain observations on some of the important provisions of the Bill.

Firstly, it may appear paradoxical but, still, true that ever since the inception of the Corporation, the difficulties of industry for obtaining long period finance, instead of easing have increased. I do not say that the Corporation has been responsible for that. There has been,, for example, a poor public response to subscription of equity shares for various reasons, one being that the inflation has wiped out middle class savings which constituted a fruitful source for this kind of share subscription. But, there has been another factor and, I believe, the Corporation is to a certain extent indirectly responsible and that fact is a clunge in the attitude of the Reserve Bank about the activities of commercial banks. You might know, Sir, that previously the commercial banks used to finance to a certain extent long period needs of industry. I do not say that they were doing it on any large scale ; but, a proportion of their total resources was being utilised for this purpose. I do not intend today to go into the merits or otherwise of this kind of investment although *a priori* there is no reason why this should be considered unsound. But, ever since the Cotporation was established, the Re set ve Bank made it known that it would not look wiith favour upon the activities of commercial banks directed towards long period investment. The result has been that the commercial banks have been extremely reluctant to provide industrial establishments with long period finance and they also have been calling back such of their old loans. The resultant situation has been extremely difficult

for industry. One other result of this situation has been that while the bigger industries have not suffered so much the medium and small scale industries have suffered extremely. The gap created by the commercial banks, as a result of the change in its attitude has, so far as the larger industries are concerned, been filled by the Finance Corporation. The bigger and larger industries have been able, to a certain extent, to obtain their long period requirements through the Finance Corporation, but, not so the smaller and medium sized industries, specially because of the conditions which the Finance Corporation has laid down for the purpose of granting loans. One is in relation to the management that it should be sound which means that only, well established concerns have been able primarily to obtain finance from the Corporation.

Now, Sir, that is a very serious situation and I should like to urge upon the Government that until they have been able to provide institutions which could provide long period finance, particularly to small scale and medium sized industries, they should instruct the Reserve Bank to change its attitude towards the previous practice under which commercial banks were, to a certain extent, financing such needs of industries. It is very necessary that this should be done. Otherwise the industrial development of the country which we all so much desire would be considerably retarded.

It has been suggested, Sir, that the financing of small scale and medium sized industries should not be the responsibility of the Industrial Finance Corporation, that it should devolve upon State Finance Corporations, and that, if any State has not set up such a Corporation, it is its funeral and the Industrial Finance Corporation cannot be held responsible. But that would be taking a very short-sighted view of the whole affair. If Government, whether State or Central, have not been able to provide such institutions which can advance such long-term finance, then something must be done so that industries may not suffer. *da n.s. d.*

Another feature to which I should like to draw attention is that new enterprise by and large has not been helped to develop under the auspices of the Finance Corporation, and that is also because of the rules which they have laid down for the grant of loans. The loans usually go to well established concerns.

Another factor which I think calls for some adverse comment is that the distribution of industries in the country, which used to be very uneven, has been made more, un-even by the activities of the Corporation. That unevenness has been further accentuated by its activities. If you look at the loans, the total up to June 1952 was about Rs. 14 crores, and 33 per cent, of them went to Bombay State and 17 per cent, to West Bengal so that as between these two States, 50 per cent, of the loans sanctioned were taken up. It has been recognised that the present distribution of industries in this country is not satisfactory, that it generates disparities, and that that should be removed. That also was one of the recommendations of the Fiscal Commission in regard to location of industries. I believe the practice of the Finance Corporation to assist our existing, and those also well established, industries is responsible for all these unsatisfactory results, and I think it is necessary that the Government should issue instructions to the Finance Corporation that they should change their methods. I do not also believe that the Finance Corporation should work essentially or very particularly on the lines of a commercial bank. That was a suggestion, I understand, that was put forward by an hon. Member in the other House. I do not think that that would be taking a very correct view of the functions of this Corporation. This Corporation should assist in the establishment and development of industries⁰, and then also particularly, new ones. Unless the Corporation takes a more generous view of its operations as to what kinds of institutions it will help, its objective will be frustrated.

As regards assistance rendered to small and medium sized industries, I

fShri B. C. Ghose.] believe the operations of the Corporation have not achieved the object for which it was established. The Preamble to the 1948 Act states that the Corporation was established for the purpose of making medium and long term credits more readily available to industrial concerns in India particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable. I should like to suggest that recourse to capital issue methods should not be impracticable for large, *veil* established concerns. A direct mention of this fact would appear to me to indicate that it was desired under the Act that small and medium sized industries should be helped more. In actual practice that has not been done, and they have suffered very much.

The next point is about the actual functioning of this institution. About that, as I have already stated, there has been very violent criticism in the other House, and not unnaturally. I do not want to digress on that matter much except to say that I for myself cannot see why, in view of Government's assistance to this institution, there should be such anxiety to withhold the names of the persons or the companies which were assisted. As was pointed out in the other House, and as the hon. Minister also knows perfectly well, the International Bank for Reconstruction and Development also publishes these names. I should ! have imagined that such publication would have assisted the passage of this Bill, because by and large probably there has not been much malpractice, but the fact that this information is being withheld creates suspicion, and I believe that the Government have helped in creating that suspicion and in making the passage of this Bill more difficult than it would otherwise have been. On this point I should like to refer you to the desirability of having on the board of directors persons who themselves in one form or another become borrowers. Of course there is nothing in the Act which says that this should not be done. There is also

nothing in the Companies Act or the Banking Companies Act which specifically debars directors from becoming borrowers. But I believe there is a well established practice at least among banks that borrowers are usually not directors of banks. It cannot be denied that a person who is actively engaged in industry and is also likely to figure as a borrower, if he is also on the board of directors, can bring influences to bear. They cannot be proved. One cannot get away from the fact merely by saying that the Board examine the applications on the basis of the facts which are furnished to them. I put it to you, supposing I am a member and others also are members, you will know that I am interested in a particular loan in respect of a company of which I am a director or managing agent ; then, even though I may not be present or be voting, the other members would find some difficulty in turning down my application; I would have some preferential treatment in comparison with others who do not occupy that position of vantage. Then, what is the reason for having directors who are also borrowers ? Is there any dearth of people who are not borrowers but yet sufficiently qualified, who can be on the board of directors ? It is a public institution. It should be above suspicion and I should, therefore, very earnestly suggest to Government, if not in the Act itself, at least to evolve a practice that borrowers should not be directors and I say this not without reason, for I know of cases—just as Government have not disclosed the sources, I am not going to disclose my sources at the moment, but I know of cases—where suggestions have been put forward that if some person or other were taken in the management of a company, some person who was a friend or relation of some director, then the application would be very favourably considered and the loan would be easily obtained. And it is a fact. It is no story that I am relating here. So, I believe, Sir, it is necessary that that loophole should not be maintained and it can be easily removed.

That proposition brings me to the question as to whether the institution should be as it is now managed, or any change in its management should be brought about. Of course that is not quite germane to today's discussion. But I am just referring to it for Government's consideration that it might not be a bad idea to nationalise this institution. What is standing in the way? It is not that the other countries have not nationalised such institutions. We have the Australian example. We have the Canadian example. In Australia, the Commonwealth Bank, itself has a department. There is no separate institution. It itself has a department which looks after the long period requirements of industries. In Canada, the Commonwealth Bank itself owns all the shares. Here the Government is doing everything—guaranteeing loans, guaranteeing capital, interest, bonds and everything—and yet why should we have this sort of a private institution when it can exert so much influence?

Lastly, Sir, I want to say something about the provisions of the Bill. The first is with regard to the foreign loan. Now, I do not want to harp on that subject as to whether it is advisable or not to have foreign loans at all, whether there are strings attached to them or not, whether we are aligning ourselves all the time with the Anglo-American countries or not. But I should only like to say just this that if we get loans from particular countries, it cannot be gainsaid that certain relations develop which bring us closer together than is the case with countries with which we have no such economic or financial relations. Incidentally, if we really want to maintain our absolute neutrality or independence in foreign affairs, it would not be a bad idea to have some kind of a loan from other countries which are not in this bloc also, if that could be possible.

PROF. G. RANGA (Madras) : That's it.

SHRI B. C. GHOSE : Sir, about this foreign loan I want to ask one or two questions. Why is it that this foreign loan is being taken by the Finance Corporation? What will be the ad-

vantages if the loan is obtained through the Corporation? As I understand, there are two specific conditions laid down by the I.B.R.D. for the grant of loans. The first is that the Government of the country must guarantee the loan. Whomsoever the loan is given to, whether it is the Finance Corporation or a private industry, the Government must guarantee the loan and the second is, it says, that all loans made or guaranteed by the Bank—that means the I.B.R.D.—must, except in special circumstances, be for purposes of specific projects of reconstruction and development. The Bank is required to make like arrangements to ensure that the proceeds of any loan are utilised only for the purposes for which the loan was granted. Now what I want to know is : Does it mean, when the Finance Corporation will be getting the loan, that the I.B.R.D. will not insist that it will be for any specific purposes, or will it be insisted? If it is insisted that it will be for a specific purpose, then, what is the advantage of getting it through the Corporation? Why not have the loans directly to the companies for which the loans are required? I understand that Government is also arranging for a loan to the Steel Corporation and the Indian Iron and Steel Company from the I.B.R.D. and that loan will be directly received by them on Government guarantee. So, what is the specific point in having the loans through the Corporation? I can understand that if the I.B.R.D. waives its requirement that specific purposes will have to be shown, then there may be some point in having it through the Corporation.

Further, what will be the conditions under which these loans will be obtained? Will the Corporation be liable to furnish an account of its activities to the I.B.R.D.? I understood also from the last Report of the I.B.R.D., that a Commission had come here or the Governor had come here and there was a discussion between the Government and the Governor of the I.B.R.D. for a loan to the Industrial Finance Corporation. I should presume that those negotiations have already proceeded to a very great extent. But

[Shri B. C. Ghose.] these points require a clarification before we can agree to these loan? being taken by the Finance Corporation.

Then, I have already referred to the point about directors who are interested and I should particularly appeal to hon. Members on the opposite side to bring their influence to bear on the Party, if not on the House, and to see to it that this very wholesome provision is included in the Act that borrowers should not be made directors of the Corporation.

SHRI C. G. K. REDDY (Mysore) : They won't listen to it.

SHRI B. C. GHOSE : I am asking them to bring their influence to bear on the Party, not here on the House.

Lastly, I would say something about the maximum limit that is sought to be raised. I do not understand what is the necessity of raising that limit, as under the Bill it has been suggested that certain transactions should be outside the scope of that limitation. It says on page 4.

" Provided that the aforesaid limit of one crore of rupees.....

because it is now being sought to be raised to one crore. If it were 50 lakhs, it would be provided that "the aforesaid limit of 50 lakhs"

"..... shall not apply to any such arrangement when any loans, advances or debentures are, on the recommendation of the Corporation, guaranteed by the Central Government is to the repayment of the principal and the payment of the interest.

Now, Sir, what I should like to suggest is that when the principal and the interest are guaranteed by the Government, then the limit will not apply. We can also have a provision here that if any loans are given as a result of borrowings from the I.B.R.D. that may also be exempted from the provision of the maximum limit. If we add those two provisions, then what is the necessity of increasing the maximum limit? Because I have a fear that if the limit is increased, the Bank's

activities would be tilted to even a larger extent in favour of the larger companies and to the detriment of the small and medium sized industries. It is interesting here, Sir, to observe that I.C.F.C., i.e., the Industrial and Commercial Finance Corporation, which operates in England and has a share capital of £15 millions allows loans which vary between £ 5,000 and £200,000 only. The maximum is £200,000, which is 1/75 th of the share capital; whereas in our case the maximum is proposed to be 1/5th of the share capital. I should like to submit to you, Sir, that that would not be a healthy practice and that would be only helping the larger industries while nothing much would be done for the smaller and the medium sized industries, particularly when we take into consideration that there are no other institutions which can come to their assistance.

(Dr. Radha Kimuid Mookerji rose to speak).

MR. CHAIRMAN : Before I call upon Dr. Mookerji, I will ask the Prime Minister to lay papers on the Table.

THE PRIME MINISTER (SHRI JAWAHARLAL NEHRU) : I am grateful to you, Sir. I beg to lay on the Table of this House a copy of the report of the Planning Commission on the First Five Year Plan. [Placed in Library. See No. IV A-2(6).]

In the course of the day I hope all Members of this House will receive a copy of these two bulky volumes. In the course of the day or perhaps tomorrow, they might receive a summary which has been prepared. It has really been prepared for the Press, but it might be of some help to hon. Members. In the course of the next two or three days I hope we might be able to give them further summaries to enable them to study this report. Now, the report at present consists of these two volumes. It is proposed a little later, in a few days' time, to issue a supplement to the Plan containing particulars of the development schemes in the Central and State

Plans. That would be a printed supplement. Somewhat later still, it is proposed to issue a volume containing details of the development programmes of forty industries entitled "Programmes of Industrial Development". This will take some time before it is ready. Of course, these two volumes which have been cyclostyled will also be issued in printed form. It is also proposed to issue a brief version of the Plan in somewhat popular language in print, in book form, probably running to about 300 pages and a number of pamphlets and brochures not only in the English language, not only in Hindi, but in the great provincial languages also.

I need not say much at this stage except perhaps to read to the House the concluding few lines of this report:

" In our introduction we have referred to the process of consultation and discussion which has preceded the preparation of the Plan which we now submit to the Government. In preparing this Plan, we have acted in close co-operation with the Ministries of the Central Government and the Governments of the States and with leaders of opinion and representatives of different interests in the country. Although the task of drawing up a plan of development has been in some measure concluded, we are conscious that planning is a continuing process and from time to time adjustments in policy and programmes will be needed. The submission of the Plan marks, however, a stage in the journey, and prepares the way for the harnessing of the nation's effort and resources for the fulfilment of the Plan."

Therefore, though this Plan has in a sense been finalised for the moment by the Planning Commission and presented to the Government and to the Parliament, there is no finality about such things in the ultimate analysis and from time to time it will have to be looked into and where necessary added to or varied here and there. I suggest, Sir, that this House might take this report into consideration in the course of the session. I believe, Sir, a date has already been fixed, 16th of this month.

PROF. G. RANGA : 16th and 17th.

SHRI JAWAHARLAL NEHRU: 16th and 17th have been fixed. Only one thing I would like to suggest to the House and that is that in dealing with this Plan which has taken two years of hard labour for the Planning Commission more especially, and of others too connected with it, and which contains a large number of details, the first consideration should be given to the basic principles governing this Plan and the main structure of the Plan and not so much to the details which follow from it. Details are essential and should be taken up later on. What is important is the basic approach, the principles and structure and general extent of the Plan, and in the course of the debate which takes place, I would suggest, therefore, that perhaps hon. Members might pay more attention to that basic approach and structure which they will find is contained in the first few chapters, rather than to the details which can always be considered later on whenever necessity arises. I beg, Sir, to place a copy of the First Five Year Plan on the Table of the House.

SHRI C. G. K. REDDY : Sir, as the Prime Minister has stated two days have been allotted for the discussion of the Plan. He will probably agree with me when I say that we have three or four days' discussion over the budget which concerns the future of the country for a year. It seems to me wholly insufficient to have only two days' discussion on the Plan—I may assure him that the hon. Members of this House would not ramble or be irrelevant—which will decide the future of the country for the next five years. Therefore I should like to request the hon. the Prime Minister through you to find more time for this House so that more opportunity may be given to the different sections which are present here to pass their remarks or criticisms or even suggestions regarding this Plan.

SHRI H. N. KUNZRU (Uttar Pradesh) : May I put the Prime Minister another question? Do Government

[Shri H. N. Kunzru.] expect us really to master the principles of the Plan and to know the proportions laid down between the various categories which the Planning Commission have taken two years, according to him, to settle, in the course of a week? You can have a discussion, if the Government are bent upon it, to-morrow but can it be a fruitful discussion? Would it be fair to ask the Members of this House to discuss a report of this nature within a week?

SHRI JAWAHARLAL NEHRU : A report of this nature can be discussed fruitfully for a month, daily, undoubtedly, and so far as I am concerned, I should like this House to have as much time as is available to this House. I do not wish to limit it to two days, if additional days available certainly. So far as the Government is concerned, they can discuss for more days, subject to the convenience of the House during the time available. Obviously, Government find it very difficult to understand how a House of this type can discuss these reports in great detail. One cannot duplicate the work of the Planning Commission in the House and go into every chapter in every detail.

So far as the main principles are concerned, the House might remember that a draft outline of the Plan was issued a little over a year ago. That contained in effect all the principles which this Report contains. That has been discussed somewhat in Parliament, a great deal all over the country in newspapers, by organisations. In fact, if I may say so, there has been more real democratic discussion of the draft outline than any that I am aware of anywhere. The Planning Commission considered all these discussions, considered all these criticisms, met many Members of Parliament, met representatives of public opinion belonging to various groups, industrialists, trade unionists, economists and the like, and ultimately produced this Plan. It is therefore something much more than a Plan produced by half a dozen members of the Planning Commission. It represents

the joint effort of a large number of persons. I do not wish to limit discussion on it at all. I do not know what the hon. Dr. Kunzru thinks as to how we should deal with it.

MR. CHAIRMAN : What he said was that a week is not sufficient to master the details.

SHRI JAWAHARLAL NEHRU : I would submit, Sir, that a week is sufficient to consider the principles, not the details if you like, and anyhow the choice is for the House. If it does not wish to consider this in this session, it is for it to decide, but that I feel is really unfair to the House. We want this House and the other House to consider this as early as possible, because the Plan is being acted upon from day to day. This is a Five Year Plan, but the five years began in the beginning of 1950. We have already passed nearly two years of the Plan and we have slightly over three years more. Part of it has really been fixed by circumstances for us. I venture to suggest that so far as the principles are concerned, they have been before the country for a trifle over one year to be discussed thoroughly. I think now my hon. friend Dr. Kunzru, with his wide grasp of such matters, can grasp these matters, these principles which he knows very well, within the course of these few days before the discussion takes place. The House will probably adjourn in about two weeks or thereabout, and if any other day that suits the House within that period is fixed, the Government have no objection to it. But I would like the House to discuss this within the course of this session.

PROF. G. RANGA : Sir, unless my friend Shri Kunzru with the rest of the House wishes to discuss this at the next session, if at all it is to be discussed this session, I would suggest that it might be taken up during the last three or four days so that we may be able, according to the convenience of the House, to prolong the discussion beyond two days and, if possible, to have three or four days instead of having it on the 12th or the 13th.

SHRI JAWAHARLAL NEHRU : 1
That is exactly what is suggested. The date is fixed as the 16th. Thus far, the session is fixed up to the 19th. ' It may be extended according to the convenience of the House.

MR. CHAIRMAN: Dr. Mookerji, you may resume.

DR. RADHA KUMUD MOOKERJI (Nominated) : May I have the privilege of discussing it this afternoon ?

MR. CHAIRMAN : All right. Then, we stand adjourned to 2-30.

The Council then adjourned for lunch till half past two of the clock.

The Council re-assembled after lunch at half past two of the clock, Mr. DEPUTY CHAIRMAN in the Chair.

Mr. DEPUTY CHAIRMAN : Dr. Mookerji. (*Dr. Mookerji was not present in the House.*) Mr. Gupta.

SHRI B. GUPTA : Mr. Deputy Chairman, this is a very important Bill that we have got before us this afternoon to discuss. After its stormy career in the other House I should have thought that the hon. Minister piloting it would acquire a little more skill to find out its bearings and to steer its course properly but it appears that he believes in repeating the old things, dishing out the old arguments which did not satisfy the other House and cannot possibly satisfy this House today. Now this Bill which seeks to amend the Industrial Finance Corporation Act of 1948 is something which retains the entire structure of the principal Act but only wants to introduce certain changes that the hon. Ministers have been called upon to introduce by their friends in the United States of America. I wish they had taken the public into confidence before introducing any amendments to this Act. They have done nothing of the sort. On the contrary quite openly they say in the amending Bill itself that it has been necessitated by the suggestions advanced by the International Bank of

Reconstruction and Development. That is there in the Statement of Objects and Reasons. When the principal Act was passed a little over four years ago, we were not here to express our opinion on this particular measure. We were then hunted by the Congress rulers and were not in a position to express our views. We shall take this occasion to express what we consider to be our views in regard to this particular institution and the Act that has brought it into existence.

I wished when this amending Bill was brought here, the hon. Minister would be a little more self-critical, a little more prone to the criticisms that had been made in the other House, and would divulge what had not been disclosed there. Even today we don't know the names of those concerns that were given loans. We are absolutely in the dark with regard to that. We know that if the distribution of loans had been conducted in a fair and straightforward manner, had not been without colourable transactions and taints, the present Government whose political stocks are falling almost as lastly as the stocks in the share market, would not have hesitated to divulge the names of the loanees to pick up a little more credit in this falling market of today. They have done nothing of the sort. That raises the presumption that the transactions on that score had not been above board, that something is fishy and we know a lot of this is fishy in the department which functions behind the closed doors. However, I would not go into it at this stage. Perhaps the Ministers feel that they are being faithful to their friends, the millionaire friends, who have got certain advantages and favours out of this institution. Now it is understandable if certain agreements had been reached with any party, then the Government would be inclined to see to it that the agreement was kept but here it is a question of public policy. It is known in common law that when there is a contract between two parties which militates against public policy, that contract is deemed to be void in common law. Here the Government's attitude appear

[Shri B. Gupta.] to be militating against the public policy and therefore, if you want to keep these names secret, you are doing something which would be repugnant to public policy and therefore, I don't think there is any point in the suggestion that at this stage, in view of the agreement that had been reached or undertaking given nothing could be divulged. I should have thought that the hon. Ministers would attach a little more importance to the demands of the Parliament of the people because after all faith with the people is much more sacred than the faith with Lala Shri Ram and others who sit in high Committees. They have been returned by the popular votes and when the public all over the country is clamouring for the disclosure of the names it is better that they should come up and tell frankly and candidly as to which are the parties which have been given loans instead of trying to prevaricate on this matter. Now we know that scandals cannot be kept secret for a long time. The scandals speak for themselves and it comes out and much of it is already common knowledge.....

DR. RADHA KUMUD MOOKERJI: Is mention of individuals quite in order ?

MR. DEPUTY CHAIRMAN : Please avoid mention of names.

SHRI B. GUPTA : I come now to the measure itself—the principal Act. As Mr. Ghosh pointed out in its preamble, the object of this institution was to make certain medium and long term credits more readily available to industrial concerns. He read out the preamble. The preamble is very short. When the Bill was introduced some 4 years ago, speeches were made to tell the country that this institution was being created to help the industrialisation of the country. Naturally people took a little interest in it although we did not take interest in it because we knew in advance what would come of these things. However, let us see what this thing is. This is a statutory body created by the law of the land. It is not something like a novate

concern. It is a quasi-Government institution, if I may say so, in which the Government and public have got very great stakes. As you will go through it, you will find that a large number of shares are held by the Reserve Bank of India and the Central Government. Some shares are, of course, available for the financial concerns and co-operatives and some other institutions, but the major part of the shares of this institution is to be held by the public bodies who deal with public funds and who as such, are supposed to look after the interests of the public.

Then again we find that a Board has been appointed. The principal Act provides for the appointment of a Board. There are about 11 Directors and in that Board you have all kinds of people—you have multi-millionaires, business representatives etc., but you don't have the representative of the common man, representative of the small businessman. I know the hon. Minister would perhaps refer to one Mr. Khandhubhai Desai who happens to be there ; but that does not make it any more representative than the presence of so many stray individuals here and there in many Committees. What is important is that when the Board of Directors was going to be formed care should have been taken to see that the people who really need help, the people who have the economic advancement of India at heart were given due representation. Nothing of the kind was done. Then there are all kinds of things like the Board of Directors, Executive Committees etc. We have been told by the Chairman of the Board, Shri Shri Ram, that Mr. Biren Mookerjee who is one of the bosses of Bengal representing all big money, cannot have much say in the matter because he does not happen to be on the Executive Committee. He is merely a Member of the Board of Directors. Now I do not know why the multi-millionaire Chairman of this concern, of this Corporation thinks in this manner. Does he really believe that he cannot influence policy at all ? On the contrary during the past several years we have seen multi-millionaires,.

even without being members of a Legislature have exerted considerable amount of influence with the Ministers and got policies formulated. Sir Biren Mukerjee's financial influence is in no way less than what Shri Shri Ram is in a position to exert. Let us not have any doubt about this matter. This kind of thing is usually dashed out to Members of Parliament; but we know what is what. We know when a man like Sir Biren Mukerjee enters a committee lot of things queue up for him and he has his way. I shall explain how it has been done in this particular case, and I shall show how they have influenced the functioning or the working of Corporation.

But what I want to say here is this. From its very start, this Corporation has not been satisfactory. The Board that was created was not at all in conformity with the interests of the general public. As a matter of fact the whole Corporation was made over, delivered to the big money and it remains in the hands of big money, and the proposed amendments here do not propose to make any departure from that state of affairs at all.

SHRI B. K. P. SINHA (Bihar) : Sir, on a point of order ; can the merits of the original Bill be discussed while considering an amending Bill ?

MR. DEPUTY CHAIRMAN: Order, order.

AN HON. MEMBER : Why not ?

MR. DEPUTY CHAIRMAN : Order, order. Mr. Gupta will go on.

SHRI B. GUPTA : The hon. Member will please listen to me a bit when I give him a few home truths, more will come now. Now, why is it that this thing has failed ? The hon. Minister may be in a happy mood when he comes here with an amending Bill. He seems to be happy about the distribution of the money. He seems to be rejoicing at that; but we cannot rejoice that. Look at what the newspapers' have said. The newspapers have raised their voice against it, they

have expressed suspicions and doubts on the working of this particular industrial corporation. There is no scope for rejoicing or for complacency on this matter. Nobody, unless you completely disregard public opinion, can rejoice and the public want a little more light on this matter. They want to know a little more about these things and they want the administration of these things to be changed.

As regards the distribution of the money or loans, much has been said. I now take the reports that have been supplied to us. I take first of all the Fourth Annual Report of the Industrial Finance Corporation of India, for certain facts have been given there. I wish they had been, these facts had been, a little more exhaustive. But naturally when the business is shady, things have to be hidden. Sir, here we find this information regarding shares. Government had 2,000 shares on the 30th June 1950 and the Reserve Bank 2,055 shares. By 1952 June the shares of the latter had declined to 2,054. The scheduled banks had 2,480 shares on 30th June 1950, and this number came to 2,435 on 30th June 1952. You will notice a fall of 45 shares in the number of shares held by the scheduled banks. This information is there in the Report. Now where did these 45 shares go ? We have to trace them and we can trace them in this Report itself. If you come to the fourth item—Insurance Companies, Investment Trusts and other like financial institutions you find that on 30th June 1950, their shares amounted to 2,523 ; but two years later, i.e. on June 30th, 1952 they rose to 2,568, that is to say, 45 shares which had gone down from the scheduled banks came into the hands of the Insurance Companies, Investment Trusts and other like financial institutions. I cannot say, Sir, as to who got how much of this fourth category ; but it is here that 45 shares had gone into the hands of the financial concerns, concerns that are interested in financing industries and business. This indicates that there has been a deliberate attempt on behalf of the

[Shri B. Gupta.] Board to increase the control of financial concerns over this Industrial Finance Corporation. Now, I would like to ask this question and I expect a reply from the hon. Minister who is piloting this Bill. I do not know if the reply is written in his notes ; but he will no doubt find the reply.

Then let me come to the classification of loans and advances, industries-wise. We do not know exactly how much has been lifted by each Province, which Province lifted how much of the loans granted.

SHRI M. C. SHAH : I have already given a statement giving it region-wise and another industry-wise.

SHRI B. C. GHOSE : Not region-wise and industry-wise, but combined

SHRI M. C. SHAH : There are two Statements.

MR. DEPUTY CHAIRMAN : Order, order. Let there not be talk across in this way.

SHRI M. C. SHAH : One statement shows the figures States-wise, how many concerns were given and what was the aggregate and then another region-wise.

MR. DEPUTY CHAIRMAN : Order, order. Mr. Gupta.

SHRI B. GUPTA: Let me take them industries-wise. Here we get that the amounts have been sanctioned to—cotton textiles Rs. 2,04,75,000 ; ceramics and glass Rs. 1,19,00,000 and for sugar industry Rs. 1,15,00,000. These are some from the many other industries named here. But I shall take them up first. Between these three, the total loan granted to them came to Rs. 4,38,75,000. That is to say, out of a little over Rs. 14 crores, as much as Rs. 4,49,00,060 has gone to these three industries—cotton textiles, ceramics and glass and sugar industry. Now, I would like to ask

the hon. Minister a few questions and I hope he will answer them. Is this the kind of industrialisation that we want ? Is that the way to industrialize the country ? You have been spending the major bulk of your loanable money for industries that are of a secondary nature, that is to say, cotton textiles, ceramics, glass and sugar industry. With regard to the sugar industry, on the one hand we are told that there is over-production and on the other hand you find here a lot of money being invested in this industry. We do not know as to how much money has been spent on each category under the head ceramics and glass. But, surely, this is not, by any stretch of imagination to be considered as a major industry or an industry of the kind that we want to give priority to in our country.

Then, again, in the cotton textiles industry, we find that the existing industries have been given help. Therefore, Sir, if you go through the entire list, you would find that the Industrial Finance Corporation has not cared to loan this money for starting, shall we say, machine tool industry, heavy industries, industries that can produce machinery in our country. On the contrary, it has been loaning some funds to the light industries and you will find, Sir, that most of the money that has been loaned to the cotton textile industry has gone to Bombay where the existing industries are located.

Now, Sir, another interesting point I would like to make in this connection is this that it has not led even to the substantial increment in the installed capacity or production of these particular industries. Now, Sir, I will take the case of cotton textiles which seems to be the most favoured of these industries. This is particularly favoured. As I said, Rs. 2,04,75,000 have been sanctioned for the industry. In 1948-49, there were about 1,05,33,000 spindles in the industry. In 1949-50, we get the figure of 1,08,49,000 spindles and during these years the loom strength of that particular industry has increased

only by about 2,000 looms. Therefore, on the very facts that are available, there has not been any mentionable increment in the installed capacity or in the industrial set up of the cotton textile industry. This money, I fear Sir, has gone not for industrial financing but for some kind of commercial financing and a line has to be drawn between industrial financing and commercial financing. If you start an Industrial Finance Corporation to finance a commercial undertaking or to finance the working capital of a particular industry, you had better not call it an Industrial Finance Corporation. Call it by the real name that it should be given. Call a spade a spade. So it is not an Industrial Finance Corporation at all : it is a kind of undertaking, a concern, which goes under a different name, with a view to cheating the public.

Now, Sir, for the sugar industry again, it has sanctioned a lot of money, and, there are sugar kings who are very very happy with the state of affairs and the kind of help that they get and they adulate the Minister. But, after all, the people who have been denied sugar and the people who are suffering most due to want of purchasing powers have something else to say. Why should we spend and why should we employ our resources for this kind of industries when there are certain other vital industrial sectors needing assistance and help ? I cannot see any explanation in what was stated by the Minister.

You will find, Sir, that the aluminium industry has been sanctioned about Rs. 50 lakhs of rupees. Here, I should like to point out from the Eastern Economist of August 15, 1952, that actually in 1948, their production was—it is given in thousand tons here—33,662 tons ; next year, in 1949, it was 34,090 tons ; next year, i. e., in 1950, it was 30,596 tons and in 1951 it was 30,849 tons. Therefore, the increment is very little and we know, Sir, that the aluminium industry today is controlled largely, even almost wholly, by foreign interests. I do not know actually who has got

the money because the Minister would not tell us as to who have been the recipients of this kind of funds; however, if you judge by the sheer amount of output, even then you would feel that the money that has been spent does not justify itself very much.) We realise that in the case of the cotton textiles industry and in other industries for which loan has been sanctioned, there has been very little increment in output, let alone increment or advance in installed capacities. One thing I wish to make very clear is that the money has not been sanctioned for developing industries, even for development of existing industries of our country. That money has gone for some other business. We do not know the full story of it, some day it will come out and I do not know whether any of the hon. Ministers at that time will be able to explain the position.

Now, Sir, I will explain another very interesting aspect of the matter. A list has been supplied to us and we have been told in the other House that about 103 companies have been given loans. There are thousands of companies, I mean Joint Stock Companies, and many small scale industries. If you analyse this list, you will find that only the very biggest ones have been given loans. Take for instance, cotton textile industry. Now, Sir, the number of companies that have availed of the loan is only 8. There are 400 cotton mills in India and only 8 companies have availed of these loans. We do not know, Sir, who are these gracious Managing Directors who could win the loans that way.

In the ceramics and glass industries, only 5 companies have availed of the loan. In aluminium, there is only one which could avail of the loan. In sugar industry there is only one. Sir, we find that the total number is about 48 and the amount of the loan is very large. One or two, in some cases it may be 3 or 4, concerns have between them availed of these loans. What does it indicate ? They have not told us the truth but what does it indicate ? We can only presume when the full facts are not

(Shri B. Gupta.] furnished to us. It means only that the top ones, those at the very top who could manipulate from wherever they are running their business, who could manipulate efficiently and well, have succeeded in getting the loans. The money has flown down the drains into the pockets of the monopolists who are sitting on top of the business world today. That is precisely something which emerges from this particular list. This is something which I am not just suggesting out of my head : this is there in the list. Just analyse it and you will find that most of the money has gone to the monopolists.

Now, Sir, I shall come to the manner in which the loans have been distributed because that is also very important. When the situation became a little tight, for the honourable Chairman of the much more honourable Industrial Finance Corporation, he came out with an indignant statement ; his conscience was pricked and he said that only two concerns in which he was interested, the Bengal Potteries and the Jay Engineering Works, had been given loans. Now, Sir, two cats have been out of the bag and I do not know how many still are there to emerge out of the bag. What are these two ? The Bengal Potteries can by no means be considered to be a major industry. Certainly, it is a money making racket and similarly the Jay Engineering Work is also a very good money making racket. Where things are produced not so much for the consumption of the Indian consumer or the public as for exports. In these two, Lala Sri Ram has substantial interest as partner, and he is very proud of the fact that he is Managing Agent of these industries. Now, I may mention here the case of the Bengal Lamps. It is not controlled by big money and it applied for a loan. The loan was sanctioned but there was a condition that the Bengal Lamps should take two of the nominees of the Board of the Industrial Finance Corporation into its Board of Directors. It has

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not obliged the Directors of the Finance Corporation and the money has not gone out of that concern into the hands of the Bengal Lamp Company. I do not know what the Bengal Lamp Company is doing, but these terms are laid down. Again, I am told that Bengal Potteries had been given a loan, and Bengal P^oelains, I understand, have applied for a loan of Rs. 5 lakhs, but they have been refused that loan. I do not want to mention names. One of the hon. Members of the Congress Party here in this House is connected with that concern, and I expect him to get up and, even if it would irritate the Congress Whip, tell us as to why and for what reasons the loan asked for by this company has been refused. I see him here in this House, and therefore I would expect him to say something on a subject with which he must be more familiar.

SHRI M. C. SHAH : The hon. Member referred to Bengal Lamps. Is that so ?

SHRI C. G. K. REDDY : Bengal Electric Lamp Company, Limited.

SHRI B. GUPTA : Of Jadavpur.

Now, Sir, Orissa Textiles has been given Rs. 50 lakhs. I know it is a fact, though he denies it vaguely. There is no fear of perjury here. If I were to cross-examine him in a court of law, I do not know what would happen to him. But I would like to tell him a little more about this matter. Sir, that concern has been sanctioned Rs. 50 lakhs. And what is the qualification of that concern ? The late Shankar Lai's daughter's husband

MR. DEPUTY CHAIRMAN : Please avoid names.

SHRI B. GUPTA : It is very difficult because the whole thing is a matter of names. Anyway, I will try and obey you.

SHRI C. G. K. REDDY : In this case it happens to be a relation of the Chairman of the Corporation

MR. DEPUTY CHAIRMAN :
Please avoid names.

SHRI B. GUPTA : Very well, I will be descriptive. I will avoid proper nouns.

The niece of the Chairman of the Board of Directors has been married to a certain gentleman called X, who happens to be one of the partners of the Orissa Textiles. That becomes a qualification, it seems, for getting the loan. Now-a-days in administration sons-in-law and daughters-in-law and all the in-laws have a great advantage, we know, but I think it would be going too far for the Finance Corporation, if its business was to be prostituted in this manner for satisfying the greeds of such people.

There is another concern, Sodepur Glass Works, which has been sanctioned Rs. 65 lakhs. We do not know how much of this has been drawn. The managing agents of that firm are Bhadani Brothers, Limited. They are the managing agents also of the Bengal Cotton Mills, Limited. This cotton mill has sold about Rs. 7 lakhs worth of shares. What has happened to that money which was obtained through subscription of shares ? Out of that fund, Rs. 6,64,084-6-8 is lying as cash in hand with these fellows, and only Rs. 68-13-0 lies in the Hindustan Bank, and another Rs. 571-0-3 lies with the Central Bank of India. The money is in the private bag, and the Industrial Finance Corporation is there to help these people whenever they come and make applications. They should be taught a little more the lessons of business, so that they would put in their money in a bank where the accounts are kept, where income-tax cannot be easily evaded and where the public money is not taken totally out of sight.

I can cite another example—Bangalore Leather Factory of which the Raja of Bobbili is the Chairman. Rajas have also come into the picture. The hon. Minister is very fond of Rajas. After all, they have made Congressmen j out of Rajas. Twenty-five lakhs of 1 rupees have been sanctioned for that'

company, which is presided over by a Raja, the Raja of Bobbili. Now, the hon. Minister will tell us whether that factory exists.

SHRI M. GOVINDA R E D D Y
(Mysore) : There is no such factory.

SHRI B. GUPTA : I understand that that factory has closed down. I do not know what has happened to this factory. There is another factory—I do not exactly know the name—in Bangalore which has been given a very handsome accommodation, and that produces something with the help of a foreign firm, and I understand the foreign firm concerned is bringing pressure on the partners of that company so that more loans could be given and the foreign concern also given better terms and so on.....

This is the manner in which loans have been distributed. Naturally I have not been able to relate the full story, because I do not know it. But certain facts that have emerged into the light of day would clearly indicate that the whole transaction has been colourable and questionable, and that it is time that the Minister cflme out with fuller statements and took the public into confidence so that before we can pass this measure we can address our minds to the problems and the propositions that will have been so placed before us. The Government have not done that. They want to conceal things. We know they are hurrying through this measure because, Sir Biren Mukerjee and a few others are in the United States and are negotiating something which we do not fully know. It has become very urgent for them to pass this measure as quickly as possible so that the deal can be clinched there expeditiously and satisfactorily for the gentlemen who have made it their business to make money out of parliamentary measures.

We are told that the World Bark has been kind enough to offer a certain loan. We will succeed in getting this loan from the World Bank provided we make Certain amendments

[Shri B. Gupta.]
to this act. Now, when hon. Ministers talk about this World Bank, they talk as if it was nothing, as if it was just an innocent financial concern which is at their beck and call and which can always accommodate India provided there is a reciprocal gesture on the part of the hon. Ministers here. Now, this is not the first time that the World Bank has agreed to give us a loan. They have done it before. I would like the hon. Minister kindly to note these facts. First of all the World Bank is controlled by the Americans. America, France and Britain between them control more than 52 per cent. 1 of the voting strength in that particular Bank. It is a Bank under the cover of which American penetration advances into various countries and grips the economy of those countries. India has received certain loans from the World Bank. If I quote figures, it is from the Government documents and Professor Ranga will kindly note that these figures are taken from Government documents and not from anywhere else.

SHRI M. GOVINDA REDDY :
Will the hon. Member please give the names of the documents ?

MR. DEPUTY CHAIRMAN: He is giving figures.

SHRI M. GOVINDA REDDY : On account of his vehemence we have not been able to make out what he says. It would be better for us to know the source of his figures.

SHRI B. GUPTA : Sir, the loans granted are as follows : Railway projects 32.8 million dollars ; agricultural machinery projects, 8.5 million dollars ; dockyard machinery, 18.5 million dollars. All told, we have drawn from the World Bank so far 59.8 million dollars, the rate of interest varying between 3 and 4 per cent. And how is this money being spent ? In one case the condition is that for the purchase of tractors and spares, in the other, for the purchase of Locomotives and spares, in the third for the purchase of equipment for the Bokaro pro-

ject—for all these purchases the money that is obtained from the World Bank is spent in the United States of America. They have made it a point to see that the loans which are given are given in such a manner that the money is used in their country so that it will enable them to clear off some of their stocks, much of which consists of junk. Now this is how it is being done. More money will naturally be coming. That money will be spent in the U.S.A. for buying things of this nature. Sir, I have mentioned this example only to indicate that this is not going to help us to develop our industries in our country. On the contrary, this is meant for the exploitation of the agricultural and mineral resources of our country which the U. S. A. today needs. Now, if the Industrial Finance Corporation will be getting loans for such purpose", irrigation or railway projects, better call it 'Irrigation Finance Corporation' or call it 'Railway Finance Corporation'. Now, Sir, the money will be brought here not with a view to industrialising the country, because the World Bank is not there to help the industrialisation of the backward countries. Its policy is to create the conditions where the exploitation of the raw materials and other mineral resources can go on merrily in the interests of Anglo-American imperialism.

Now, Sir, here again I would read out from the Report of the International Bank for Reconstruction and Development—Second Annual Report—which says :

"There exist today a number of deterrents to the free flow of private capital, and with it of foreign technical, managerial and administrative skills, to the underdeveloped nations. If the Bank by use of its resources, its influence and the technical specialists on its staff, can help to remove some of these deterrents, it will have achieved an important task in the development field."

All this is stated in the Report of the Bank. Now, Sir, probably this particular measure is brought in to remove some of the deterrents with which the World Bank has been confronted.

Now, here I would read out from another book by a very eminent man and a spokesman of the big money Mr. B. T. Thakur, who happens to be the General Manager of the United Commercial Bank. This is a pamphlet which has been circulated to the M. Ps. because Bank Managers like to commune with the M. Ps. these days. He writes :

"It is true that we have been getting loans from the International Bank and some foreign capital has also come voluntarily from private sources, but these amounts are too small in comparison to the size of our need. To get a flow commensurate with our requirement we must make a positive approach through political friendship. Such friendship cannot be one-sided bargain. It has to be mutual. There has to be give and take; and there cannot be merely take. For international friendships and formulation of intelligent foreign policy based on our self interest, and not on altruism or pure idealism, are thus basic to the problem of removal of our poverty."

Now, Sir, here is the same chorus,— the same chorus sung here—and this measure has been tuned to this chorus to accommodate the Anglo-American imperialists who want to penetrate under the cover of giving assistance to India. Let us not therefore believe that these measures will help us even if the American loan is obtained. The heart of the hon. Minister is always melting as far as the Americans are concerned. But that will not help us at all in the industrialisation of our country.

Now, Sir, various other matters have been discussed here and therefore I do not wish to go into them over and over again, because the whole of this Finance Corporation, the whole of this institution has been based not on a sound economic policy. It may be said that people like Shri Sri Ram are there—the Chairman of the Board of Directors. Sir Sri Ram no doubt has all kinds of qualifications. But I do not think he would come here to claim that he is the representative of the people. Now, Sir, when we start institutions of this nature, it should be our duty to put a man who is guided by a public spirit and who is concerned with the interests of the public and public

alone and who has not got any financial interests so that he can utilise the resources of this financial concern.

Now, Sir, we are considering this Bill at a time when a recession in our economic set up has set in, when certain industries are facing crises, when things are lying unsold due to want of purchasing power on the part of the people, when the industrial development has come to a very lamentable position. Therefore, Sir, as we are discussing this measure, we should have addressed ourselves to finding ways and means for helping the industries that are dying out of existence, for helping the small and medium industries that are absolutely cornered in the competition, and some of which are not in a position to keep their mills running. Nothing of the sort is here. We find that decorations will be there. Where there was one Managing Director, there will now be a Deputy Managing Director and all the rest of it. Instead of one there will be two and all that sort of things. But where is the change? If you bring in amendments, by all means bring them. But make a basic departure from the policy which has so far resulted in a colossal disaster. It seems that the Government claims that it is meant for the industrial advancement of the country. If that is so, alter the entire structure of this measure, alter the entire structure of the Finance Corporation.

I would like to tell the hon. Minister here that since the partition of our country, nearly 400 crores of rupees worth of capital has been invested in new industries. The Government contribution in this investment is negligible. Now, if the Government really want to come into the picture, let it create a machinery which can gradually develop the public sector in our industry. Unless you develop a public sector, a powerful public sector, you cannot really assist the industrial development of the country. This Government cannot do it and will not do it because it will not touch the British capital and yet if the British capital had been taken over without

[Shri B. Gupta.] compensation, the Government would have been in a position to help the industrial development.

MR. DEPUTY CHAIRMAN : You are digressing. You have already taken 45 minutes.

SHRI B. GUPTA ; Sir, lot of money has been taken away. Just compare how much time I have taken in relation to the thousands and thousands of rupees that have been taken away. Anyway, Sir, I shall be very brief.

Now, Sir, what I say is that the capital formation is very important. Now, here is a Finance Corporation. Some of the banks do not feel very optimistic about the situation and we find that the Finance Corporation has been set up with a view to fulfilling the function of a bank not with regard to small men, but with regard to the big men who want loans in crores of rupees, so that they can keep their industries going and they can tighten their grip on the economy of the country. That is not the way to fulfil the aims that you have set before you—of course words only, and not in deeds. That is not the way.

Now, Sir, I would not go into this much further. When politicians forget that they have a duty towards the people and shake hands with millionaires and multi-millionaires and establish Finance Corporations and such other institutions, we know that the interests of the public, the interests of the common man, the interests of trade and commerce, the interests of the people at large are given the go-by. That is what is happening in this case. The hon. Minister has refused to divulge certain names. It is unimaginable that when a statutory body is being discussed in both Houses of Parliament the Ministers should not be furnishing us with the facts upon which we can base our judgement and according to which we can give our opinions. We are here as if to be

pulled by the nose. I know the majority is there. I know that many Congress Members there on the other side do not share the views of the Minister.

KHWAJA INAIT ULLAH (Bihar) : Including the Communists.

SHRI B. GUPTA : At least you can wake up to your own interests. It is time you wake up to the realities of the situation. You may not care for the views of the Communists but you can at least wake up to your own interests. Many small businessmen will be ruined and by the next election You will have no money to contest the elections on the Congress ticket, because running elections on Congress ticket requires a little money. Wake up to that. This Industrial Finance Corporation is not, therefore, I submit, helping the industrial development of the country. On the contrary it is helping certain monopolists to enhance their fortunes. It is a most tragic commentary on the present state of our public affairs that an institution which was started with the avowed object of helping the industrial development of the country is run in this manner and has fallen into the trap of the financial manipulators who are controlling it today. Sir, it is time the hon. Minister woke up to the realities of the situation and change the whole thing. Instead of doing that certain inconsequential amendments are brought up. Certain very unimportant secondary changes have been proposed here which do not make any difference to the situation. We want that the whole thing should be enquired into. Let there be a public enquiry into the matter of this industrial Finance Corporation by men of goodwill regardless of their political opinions, regardless of their political views and let them come and tell the House or the public what should be done with it. That is the way. That should be the approach with regard to this Corporation.

But they have brought forth this Bill to please their American friends. Their American friends are impatient.

They want a change in our municipal law. Last time it was the Company Law which had to be amended to placate the Standard Vacuum Oil Company. This time it is the Industrial Finance Corporation Act which has to be immediately amended with a view to placating the Americans. I do not know where the sovereignty of India lies, whether it is in this Parliament or somewhere else in White Hall or Wall Street. I would like to know this. Now, this shows the poverty of understanding on the part of the Congress rulers. It shows the poverty of their policy. It shows the poverty of their outlook when they rush here with this piece of legislation at the dictates of the U. S. A. and of the millionaires and multi-millionaires.

I submit, Sir, that this measure will not bring any relief at all, will not change the picture, will not put an end to the present state of affairs which is full of scandals, will not put a stop to the dissipation of public funds, will not put an end to the patronage and favouritism which is going on in the name of the industries of the country, will not stop speculation. Therefore, I would request the hon. Minister not to give this excuse, not to regale us with stories of how much money has been spent but to tell us as to how much money has been wasted and to what extent the public of India and the public exchequer of India had been put to losses owing to the shady and wasteful financial administration of that concern. These are the things that we want to know from him. The hon. Minister will not go into this because that is supposed to be a State secret. Now, when we in the Parliament cannot know such things, you can imagine, Sir, what would be the feelings, in the country outside. I have got here some newspaper cuttings. I will only refer to the *Hindusthan Standard* which is run by a gentleman who sits on the Congress benches in this House. This paper in its editorial on the Industrial Finance Corporation writes :

"...In the circumstances a thorough overhauling of the machinery of the Corporation is necessary."

: ^o c.s.D.

This is something which is said by a paper which subscribes to the Congress ideology and whose Managing Director is a Member of the Council of States.

Now, these are very important things. What I say is not mere Communist propaganda. We are not here for pro-j paganda. We are here to point out to you what the Government are doing. We are here to stir the conscience of the Minister so that he may not indulge in mere argumentations and casuistry but face facts as they are. I find that the hon. Minister is taking down notes. I do not know whether those notes will help us in recovering the currency notes which we have lost. If so, we will be very happy. I hope he will unfold his mind, because we want a little unfolding of the Congress i mind in this regard, so that we can j know where we are living, whether [they want this Corporation to help I the industries - of this country or whe-! ther they want this Corporation to ' continue to remain as a rendezvous I of the speculators and profiteers who I have corrupted the public life of this country. We want to grapple with these enemies of society, control their machinations and save this institution from the ignominy, shame ani scandal with which it has been associated. This is the question that I pose to the hon. Minister. I hope that the Minister will now tell us whether the Finance Corporation has not been functioning so far in the interests of the exploiters of our country whether they have not used this Corporation not for the well-being of the country but for building up their own fortunes, to turn their millions into billions. These are the questions I put to him. Let the hon. Minister answer to these questions.

SHRI C. P. PARIKH (Bombay) : This side has not been given any time to take part in this debate.

PROF. G. RANGA : Your Minister has read out a long statement.

DR. RADHAKUMUD MOOKER-
JI : Mr. Deputy Chairman, I must say

[Dr. Radha Kumud Mookerj.] at the outset that I am not yet able to recover from the shock of the eloquence.

SHRI M. GOVINDA REDDY :
Eloquence or violence ?

DR. RADHA KUMUD MOOKERJI:
.... of my esteemed friend, Mr. Bhupeth Gupta. My purpose is only to raise certain points arising out of the annual report that has been circulated, and also of the lines of the working of the Industrial Finance Corporation. Firstly, I would put a straightforward question to the Government. "Are they convinced that this institution is really working at a profit or at a loss ? My reading of the report shows that this institution is not at all self-supporting but is a completely losing concern. The Corporation has not been able to obtain from its investments sufficient profits to enable it even to pay the guaranteed dividend calculated on the lowest possible scale, viz. 2%. Even this low guaranteed dividend, this Corporation has been unable to meet from its earnings on its investments. In page one of the annual reports, it is stated that the Government have been forced to guarantee the payment of the deficit in dividend to the extent of Rs. 3 lakhs. The total deficit on account of guaranteed dividend that the Government have to pay amounts to Rs. 24 lakhs.....

SHRI B. C. GHOSE : It is really 27 lakhs.

DR. RADHA KUMUD MOOKERJI :so that I really do not know whether the Government really consider that this Corporation is a self-supporting institution, is really functioning in a proper manner and earning profits from its investments which will enable it to pay its way.

Now, the second point that I wish to draw the attention of the Government to is this. There is a lot of interest due to certain time-lag referred to in page 5 of this Report—the time-lag between the date of sanction of the loans and the date on which they are fully drawn. This is a most unbusinesslike procedure, j

It is unimaginable how the order for the loan has been passed by the Board, but the effect given to the order takes such a long time that there is a lot of interest which is not fairly recouped. That is why I say that it is not in a fairly businesslike way that this Corporation is managing its affairs.

My next point is as regards the distribution of the loans among the different industries. I find that there is a distinct bias for supporting those industries which are already earning phenomenal profits, if I may say so, and giving good dividends to their shareholders. Now, what is the use of pouring oil upon heads that are completely oiled ? For instance— details are not given in this Report— but I should like to select for your consideration several large industries like chemicals, sugar industry and paper industry. I for myself am inclined to agree with the preceding speaker, Mr. Gupta, in suggesting that I cannot find any reason why, of all industries, the sugar industry should be pampered so much as to be given a loan of 95 lakhs of rupees. On what ground is it given ? It seems to me that a well-developed and flourishing industry can apply to the Corporation and get more financial accommodation. Now, as regards the paper industry, I may say, of course, the paper industry is not at all self-sufficient. That is to say, enough paper is not being produced in the country and therefore, the price of paper should be reduced even by import of paper, because paper is an important requisite of culture and education. There is no quarrel with it. But, as regards chemicals, I do not know which chemical industries require all this financing and loans. Therefore, I do not know whether this Industrial Finance Corporation is following any sound economic principle in the light of which alone you should finance industries that should be supported in the general interests of the country.

Now, my other point is this : The Corporation finds that a number of applicants have approached the Corporation for loans. Subsequently, they say

that they cannot fulfil the obligation under the loan because of certain other economic factors which cropped up and which they did not count at the time of the application. These factors are enumerated—shortage of electricity supply, difficulties of transport, irregular supply of coal and imports into the country in excess of requirements. Now, I think an authoritative and expert body like the Industrial Finance Corporation should have gone into each of these economic factors on the working of which depended the prosperity of these industries that are being accommodated by its loans. So, even these primary factors have not been properly considered. On the last page, there is a record of factors which have arisen to jeopardise the loans that have been granted by the Industrial Finance Corporation to certain industries.

Now, Sir, I have another point to raise. I find on page 13 of the paper circulated—the Industrial Finance Corporation (Amendment) Bill, 1952,—that this Corporation confines its activities or its purview only to public limited companies. I cannot understand on what ground the private limited company is excluded from the purview of the Corporation. I know of many instances of industrial undertakings which have been organized as private limited companies. So, I do not see whether it is justified at all to exclude them.

AN HON. MEMBER : There is the law.

DR. RADHA KUMUD MOOKERJI : I do not see whether it is justifiable at all to exclude from the purview of this Corporation the private limited companies. If there is a law I should like that law to be changed, because it is an important point.

Lastly, I should say that, without producing much heat, the Corporation should primarily address itself to the real promotion of the economic needs of the country by concentrating upon and helping those industries which the country very vitally needs

and lacks. So, this Corporation should be worked in the light of the principles of protection, for after all, it is ultimately meant to finance those nascent and struggling industries which may be made to stand on their own legs by a little financial accommodation at the initial stages.

I have enumerated these matters and I wish that the Government should consider these points which I have raised.

SHRI C. P. PARIKH : Mr. Deputy Chairman, I have listened with attention to the previous speeches that have been made by the parties opposed to the Government and I now wish to try to offer my observation? on the same. I entirely support the amendments which have been proposed by the hon. Minister in charge of this Bill. But, first of all, I would say that Mr. Ghose in his speech made some suggestions. I thank him for the restraint and the unimpulsive language which he used. Mr. Bhupesh Gupta spoke in a different manner. I am used to his vehemence and bitterness of language, but, I think, there was no constructive suggestion in his speech, except the attempt just to run down the administration of the Corporation and the Directors for carrying on their duties. I was listening to Dr Mookerji for whom I have great regard, but when he says that this Corporation is conducting its business in an unbusinesslike manner, I think, Sir, he lost the practical side of business in reading these things and reading the Report, to which I shall come later on.

AN HON. MEMBER : He is not a businessman too.

SHRI C. P. PARIKH : Now, this House is discussing this Bill after a whole day's debate in the other House. I need not mention here what happened in the other House* But hon. Members are aware that the dispute arose mainly over the names of the parties who got the loans. On this point ! I wish to say that even the public

[Shri C. P. Parikh.]
 limited companies are not under an obligation to disclose the names from whom they have borrowed and I request that the hon. Members should dispel their impression from their minds. The public limited companies are not under an obligation to show from whom they have borrowed. Therefore, this information, according to the Companies Act, is not to be disclosed. But if the Government think that they can disclose it, it is a different matter. But when such a persistent demand has been made and that has been made only from the Opposition for this, the Government have to consider what is the majority view of Members of this House also and I may say that when names are disclosed there will be no end to criticisms of those names. Then Members will be asking what applications were rejected, what applications were sanctioned and why "a particular amount was sanctioned" etc. I think if we have the Corporation with these powers, is it not our duty to see that all these recommendations and the clauses which are incorporated in the original Act are properly carried out. Another point made by Mr. Ghose was that this Corporation should be nationalised. If he had seen it, he would have found that this is really a nationalised concern and Government in giving it an institutional status a wise thing. The paid up capital of this Corporation is 5 crores of which 1 crore is contributed by the Reserve Bank and one crore by the Government of India. 3 crores are contributed by the co-operative banks, scheduled banks and insurance companies and other interests. Now, all this capital of 3 crores which is contributed by outsiders is guaranteed by Government with regard to principal and interest. Over and above this, the Corporation is given power to issue five times the paid up capital in the form of debentures and bonds for which also Government also guaranteed principal and interest. Now, Government have carefully thought that Rs. 35 crores, which will be in the possession of this Corporation are entirely public money and Government knows that for Rs. 3

crores they will not let go the interest of the country or that of the taxpayer because when the guarantee is there, it means that it is entirely Government but the question is why nationalisation is not carried out only for the sake of 3 crores. I want to explain it. If the Government had made it entirely a Government concern where no outsider was a shareholder, then the Government would have had to borrow for this Corporation in the ordinary way. They are borrowing for their gilt-edged securities since 1930 at 3 per cent, interest and now they have been obliged to raise that to 3 1/2 per cent. The municipal corporations and the State Governments are unable to raise loans even at 4 or 4 1/4 per cent. So Government has wisely set up this Corporation separately to assist the industries and industrial concerns so that industrialisation may not be retarded on account of want of money which Government cannot adequately supply. This is another way of getting money by putting the Corporation on a basis where it can borrow at a larger rate than Government rates. Unless we do it and unless we enlarge its activity in

various spheres of production act; apart from the State owned concerns, of which Mr. Gupta has made a great deal that the State should start as many concerns in its public sector, it is not possible for big loans to be raised. The bonds instead of Government raising at 3 1/2 per cent, the Corporation can raise it at 4 1/2 per cent, if it thinks that industry has to be developed. This is another way of having a parallel borrowing institution supported by Government where others are also interested—the banks and insurance companies. With regard to banks and insurance companies, everybody knows that they are also to invest in Government securities certain portion of their investments. So, this is the proper way of managing a semi-nationalised concern if we want to have any industrialisation of a big nature in this country and we know very well what our requirements are for industrialisation of this country. The Report of the Planning Commission

puts it at Rs. 400 crores and it is a conservative estimate. Looking to the resources of the country which are available they would desire it to be much more, because our industrialisation does not compare with the industrialisation of other countries. But even this money can be raised only from the savings of our country and the savings in our country are limited. Therefore the best recourse is to go to the International Bank for borrowing money at such rates of interest as Government think proper and conducive to the industrialisation of our country.

I will first deal with the remarks of Shri Bhupesh Gupta on the provisions of this Bill. He said that the persons who are in charge of this Board of Directors, are taking indirect advantage on behalf of their friends or relatives and such other persons in whom they are interested. Sir, I am afraid the hon. Member has not studied the whole thing as he should have studied.

KHWAJA INAIT ULLAH : He has no time to study it.

SHRI C. P. PARIKH : If you turn to page 3 of the Report 5-011 will see there is information regarding the applications received, applications sanctioned and applications rejected. So, these loans are given only after proper scrutiny. In the first annual report certain conditions have been laid down according to which loans are to be given and these conditions are these. The concern should have a proper management in order that the money invested in the concern may not go away. The efficiency or integrity or the confidence in the management is a great thing in advancing loans. When you talk of advances by scheduled banks or by other banks, there also the first thing is to see who is managing the concern and how. The Corporation says that while granting loans they should nominate two directors, anybody from the public,

and they are quite right in making this provision and in seeing that the affairs of the concerns may be well-managed and public money is well spent and the management may not have its absolute say. This is necessary, because under section 6, the Government is responsible for the proper management and for laying down the policy of this Corporation, and whenever Government thinks fit, the Government can issue directives that on such and such conditions alone the loans should be given, and those directives will be binding on the Corporation in spite of the Board of Directors who are there. Therefore, it is clear that the Government is carefully watching how this Corporation is discharging its functions. This is not the only power because Government can even supersede the Board of Directors if they think fit. That is another power. Therefore, I say that the Directors are not the sole governors of this Corporation. Government have kept with themselves as much power as is necessary in order to see that the interest of the public and the interests of the tax payers are not allowed to suffer. That is not all Government have also while nominating Directors to take care that the Directors who are there will carry out the desires of Government and if you will see, you can find that four of them will be appointed by the Government—the number is proposed to be increased from 3 to 4 by this amending Bill. The Managing Director will be there who will be the Chairman of the Executive Committee and the Deputy Managing Director will also be there. Therefore, I say that in the Board of Directors there is the majority of Government controlled Directors. Then there are 2 Directors of the co-operative banks and I think everybody in this House will agree with me that these co-operative banks are not controlled by multimillionaires, as Shri Gupta has in mind, but they are in the hands of middle-class people. From that they have two from the scheduled banks and two from the insurance companies and others. I may say that even as regards the insurance

[Shri C. P. Parikh.]

companies, the present laws which have now been made completely control insurance companies. As regards scheduled banks, you know, the Reserve Bank controls all the operations of scheduled banks in so many ways and instructions are also sent to them from time to time. Therefore, I say the entire control in substance, rests in the hands of the Government.

It may be said—and it may well be said—that Government has not properly discharged this control, or properly exercised this control.

PRO?. G. RANGA : That is it.

SHRI C. P. PARIKH : And that is a different matter.

This Report is laid on the Table of the House and also is in the hands of the public and if we have any suggestion to make, by the majority of the Members of this House, it will be adopted.

I think, Sir, the suggestions of the majority should receive more attention than the suggestions of the minority. That is always the rule which every hon. Member in this House must understand. All suggestions, coming from whomsoever, if they are for the good of the country, it must be understood that they will be accepted by the majority. But, if we are unable to convert the majority to our view, I think there is something wrong in the argument that we may be advancing. Therefore, Sir, I would simply say this that the control should be better exercised and we have to think of the directives which we can give to safeguard the interests of the country and which will be acceptable to the majority Members of the House.

I say, Sir, there was a point made out that these Directors are having entire control and are obliging many friends. That is not the case. The Chairman of the Corporation, whom I know, has interest in two concerns, viz. the Jay Engineering Works and the i

Bengal Potteries. With regard to that Sir, I will say that the Jay Engineering Works are producing sewing machines which were never produced in India and till now we were importing them from foreign countries. They have established themselves in such a way that foreign imports of sewing machines will not be necessary. I think, Sir, if any industry has to be developed, we should not consider in whose hands it is, but only see whether it is being developed for the country's benefit and, we have also to see that the money invested by the Corporation is safe. As regards prices, the Ministry of Commerce and Industry is quite competent to control them, and, under the Industries (Control and Development) Act, additional powers have been given to control production, price, quality, etc. I think, Sir, when these things are there, whether the money is advanced to A, B or C, as long as our investments are safe and we are able to retard imports, we should not worry.

The next is the Bengal Potteries. To that concern a loan has been granted and in which the Chairman is interested. Bengal Potteries is a concern which, as one hon. Member had pointed out, has changed hands so many times and it is now under the control of the Chairman of this Corporation. Sir, when it has passed ten or fifteen hands, I would like to assure the House that this concern will be successful in the hands of the present Chairman and our loan will be safe. We shall be producing quality which we are asking for and we will be preventing imports. Therefore, it is no use making such accusations, if you want to give a directive, we can very well say that this Corporation should not give any loan to any Director whether he is interested directly or indirectly or even remotely. I will consider, Sir, that there is some sense in that and it will help Government. Section 86 (e) of the Companies Act says that no loan will be given to a Director, but, that clause will not apply to banks or this Corporation. If we desire that no loan shall be given to any Director of this

Corporation, it is quite a different matter. We may have a clause that such loans may not be brought forward before the Board of Directors but may be sent to the Ministry or the Planning Commission or the Economic Committee of the Cabinet. I say, Sir, if some constructive suggestions are coming forward, the hon. Minister will listen to them, persons like me will support them because those, who are Directors, are very well-known and they do not want to use public money if it is unsafe. When instalments mature these two concerns have been prompt in payment of their dues. Therefore, if loans are given to these concerns, we should not think that our moneys are not safe.

This Corporation has power to issue bonds and debentures to the extent of Rs. 25 crores, and that also with the consent of Government, because the rate has to be approved and guaranteed by Government so that the Government has complete control over it. The Executive Committee is not presided over by the Chairman of the Corporation. It is presided over by the Managing Director. The Executive Committee is the executive head under the control of the Board of Directors. The Board of Directors lay down the policy and the Executive Committee grants these loans. And in this Executive Committee the full-time Chairman is appointed by the Government of India, and he along with one more Director nominated by Government as well as the two nominated by the elected representatives function. Therefore, complete control in the matter of executive action is also with Government.

I have to make a constructive suggestion. The Corporation has its headquarters in Delhi, which is not a little desirable thing. (*An hon. Member : Why ?*) The industrial centres are Bombay and Calcutta and if the Corporation spreads out its activity and has branches.....(*Interruption*)..... let me continue, please. What I mean to say is this. Just as there is a Managing Director here employing his fulltime

in the business of the Corporation, similarly, there should be full time Directors in Bombay and Calcutta. If this is done, the cause of the country would be better advanced, because those Directors will be able to give full time to the problems and keep in touch with their eyes. A man who is not resident in Bombay may not be able to know about Calcutta the other side of the picture. Therefore, when these branches are there, and if they are controlled by one of the Directors there who can give full time to the business of the Corporation, then the cause of the country will be advanced. I know that this Corporation as it is constituted, consists of Directors who may not be able to give as much time as is desired considering the importance of this problem, and this may well happen every year. Therefore, I would suggest to the hon. Minister that he must select such persons as Directors as would be able to devote more time to the work of this Corporation. The Secretaries are there and the other nominees are there but he must see that they are able to devote at least two hours a day to the discharge of their duties under the Corporation, because those duties are very heavy and they have to be discharged in a proper way so that nobody has a right to criticise the working of the Corporation in an adverse way.

Much has been said about the capital invested in some of the concerns. It has been suggested that the capital that has been sunk in some of the industrial concerns is not being used properly, that it is being used as working capital or for speculative purposes. I may say that the hon. Member Mr. Gupta has forgotten the important aspect of this Act. All these loans are advanced for expenditure of a capital nature, and no loans are advanced for working capital except in exceptional circumstances. Loans are for purchase of capital goods only. Capital goods are earmarked, and practically the Government has a lien on those. Therefore, neither the Government

[Shri C. P. Parikh.] contribution nor the Corporation's advance will suffer to any extent.

Then, another point made is, why these loans are not advanced to private limited companies. Sir, the Indian Companies Act deals differently with private limited companies and public limited companies. Public limited companies have to abide by certain regulations from which private limited companies are exempt.

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Private limited companies can be owned by two or three persons. It will be difficult for Government to supervise such companies and therefore this exemption is made by the Corporation that no loan will be advanced to the private limited companies. These private limited companies must convert themselves into public limited companies in order that the supervision, control and guidance may be properly exercised according to the rules and regulations of the Company Law and the Corporation.

Then, Sir, another provision which has been added in this amending Bill is the appointment of 'Auditor General'. That also is a healthy feature.

SHRI B. C. GHOSE : The Auditor General will not audit. He will only appoint one of the auditors.

SHRI C. P. PARIKH : But they will be under the control of the Auditor General who is as supreme as any Minister under this Constitution. Therefore, we must say here that control is more and more rigidly brought to bear on this Corporation and it is practically carried on in a semi-nationalised way, which hon. Mr. Ghose is contemplating. The only thing is that if you entirely nationalise, then you will not get the bonds, debentures and capital which you are getting at present. At present, Government have under contemplation many productive schemes to be started by the State but they do not advance because adequate capital is not coming out from our own country. And adequate capital is required for such big schemes

and you know, Sir, the failure of the big schemes which are carried on even in the States. This is not the place and this is not the opportunity to go into these things and if the Government says—either the State Government or the Central Government—that their concerns are better run, they are entirely mistaken. The history in Madhya Pradesh, the history in Orissa and the history of so many concerns which have been started by the State should not be forgotten.

SHRI S. N. DWIVEDY (Orissa): Which are the concerns started in Orissa by the State Government ?

SHRI C. P. PARIKH : I need not go into any details.

SHRI S. N. DWIVEDY : It is not a statement of fact.

SHRI C. P. PARIKH : If we look at the history before 1939, we will find that the concerns which were the public concerns and controlled entirely by the Mysore Government were not flourishing. It was only during the war that they were able to stand on their own legs. It was the war that brought them into their own.

If you see the history before 1938, they were not flourishing.

SHRI B. C. GHOSE : That is true of private companies too.

SHRI C. P. PARIKH : Not in general. When we are talking of private companies, it happened to the extent of 10 to 15 per cent, but in the case of public companies, this has happened to the extent of 85 per cent.

Now, Sir, I come to the region-wise and the industry-wise distribution and the criticism that has been levelled against it that the loans have not been granted to backward regions. Now, Sir, when loans are granted to any region, the creditworthiness of the concern has to be looked into and I say, Sir, no loan is refused without reasons. There are difficulties

of starting industries in the backward regions. The location of industries was a great problem which was under consideration and hot discussion in the Central Advisory Council which is recently constituted and which recently went into these things. No doubt it is very desirable to develop industries in the backward areas but it is not possible to do so on account of so many handicaps that exist in those areas. It is not the entrepreneur but the Government that can go into this factor and remove these handicaps for developing industries in the backward areas. It is very desirable that industries should be developed in backward areas, but who will do it? The private entrepreneur suffers from many difficulties and when those difficulties are removed, then only he will go for these things because in the other regions he finds conditions more profitable. So Government have to see and balance the handicaps which are existing at present in these regions. And if suggestions are coming in that respect, I will entirely support them, so that the handicaps which are existing at present in the location for development of industries in backward areas are removed. But they can be removed only by Government, e.g. transport, labour, finance and so many other things into which I need not go at present. And even then, Sir, I would say that there has been sufficiently region-wise allocation of loans. The Orissa Textile Mills which has been so much talked of was granted a loan of 50 lakhs of rupees. I dare say that unless this loan of 50 lakhs of rupees was given to the Orissa Textile Mills, this mill would not have been brought into existence at all and it would not have been enjoying the position as it is doing now. It is very good to say that this mill was a mill where the son-in-law of the Chairman was there or his daughter-in-law was there. It is entirely a different matter but the whole thing is whether we want to develop an area which is backward and whether we want to assist it or not.

SHRI C. P. PARIKH : Sir, if we go into the merits of various factors of rejection of loans, it will require three hours for anybody in this House to explain the position.

SHRI M. C. SHAH : If I be allowed to intervene, I may tell my hon. friend that there was no other application except this. So there was no question of ignoring any other textile mill of Orissa.

SHRI M. MANJURAN (Travancore-Cochin) : Sir, the hon. Member, while speaking, said that he will require three hours to give the whole information. Since there is much confusion over the matter, we would like him to give us full information in this matter and that will help us to make some constructive criticism or give some suggestions that the Government may require.

SHRI C. P. PARIKH : Sir, with regard to the rejection of applications, we cannot go into details individually. But if the hon. Deputy Chairman permits, it would take a good deal of time, I can assure you. These loans have been rejected after close scrutiny and the information which my hon. friends over there have got is second-hand information.

SHRI S. MAHANTY : On a point of information, Sir. The hon. Member seems to be

MR. DEPUTY CHAIRMAN : Order, order.

SHRI C. P. PARIKH : The hon. Member must know that I am not yielding and I am not going to yield.

DR. R. B. GOUR (Hyderabad) :

SHRI S. MAHANTY : Sir, I rise on a point of information.

MR. DEPUTY CHAIRMAN : order, order. Let him proceed.

SHRI C. P. PARIKH : Sir, I do not want to consider the merits of this loan or that loan. But I say, Sir, that loans have been given in the backward regions and I think there can be no doubt about that. Now, Sir, I say that handicaps are existing and if handicaps are removed, only then the development in backward areas will be possible and I think, Sir, it will be proper if Members agitate for removing these handicaps as much as it is possible in the interests of those backward areas. Only then such development is practicable and therefore it is no use relying on second-hand information •on such points.

With regard to the other point regarding new concerns and new industries that wanted extension, Sir, 10 crores and 13 lakhs are also given for extension of new industries, industries which were not existing in this country before the war. Therefore about 10 crores out of 15 crores are utilised in industries which were not existing before the war. I may say that the Corporation has tried as far as possible, to grant loans in areas wherever they are necessary, and preference has *been* given to new industries.

Much has been said about old industries to which loans have been given. The advances on cotton textiles and aluminium have been referred to. I am surprised that he has brought in aluminium. Do we not need aluminium in this country? Are we not to be independent of the imported aluminium? I think he has brought this question without proper understanding and realisation of the import drain.

With regard to cotton textiles, it is true that loans have been granted. But I may say that these loans were granted in those concerns which were in backward areas. Enough information is not here before us, but the instance of Orissa will prove that that cotton textile is being developed more or less in backward areas. There are plenty of new mills which have been built up recently. Ten lakhs of spindles have been built

up in the last four years. With regard to this, I may further say that in backward areas a number of new industries started during war and if this Corporation has come to the help of such industries for developing them in backward areas, they have not made a mistake. For example, look at the figures. I may say that to concerns which were started in centralised areas, or where the industries were centralised, they were not given these loans.

There is another matter and that is relating to the sugar industry. It was asked, why loan was granted to them. I may say that the same argument is applicable in this case also. Sugar was till now—only one year back—deficit in this country and everybody was crying for more production. These loans were granted at a time when our production was not up to the level of our consumption. It was granted to enhance our production. Still, our production was not going up to the level we require. I have tried to point out that even in the case of old industries where these loans have been given it has been found that they needed help for their further development.

Certain industries which are new are also challenged in this connection. What are they? For instance, the mechanical engineering industry was also challenged. The electrical-engineering industry was also challenged. My learned friend also challenged the chemical engineering industry. We are importing about twenty crores of rupees worth of chemicals. Do we not want the chemical engineering industry to be developed in this country? Caustic soda and sulphuric acid and many other substances are needed in this country. Do we not want ourselves to be independent of foreign countries in regard to the supply of these articles? The Government and every Member here and the people outside think that we should try to be self-sufficient in chemicals, that we should not import them.

Sir, the loan about the paper industry was also criticized. In this industry, we are still importing fifty per cent.

of our requirements. There is difficulty necessary that smaller loans should be to find people to go into this industry and if given in preference to bigger ones and the anybody is coming in, I think, he should be loans to the medium sized and smaller encouraged for developing this industry. industries of the percentage of 20% Therefore, what we find is that Government should be considered too little. The have ! seen to it that for new industries and percentage should be fairly bigger in order for essential industries, import check \ has that these persons who want to develop been exercised and loans have been even small industries are not debarred by granted to the extent of the total capital paid want of funds. There is enough technical up and sanctioned. There was another point skill, enough intelligence in the various made that no loans, are granted to medium parts of the country but people are sized or small scale industries. Out of Rs. suffering from want of funds and we are 15 crores of sanctioned loans only 3 crores importing goods from foreign countries are | loans under 10 lakhs. In this connection which we can very well manufacture. tion I would require the hon. Minister to give There are many people who are trying to me information as to the minimum amount establish these small industries but for that has been sanctioned by this want of finance the best brains in the Corporation. I think if no loans are country are rotting and therefore I say granted below 5 lakhs, then this House will that the State Governments should have have to say that we want to support the been persuaded to start or promote the small scale industries and for that even State Finance Corporations and if they are though the State Corporation Act is unable to do so for want of finance, then intended, we should not wait till the State the Government should issue directives to Finance Corporations are established in the Finance Corporation that small loans the various States because although that applications coming from those States Act was passed by this Parliament in 1951, should be viewed favourably and that such even then, the State of Madras is the only loans should be granted. That is State having a State Finance Corporation. necessary if we want to establish small They can go upto 5 crores in paid up industries which we I desire so much capital but no State except Madras has still and which we want to grow in this floated such concern. So I say this figure of country and if we want to prevent imports of these goods into our country from

20% of the total grant to small industries or outside.
medium sized industries is not sufficient.

I think the hon. Minister should issue a directive that until the State Corporations are established in the various States, loan applications coming from small industries may be encouraged by this Corporation. There is nothing in the Act to prevent this. If applications had come from small scale or medium sized industries, this Corporation should have encouraged them. The Government of India should also try its influence for establishing such State Corporation or ask the State Governments to establish State Corporations at an early date so that industrialisation on smaller or cottage scale may progress. We should

decentralize our industries, in order that we may develop the small industries in the backward areas. It is very

One great feature is included in this amending Bill viz., raising the limit from 50 lakhs to 1 crore. That is mostly on account of certain large concerns which we require to develop in this country to produce, producers' goods—the key industries. They are woefully lacking in our country at present and we want to develop them as fast as we can and such concerns require huge capital. So, if Government think—according to the Planning Commission Report also—that the key industries and the producer goods industries are requiring a loan, this Corporation will be able to assist them in the best way possible.

Now the learned professor has asked I the question why there should be this 1 time lag between the sanction of the ' loan and the disbursement of it. I

[Shri C. P. Parikh]

may say that these loans are advanced for capital purposes, for getting capital goods. When the loan is sanctioned, then the concern gives the orders for importing the machinery. It takes some time, about six months, to negotiate the order for machinery and it takes about twelve months in order to get the machinery. The money will not be paid unless the capital goods have been received in the hands of the concern. Therefore this time lag is there. These sanctioned loans will, I am sure, be utilised as soon as possible, not beyond the period of twelve to eighteen months. Therefore this time lag is bound to be there and this is the business method of conducting this Corporation. The Corporation has now funds of Rs. 10 crores. This sum has to be with them. They have now only Rs. 7 crores disbursed and they have Rs. 3 crores lying with them. Till now they put it in the Reserve Bank who naturally will not pay the Corporation any interest. So it is said that the deposit can be with a scheduled bank, and the Corporation can also borrow from the Reserve Bank on short loan basis—up to Rs. 3 crores on the basis of payment within 18 months. The learned professor also referred to the loss of the Corporation. He said that it had lost Rs. 27 lakhs in the profit and loss account. Sir, this position also has to be understood properly. The Corporation has at present Rs. 10 crores on which they have to pay interest, 5 crores on bonds and debentures and Rs. 5 crores on paid-up capital.....

SHRI M. C. SHAH : Rs. 5.8 crores only on bonds.

SHRI C. P. PARIKH : They have to pay this interest on ten crores and they are able to get interest only on Rs. 7 crores. So there is this deficit of interest on three crores and this they have made up by means of this amendment.

As regards equity or risk capital, we have to remember that the resources of this country are very limited and unless we could increase our resources

very much, by double production in the country, we cannot go in for equity capital. Our nation will have to be richer and as I said the production must go up to double of what it now is, and for this we want huge funds for the industrialisation of the country.

There is a suggestion that this Report is not giving the proper picture. I have also one or two remarks as regards this Report. First of all, I have to submit that the names of the Directors and by whom they were nominated and by whom elected, must be given in the Report.

On page 5 of the Report, the total amount of loans sanctioned and the total of disbursements are given. The disbursements total Rs. 724 lakhs. But this is after making allowance for repayments. Therefore, we do not know what amount has been repaid by way of instalments and I think hon. Members are entitled to have this information as to what amount is repayment so that we may know how much is actually disbursed.

And, such information is necessary if the report is to give proper information to this House and this House is entitled to have that.

Now, Sir, with regard to the progress of repayments, on page 3, they have said that extensions had to be given because 13 concerns have not paid their instalment. I think, Sir, one or two lines should have been added there saying that these instalments, although not paid in time, are not insecure or that they were doubtful.

SHRI P. V. NARAYANA (Madras) : How could they become doubtful? They are advanced very recently.

SHRI C. P. PARIKH : They ought to have said that they do not come under the category of doubtful loans so that this House knows the actual position. The extensions it is presumed have been given only to accommodate persons, as far as possible.

men, Sir, in the last page of the Report, the last line is important :

"On enquiry into the progress of the schemes for which loans had been given, the Corporation learnt that a number of its clients had complaints about cut in electric supply, transport, irregular supplies of coal, occasional imports into the country in excess of its requirements, etc."

This shows, Sir, that the progress report of all the schemes are laid before Government or before the Corporation and, from the progress reports, one can see that Government exercises full control and vigilance over the activities of this Corporation. The progress reports will always give details of how the loan is utilised.

I have to point out one thing about occasional imports into the country in excess of its requirements. Every time, I got an opportunity I want to say that the import list of our country should be scrutinised in a way that our wealth is not drained and, if our manufacturers or our producers are charging higher prices, then, there is price control of Government. If quality is not coming up to the standard, I am asking them to establish quality control machinery in our country at an early date. We want these industries to start in order to retard imports. We want our industrialisation to grow but we have to compete with industries which are established in foreign countries 100 years ago. We cannot compete easily with them in matters of price and quality but if sufficient steps are taken, in encouraging them this House will have no misgivings.

Now, Sir, another point on which I want clarification in the Report is that on the credit, the interest is mixed up with the commissions and all that. I think, Sir, the Company Law requires interest received to be credited separately. In the Profit and Loss Account interest paid is given separately but, interest received is jumbled up with interests, discounts, commissions, etc. I think, Sir, interest received should be a separate item clearly shown in this Report in order that the Members of this House may very well understand.

Now, Sir, I will, lastly, come to the Bill. There has been a lot of criticism as regards the loan from the World Bank by the hon. Mr. Bhupesh Gupta. I would like to answer him in that respect. We have subscribed to the World Bank a capital of 400 crores of rupees, being a shareholder in this organisation,.....

SHRI M. C. SHAH : 400 million dollars.

SHRI C. P. PARIKH:..... and 53 nations have participated in this. So, we, along with the other 53 nations are shareholders of this organisation- and we have subscribed 400 million dollars. Out of that, Sir, we have contributed, till now, 8 million dollars to the World Bank and have sent them there. The remaining 72 million dollars are still lying -with us in rupee coins and in bonds. The International Bank has not drawn this money. That is what I want everyone to realise.

With regard to our drawings, Sir, I have, till now, as the hon. the Finance Minister has said, drawn 58 million dollars as loans from the International Bank. Most of these loans were for Central Government projects, Damodar Valley Project, railway schemes, etc. This amount has been already utilised by us, and he is bringing this Bill in a hurry on account of about 30 million dollars which is still to come to us for our development projects and for capital goods which we so badly require in this country. When such aid is coming from other countries, from an international bank of which 53 countries are members, do you think we are going in a wrong way ? It is said that Anglo-American imperialism is controlling us on account of the loans. Much has been said about Anglo-American imperialism. But, Sir, whatever assistance is given from that quarter is taken by us without any political strings. And as a businessman I would like to point out that it is those persons who are investing their capital here, and it is not we who are investing it there. That is the difference. When the capital of those countries is invested in

[Shri C. P. Parikh.] India, it lies on the soil in the hands of Indians. And the hon. Minister for Commerce and Industry is trying also to bring in a Bill by which he wants to control the technical management of such concerns, so that Indians may have a greater and greater share in the technical management of those concerns. Therefore, when such concerns are established in India, they will be under our control, and the drawing on our resources also will be reduced. When these concerns are established in India, no foreign domination will rule us. Whatever is done by these concerns is done by our technicians and our workmen. The workmen and the technicians will be sons of the soil. When they feel that any foreign investment is not behaving properly, they will be able to compel them to behave properly. If money is invested on our soil, we shall get people trained technically. Provision is made that our industries should not be paralysed by secrecy of technical skill. Provision is made that people should be trained. Therefore, as long as Indian labour is employed, as long as Indian technicians are employed, we have no reason to worry.

Lastly, Sir, it is stated that these loans come from a source where the United Kingdom and America predominate. Look at the list of the loans we have received ; we have received machinery from America, England, France, Germany, Japan, Spain, Czechoslovakia and other countries. Now, if this machinery is available in anyone of those countries, naturally we have to repay the loan in the currency of that country. And if repayment is made in the currencies of other countries from whom we have bought the machinery, naturally there is no string attached and there is no domination of England or America. Some machines are highly specialized, highly technical, and only very few countries produce them, and therefore we have to buy them from those countries only which are able to supply them to us at the time when we require them. There are no strings attached. With the help we are receiving we should try and see that our people are technically trained.

In conclusion, with these suggestions which I have offered, I have great pleasure in supporting this Bill.

SHRI B. M. GUPTE (Bombay) r Mr. Deputy Chairman, I rise to support the Bill. The Industrial Finance Corporation occupies a very important position in the development of industries in our country. It is therefore, highly desirable that its resources should be increased, that the scope of its activities should be widened and that the financial structure should be strengthened. The complaint was made by the hon. Member Dr. Mukerjee that the Corporation is not paying its way. But, unless its volume of business is increased, it cannot pay its way at all. Therefore it is highly necessary that the volume of work of this Corporation should be increased. All the amendments are on the right lines because they serve all these objects and therefore the Bill deserves our support.

Many of the points of criticism have already been answered by hon. Member Shri Parikh. But there is one question which remains to be answered. What should be the policy of financing industries ? Some said that it should be State-wise while some others said that it should be industry-wise. I would say that now that the Planning Commission has finalised its report the resources of this Corporation should be used in the light of and in the implementation of the Plan. I think this should cover everything, because the Plan must be covering necessary improvements in all regions. Therefore it should be the guiding principle that the resources of this Corporation should be utilised in the implementation of the Plan.

With regard to the controversy about the disclosure of the names of the applicants, the hon. Minister has already assured us that in all important matters it is the Government that is in control, because they examine all these applications. Therefore, there is no ground for any complaint. After the allegations were made he has again reiterated that everything has been all right and that suspicions are not justified. I