

THE INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL, 1952—*continued*.

MR. CHAIRMAN : We will proceed to the discussion in regard to the Industrial Finance Corporation. Mr. Saksena.

SHRI H. P. SAKSENA (Uttar Pradesh) : Mr. Chairman, I am in general agreement with the amendment that has been moved by my hon. friend the Deputy Minister of Finance. Now my difficulty is this that I don't see any necessity for these Corporations which are probably established for the maintenance of old persons who have got nothing else to do. I don't understand why there should be no direct relationship between the Government and those industrialists who want loans for the expansion of their industries. So far as the expansion and the development of industries is concerned, both cottage and big, there can be no difference of opinion but these Corporations do, in a sense, stand in the way of the Government funds or the funds raised by Government by taking loans from the International Banks reaching the villagers. These Corporations, I submit, stand in the way of that money reaching the small industrialists and the cottage industries. These Corporations are intended for fashionable people who have got fashionable friends and fashionable relations and whom they finance. Now I find from this report that they also draw a big amount as their fee. I wonder why some people cannot be found to man these Corporations, if they are to remain in existence, honorarily. Why should we be paying fees to these Directors and Managing Directors ? So far as these Corporations are concerned, there appears (MR. DEPUTY CHAIRMAN in the Chair) to be no necessity for their existence and the sooner they are eliminated the better, specially if they are running at a loss. Now the Government has, I understand, guaranteed all undertakings and all commitments of the Corporation. If that is so, why could not that guarantee and

undertaking by the Government have been given to individual industrialists and investments ? There is not much to be said about this Industrial Finance Corporation. There is very great need of Corporations provided they are established on planned profit lines and if one is going to be established by the Government in which the Managing Director and Directors are not going to be paid any money, I offer my services for one of them.

SHRI SHRIYANS PRASAD JAIN (Bombay) : Mr. Deputy Chairman, before I come to the criticism of this Bill for and against, I would like to say something about the background of its working and its constitution. This Corporation was established under an Act in 1948. The object of its establishment was to make medium and long-term credit readily available to the industrial concerns particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue is impracticable. I would like to come to this issue later on but would like to say something about the management also. The management is entrusted to a Board of Directors—3 of them are Government nominees and 2 are Directors of the Reserve Bank and 6 Directors are from the scheduled banks, co operative banks and insurance companies. The Managing Director has been appointed by the Central Government on the recommendation of the Reserve Bank. Subsequently he can be appointed on the recommendation of the Board of Directors. Besides the Directors, there is an executive body of which the Managing Director is the Chairman. In the Executive Committee there are two Directors elected by the nominated Directors and two by the elected Directors. All the Directors are experienced and responsible people who have the interest of the country at heart. Therefore I am confident that any proposal which comes before this Board of Directors is very carefully scrutinised and there is no room for any favouritism. Not only that. The Executive Committee has established a convention that they don't

finalise any loans unless one of the Government Directors is present there and has gone through the proposal very carefully. The basis for sanctioning the loan is the soundness of the scheme from the point of view of security and whether the industry could be placed on its feet in a reasonable time to meet the requirements of the country. It has been laid down in the Act itself that the Board shall be guided on questions of policy by instructions given to it by the Government. Not only that. The Government will also decide whether a particular question is one of policy or not. I am not sure whether the Government has given any instruction to this Corporation and if it has not done so so far, it is not the fault of the Corporation but suppose no instruction has been given in the past, they might give it in future to the Corporation. They act under the guidance of the Government policy.

Sir, much has been said about the non-disclosure of the names. As regards supplying the information on the floor of the House, though I appreciate the anxiety of many hon. Members to watch the interests of the country, yet we have to look to the practical and the realistic side also. It is a well-established business convention that secrecy of this type of transaction must be kept, and certainly names of these loanees are not to be disclosed. In the case of the Corporation I think all officers, Directors and Auditors are pledged to secrecy under section 39 of the Act. Moreover the Corporation has never asked the permission of the borrower to disclose the names if Parliament asked for this information. According to me it is neither legal nor moral to disclose the names of these loanees on the floor of this House. I also submit that if the names are disclosed on the floor of this House, it will certainly lead to a discussion of the merits and demerits of the case.

The discussion will also lead to the laying open threadbare of the industry. And in case of rejection of the application it will be detrimental

to the concern. The discussion will only lead to unnecessary talks without leading to any finality. Sir, it has been argued that as this information is available in the balance sheet of the concern, there can be no harm in giving the information on the floor of the House. Surely it cannot be argued in both ways in this manner. If the information is already there in the balance sheet, then why ask for it here ? If it is not there, then it goes to show that because of its being in the balance sheet, it is very much public. If any hon. Member is really interested to have any particular information, I am sure he can get it. May I draw attention to an offer made in 1949 by the then Finance Minister Dr. John Mathai, and we have got it again from our present Finance Minister, Shri Chintaman Deshmukh, that he would be willing to give information to any hon. Member who wanted it ? If there have been no such enquiries, it shows that the working of this Corporation has been satisfactory. Even now if any hon. Member is anxious to have any information or detail, he can certainly approach the hon. Finance Minister for it and thus avoid all the complications on the floor of the House.

The House is aware that this Corporation is a quasi-Government organisation and as such its accounts are submitted to the Auditor-General.

SHRI B. C. GHOSE (West Bengal) : No.

SHRI SHRIYANS PRASAD JAIN : I think my information is correct.

SHRI B. C. GHOSE : It will be after the Bill is passed.

SHRI SHRIYANS PRASAD JAIN : According to my information the Accountant General makes a report and.....

SHRI M. C. SHAH : We are amending the Act so as to bring it under the control of the Auditor General, according to the desire of the Public Accounts Committee.

SHRI SHRIYANS PRASAD JAIN : Sir, it has been said that the small and cottage industries have not been getting any loans from this Corporation. I would like to point out that that is not the sphere of the Corporation. It is in the sphere of the State Corporations and the co-operative societies. Parliament has already passed an Act of which the State Governments should have taken advantage. If this body encroaches on the field of the State Corporations, that will certainly be centralising the whole field of financing industries and that will not be a right thing to do. We do realise the importance of small and cottage industries getting assistance and for this the State Corporations have to step in and do the necessary helping. Some States have already done this and it is for us to persuade the others also to follow this lead.

Coming to this amending Bill, I submit there has not been much criticism so far as the provisions of the Bill are concerned. I am of opinion that loans should not be taken for any amount from the World Bank. I feel that we should go in for only that much of loans as we may be able to invest.

Next, I would like to say something on the criticism that has been made about the Directors and the Chairman. On the whole I feel that the work that this Corporation has been doing is wonderful, and it has indeed set an example to the State Corporations to follow. It was said that loans have been granted to relatives and friends of the Directors. Only I say that we have to see whether the loans have been granted according to the merits of the applications. That is what we have to see. Even if Lala Shri Ram had not been there, these loans would have been granted to those very persons to whom they have now been granted. We have to see whether they have been sanctioned according to the merits of the cases. If a person happens to be the friend or relative of a Director, that is no

reason why he should be debarred from getting a loan.

It was also stated that the loans should have been given to the backward areas of the country. I fully agree with those hon. Members who made out this point and in this connection I would appeal to the hon. Finance Minister to create conditions in these backward areas which would attract people to go to those places and start their industries. If there is no such attraction, it will be difficult to get persons to go there and start industries. When the princely States were there, as we know, certain attractions or concessions used to be offered to people prepared to start industries in certain areas and because of this incentive, such industries got started. Similar incentives, I think should even now be offered so that the backward areas may get developed. It has been complained that loans were given to the sugar industry and also to the textile industry. But according to my information, these loans were for being used in backward areas. So there is nothing wrong in that. On the one hand we say that Government should encourage the starting of industries in backward areas, and on the other you complain that Government have given loans to these concerns—sugar and textile—to start work in backward areas. After all you can take only established industries to the backward areas. Industrialists will see whether a venture is likely to be remunerative or not. They will not plunge into an industry where there are no facilities at all. Therefore, I would certainly request my hon. friends to think over this question seriously and not ask for things that may retard the industrial progress of the country.

With these few suggestions, Sir, I support the Bill.

SHRI RAJAGOPAL NAIDU (Madras) : Mr. Deputy Chairman, there has been a cry, both in the Lower House and also on the floor of this House with regard to the revelation of the names of members who had taken advantage of the loans,

but it has been repeated both in the Lower House as well as in this House that the secrecy that has been guaranteed to the borrowers has to be maintained. Sir, I would like to put this question : "Under what provision has this particular guarantee, i.e., maintenance of secrecy been given to the borrowers?" I very carefully went through all the sections, totalling 43 in all, in the Industrial Finance Corporation Act, 1948, and nowhere could I find any provision, any authority given to the Government, to maintain secrecy.

SHRI SHRIYAN S PRASAD JAIN : Section 39 may be seen.

SHRI RAJAGOPAL NAIDU : Yes, and probably my hon. friend has not studied section 39 correctly or he is misinterpreting it. Section 39 reads thus :

"Every Director, auditor, officer or servant of the Corporation shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule."

Does my hon. friend mean to say that this is guaranteeing secrecy ? If he does, I am sorry he has thoroughly misunderstood this section.

Now, Sir, I may point out that the obligation of a banker to his client to maintain certain secrecy is certainly a thing that is governed by an Act and, certainly, Sir, a banker cannot reveal the name of his client because that is provided for in the Bankers' Act. This Industrial Finance Corporation is a quasi-public institution with no such provisions and it stands to reason that the names of the borrowers should be revealed.

I shall now invite the attention of the House to this paragraph on page 1 of the first annual report. One hon. friend has drawn the attention of this House to this paragraph in the Fourth Annual Report of the Industrial Finance Corporation. We see, Sir, that under section 5 of this Act, the Government had guaranteed the payment of interest at a particular rate to be notified in the Official

Gazette from time to time. Well, Sir, the Government of India had guaranteed an interest of $2\frac{1}{4}\%$. The net earnings of this Corporation do not enable them to pay a dividend of $2\frac{1}{4}\%$ and I find, for the current year alone, there is, what is called, a call upon the Government to subsidise a sum of Rs. 2,99,797 and the total amount already drawn from the Government, excluding this Rs. 2,99,797 for the last two three years is on this account Rs. 23,89,415-13-6. Well, Sir, the money of the Government is spent like this because a particular guarantee has been given to pay at a particular rate of interest and it comes to nearly Rs. 25 lakhs and odd. Sir, when so much money of Government is spent, simply because there is a provision—section 5 in the Industrial Finance Corporation Act—is it not Sir, the Government's bounden duty to reveal at least the names of the persons who had borrowed this loan, especially when the Government of India had spent Rs. 25 lakhs on this mere guarantee business ? Well, Sir, I do not want to say anything more about this and before I proceed to the next subject, I will say only one thing. Sir, I find that in Great Britain there is a similar Act whereunder amounts are advanced for the development of industries. Well, Sir, there is no such secrecy maintained there and the whole thing is published in a White Paper every year by the British Government.

SHRI GOVINDA REDDY (Mysore) : There is no Act, for the matter of that.

SHRI RAJAGOPAL NAIDU : Sir, my hon. friend has been saying that secrecy will have to be maintained. Sir, the companies that borrow the loan publish every year their financial statement, their annual revenues, their balance sheet, their profit and loss account, their trading account, etc., and in all of them, Sir, you find that a particular amount has been shown as having been borrowed from the Corporation. They do not maintain secrecy and I find it very surprising,

[Shri Rajagopal Naidu.]

Sir, that the Government should maintain secrecy.

Sir, I am certainly not opposed to the other point, namely, the enhancement of the borrowing amount from half a crore to one crore of rupees, but I would only say, Sir, that just as a guarantee is being given by the Government to the International Bank, I would also submit, Sir, that the Government should also give a guarantee for the loans that are advanced by the Industrial Finance Corporation to the various loanees.

SHRI M. C. SHAH : I do not follow.

SHRI RAJAGOPAL NAIDU : Just like the Government guaranteeing the loans advanced by the World Bank to the Industrial Finance Corporation, so also any loan advanced by the Industrial Finance Corporation should be guaranteed by the Government. That is my simple point and I suppose I have made my point clear.

MR. DEPUTY CHAIRMAN : Will you take more time, Mr. Naidu ?

SHRI RAJAGOPAL NAIDU : Yes, Sir.

MR. DEPUTY CHAIRMAN : We resume at 2-30 p.m.

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

The Council reassembled after lunch at half past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI RAJAGOPAL NAIDU : Mr. Deputy Chairman, in the forenoon I was on the point that in the absence of any provision in the Industrial Finance Corporation Act with regard to secrecy, it is not proper for the Government to withhold the names of borrowers. I was also dealing with the point that while trying

to enhance the maximum borrowing limit from half a crore to one crore, it is better that the Government gives a guarantee not only in respect of loans above half a crore but in respect of every loan that is advanced to a borrower by the Corporation. The Government is not placing the full facts before the House. In the absence of any information that should be furnished to Parliament, I would suggest that the Government should at least give an undertaking in respect of all the loans that are advanced by the Industrial Finance Corporation to the various borrowers. May I suggest another step ? What is past is past. You are not prepared to divulge the names of the borrowers, but at least hereafter the Government can give an undertaking that in future at least, the names of the persons who borrow loans would be given to the Members of this House, because, as I have already said, there is absolutely no provision anywhere enabling them to withhold this information. So, at least hereafter, I would suggest, they should give out the names of the borrowers from the Industrial Finance Corporation. Otherwise we shall be driven to the painful necessity of imagining that the Government is a party to all this favouritism and nepotism.

Now proceeding to the other point, the object of the 1948 Act is to establish an Industrial Finance Corporation 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 would suggest that any industrial undertaking that is carried on by a co-operative organisation should be preferred in the matter of advancing loans. The reason why I say this is this. We find that the State Co-operative banks—that is, the apex co-operative banks for financing all the co-operative institutions in the State—are not advancing long term and medium term loans ; they are advancing

only short term loans, and those it is only possible to advance to the various rural credit societies. As a matter of fact it is not possible for any co-operative bank to advance any loans to any co-operative industrial concern. I am a Director of the Madras State Co-operative Bank, and I find that there is some difficulty in this respect because the Government refuses to give a guarantee to the State Co-operative Bank through the Reserve Bank of India with regard to long term and medium term loans, and Government gives a guarantee only with regard to short term loans; so much so that State co-operative banks are not in a position to advance any long term or medium term loans. So far as the Madras State Bank is concerned, it has practically ceased to advance any long term loans; it advances only medium term loans, and that too to a limited extent—10 or 20 per cent. of the total. We find that the co-operative movement in Madras has assumed such great proportions that co-operative institutions have launched upon very big undertakings, probably some of the biggest undertakings in textiles and in sugar. For instance, I find that they have started one big sugar factory in Etikopara in Vizag district, I think ; that is out of their own funds—within their own borrowing limits. The Madras State Co-operative Bank has advanced several lakhs of rupees to this sugar mill. What happens is that the amounts are drawn away towards the financing of these co-operative industrial concerns, so much so that rural credit societies really suffer for want of finance from the State Co-operative Bank. When any district co-operative bank applies for a loan of, say, about Rs. 10 lakhs, it is granted only Rs. 2 lakhs, because they say that if we do not advance loans to a sugar factory, the sugar factory will be closed.

I submit that the Government while advancing moneys under the Act, should as well consider the claims of co-operative industrial concerns, as otherwise, as I have already sub-

mitted, those who remain to be Directors in the Industrial Finance Corporation, those who have a pull with that Corporation, would alone be able to take away all the amounts that are available, never leaving anything to real co-operative concerns. I once again submit that co-operative concerns should be preferred to individual concerns, even to joint stock companies or any other firms.

There was a divergence of opinion in this House as well as in the Lower House with regard to the question as to what kinds of undertakings should be financed by the Industrial Finance Corporation at the Centre and what kinds of undertakings should be financed by the State Industrial Finance Corporations. The financing of big industrial undertakings should, I submit, be left to the Central Finance Corporation, while the financing of small undertakings might as well be left to the State Industrial Finance Corporations. Industries like cottage industries may be financed by the State Corporations, and big industrial concerns may be financed by the Central Corporation. I find that there are some States which have not yet started State Corporations. Madras has started one, and Hyderabad has started one—(*Interruption*)—I speak subject to correction.

SHRI D. D. ITALIA (Hyderabad) : Hyderabad has not yet started one.

SHRI RAJAGOPAL NAIDU : Another point is this. A good deal can be said for and against borrowers remaining as Directors in the Industrial Finance Corporation. Personally I feel that no borrower should be a Director in the Board of Directors, because it may be said that he will use his influence and try to borrow as much money as possible. But we find that in several other organisations, like co-operative organisations, it is only the borrowers who remain as Directors. If you are not a borrower, or at least a shareholder, you have no qualification to be a Director. But in this particular matter it is my personal opinion that no borrower should

[Shri Rajagopal Naidu.]
be a Director in the board of management. If one of the present Directors had not borrowed, I do not think there would have been so much fuss about this both in the Lower House as well as here.

Then, with regard to distribution of loans, I do not know whether States like Madras do not approach the Industrial Finance Corporation for loans, or whether, after having approached the Corporation, they have been unable to get loans sanctioned. I am not in a position to say anything about that. But I find, on a close reading of the various statements which have been placed before us, that nearly 50 per cent. of the loan amount has been distributed only between Bombay and West Bengal. I do not know whether the same favouritism should not be extended to the other States also. Of course they may not have as much pull as Bombay or West Bengal, but I submit that the hon. Minister should see that the distribution of these loans is done in an equitable manner, so that there may not be any sort of grouse or grievance on the part of any State.

Then, Sir, in the matter of issuing all these loans, the Government should see that only such of the industries which cannot stand on their own legs should be supported. I find that a good many amounts have been granted for financing sugar and textiles. I may say, Sir, that the sugar industry has firmly established itself in our country, so also the textile industry. I would suggest that industries like machine tool industries and other industries should certainly be encouraged and if any applications are made for any financial accommodation with regard to machine tool manufactures, I think, Sir, that the Government would be well advised to sanction these loans more liberally.

Finally, Sir, I cannot understand why this Bill should be rushed through in such great haste. It was argued in the Lower House by the hon. Deputy Minister that we had approached the

World Bank for a loan and they were charging 5 per cent. interest, if there was any delay on our part, who knew what would happen; the money market was so fluid, the world money market was so fluid. That was said in the Lower House. Well, Sir, after all a Select Committee could have been constituted—either a Select Committee of the Lower House, or a Joint Select Committee of both Houses and within three or four days, Sir, we could have called for the Report of the Select Committee. After all, heavens would not have fallen, Sir, if there was a delay of 4 or 5 days and I cannot understand, Sir, why this simple request could not have been acceded to in the Lower House and for all these reasons, Sir, I would submit that this Bill ought to have been referred to the Select Committee and it should have been considered more fully and then placed before the House. And certainly, Sir, there is some sort of a lack of confidence on the part of us, at any rate this side. Because of the great haste in which you are trying to do things like these, very important things, not even granting the small request about formation of Select Committees, we certainly feel that there is something behind the whole thing and if any such Committees are constituted, probably the Government is afraid that many more things may come out of them. I am therefore sure that the hon. Deputy Minister will assure us hereafter at least that the names of those persons who are granted loans will be disclosed to us. At least the names should be divulged of those who are advanced loans hereafter.

SHRI O. SOBHANI (Hyderabad) :
Mr. Deputy Chairman, Sir, usually I take about five or six minutes, to express my views before this hon. House. But in view of the importance of this Bill, I would crave your indulgence for a little longer time.

Sir, as far as I have been able to gather, this Bill has got a three fold object :—

- (i) To authorise the Corporation to increase the limit of

loan to a single concern from Rs. 50 lakhs to Rs. 1 crore;

(ii) to empower the Corporation to give loans to shipping companies;

(iii) to authorise the Corporation to borrow money from the Reserve Bank ;

MR. DEPUTY CHAIRMAN : They are all in the Bill itself .

SHRI O. SOBHANI : Sir, a few of those objects are very important ; Firstly the Corporation is seeking authority to increase the limit of loans from Rs. 50 lakhs to a crore and next that the Government is now called upon to guarantee the borrowings of this Corporation. Sir, as we are responsible to our constituencies and not to the Treasury Benches, it is our duty to examine the provisions of the Bill very carefully and if we find that during the last four years of its existence the Corporation has not been as careful as it should have been, or has been partial to some concerns or to some States, then, Sir, it is our bounden duty to say so without the slightest hesitation.

One thing, Sir, that has given rise to a great deal of suspicion is the non-disclosure of the names of the borrowers and it was said in the House of the People that the Bankers' Books Evidence Act prevented the disclosure of these names.

SHRI M. C. SHAH : It was not said so.

SHRI O. SOBHANI : Well, then I do not know for what reasons, the names of the borrowers have not been published. I find from the balance sheet that the names of the Directors also have not been published. Sir, I have been for over six years Secretary of the Industrial Trust Fund of the Government of Hyderabad and I may be permitted to refer to a report of that Fund and to say that before the publication of the Report in 1949-50 there used to be a suspicion in the minds of the public that

things were not being managed properly or were being managed in the interests of particular industrialists. But after the publication of the Report, public suspicion was allayed and the unkind things that were said before stopped. I have here in my hand, Sir, the Report of the Industrial Fund as on 1st April, 1950. We have given full publicity to the names of the hon. Ministers who were trustees of the Trust, the names of the Secretary, the Legal Adviser of the Bank and the Auditor and the names of all the borrowers and the various purposes to which the income of this Trust was applied and also the industries, for the study of which scholarships were given in India, Europe and America. Sir, I may also be permitted to refer to a statement here which shows that in 1929 this Fund was started with 59 lakhs of rupees. The Government gradually increased the corpus, by 1939, to a crore and from the income and earnings of the investments this Fund increased in 1943 to two crores and ten lakhs and by the 1st of April 1950 the Fund—increased to 4 crores and 76 lakhs of rupees. Sir, the expenditure of this Fund was only about Rs. 75,000 a year. We have here a Fund of about 10 crores and we are spending over 3½ lakhs of rupees. I think, Sir, that the expense ratio is very high in comparison to the income. It needs to be thoroughly scrutinised. Sir, I find that it is now proposed to take over the management of some of the industrial concerns, if the Corporation Directors so choose. I want to know, Sir, what would happen to the managing agents and the commission that, under the agreement between the company and the managing agents, was payable to the managing agents.

Would that commission or allowance be taken by the Corporation or would it be given up ? Sir, if I am permitted, I shall read a passage from the First Annual Report, on page 9 of the First Report, it is said :—

“An analysis of the industrial concerns which have been sanctioned accommodation showing location province-wise is given in Statement “A”.

[Shri O. Sobhani.]

In the case of the 21 applications sanctioned, the paid-up capital was Rs. 4,76,32,000 while the amount of the loan applied for was Rs. 3,56,25,000, i.e., the amount applied for was less than the paid-up capital.

In the case of the applications under investigation, the paid-up capital was Rs. 5,29,65,000 and the amount applied for was Rs. 4,88,38,000.

In the case of the applications rejected, the proportion was otherwise. The total amount of paid-up capital in this case was Rs. 1,08,49,000 and the amount applied for was Rs. 1,88,55,000. In many cases, the paid-up capital largely represented shares issued in payment of properties and assets transferred by the promoters to the Company at inflated values."

In the Second Report, on page 16, it is said :

"Many concerns, it appears, are under-capitalised relatively to the outlay required on their respective projects and have embarked on their schemes with inadequate resources. Whereas it might have been feasible during war-time for such concerns to be able to take advantage of the conditions of plethora of money then prevailing in view of the continued influx of purchasing power into circulation and the restricted outlets for investment, this is not so under the present circumstances, and these concerns are experiencing difficulties, on account of the inadequacy of their resources. It is obvious that in the case of these concerns borrowings on a large scale will aggravate and not relieve their difficulties. Whereas in the case of capital raised through the issue of shares no dividend need be paid nor is indeed expected by shareholders until the concern is able to pay its way, this is not so in the case of loans raised. On the capital raised in the form of borrowings, interest has to be paid from the day the relative loans are taken, apart from the amortisation provision necessary for the repayment of the loan. If the borrowings are disproportionate to the company's own resources, the interest paid on the borrowings will unduly strain the resources of the undertaking and by adding to its costs impair its competitive capacity. As borrowings can normally be repaid only from profits made by the concern, it will be obvious that such concerns will experience difficulty in repaying the loans taken."

Again, Sir, in the Fourth Report, on page 3, it is stated :

"Most of the borrowers of the Corporation have been paying interest and instalments of principal on the due dates, but, in a few cases, extension of time had to be given."

In the Third Report, I find no such mention of precautions taken by the Corporation in selecting the companies to which accommodation was granted. May I ask if the precaution that was exercised in the first two years was relaxed in later years?

Sir, I do not know if the establishment of this Corporation includes a staff auditor. By a staff auditor, I do not mean Billimoria and Co. who audit the accounts of this Corporation. I mean an auditor on the staff, who examines the accounts of the borrowing companies. When I was appointed Joint Secretary of the Hyderabad Government Industrial Trust, I put up a proposal to the then Trustees to appoint a legal adviser and a staff auditor. The Trustees appointed a legal adviser but could not see eye to eye with me as regards the necessity for appointing a staff auditor. Later, in 1948, after the Police Action, the new Government appointed an investigating officer to go into the accounts of all the concerns that had been assisted by the Industrial Trust. He had to employ a large staff to study the accounts of the various companies concerned and certain irregularities which had been committed by a few of the concerns were unearthed, which I submit, would not have been the case had we appointed a staff auditor to examine the accounts and to report to the Trustees whether the borrowed amounts were in fact utilised for the purposes for which they were raised. I, therefore, make this suggestion to the Government to consider the necessity of appointing a staff auditor in this case.

In this Bill it is provided that the number of Government directors should be raised from three to four. May I suggest that the Government should consider the desirability of having among these four nominees a Member of the House of the People and a Member from this House also? I believe that one Member of the House of the People is already on the Board of Directors of the Corporation.

SHRI C. G. K. REDDY (Mysore) :
Due to other qualifications. —

SHRI O. SOBHANI : Whatever that may be, I think if two representatives are there representing both the Houses, we may be able to exercise some check on the working of the Corporation.

During the debate in the House of the People it was disclosed that certain companies of which the Chairman of the Corporation was a Director had borrowed monies from the Corporation. I think, Sir, that if that disclosure had been made earlier, it would have avoided a lot of heat, suspicion and bitterness that came out in the debate. According to the Companies Act, under section 91 (a) it is common practice that every Director directly or indirectly interested in any establishment or arrangement entered into by or on behalf of the company, discloses the nature of his interest at the meeting of the Directors. I am sure that the Chairman's interest in the borrowing companies must have been disclosed to his colleagues. If that were so, it was hardly necessary to make such a secret as far as the House was concerned. I hope such things would be avoided in future.

3 P.M.

In view of the suspicions that have been aroused, may I respectfully suggest to the Government to consider the appointment of a small Committee consisting of four or five members—three from the House of the People and one or two from here—to inquire into the working of this Corporation, so that the popular representatives may assure the Members of both the Houses that things are in order and that the interests of the tax-payers are being well looked after:

As far as the power to increase the limit is concerned, all I can hope for is, that after obtaining the authority, the Government and the Board of Directors will see that the precautions that were taken by the Board in the first two years, namely, that the paid-up capital of the company had to be

more than the amount borrowed, will be taken and no loans will be made to companies which may later find themselves in a difficult situation.

Sir, hoping that the suggestions that I have made will be borne in mind by the Government, I support the Bill. I feel that it is worthy of our support.

SHRI H. N. KUNZRU (Uttar Pradesh); Mr. Deputy Chairman, when the Industrial Finance Corporation Bill was discussed in 1947, many Members who took part in the discussions that took place then, drew the attention of the Government to the desirability of helping small-scale industries and agriculture. But the Finance Minister Shri Shanmukham Chetty, in summing up the debate, expressed the opinion that the other Corporation would have to be set up in order to provide for the development of small industries and for providing credit for agricultural purposes. He said quite frankly that the Industrial Finance Corporation was meant only to provide the finance required for the development of the bigger industries. It is obvious, therefore, that the Industrial Finance Corporation Act has been used for the purpose for which it was meant. But in common with other Members, I should like to know what place the activities of the Industrial Finance Corporation, occupy in relation to the Five Year Plan formulated by the Planning Commission. I think, my hon. friend who is piloting this Bill stated in the other House that the Corporation had not contented itself merely with helping old industries to modernise their plant, but had sanctioned loans to the tune of 5·8 crores for new industries. Now, has any provision been made for these new industries by the Planning Commission in its Plan. If not, will not the Planning Commission and the Corporation come into conflict with one another in connection with securing the capital required for developing the industries. My hon. friend, the Deputy Minister in charge of the Bill has, I believe, not replied to any of the questions so far.

PROF. G. RANGA (Madras) : Mr. Parikh replied.

SHRI H. N. KUNZRU : Whatever may be Mr. Parikh's views. I should like to have an authoritative reply from the Minister.

SHRI C. P. PARIKH (Bombay) : Capital Issues Control Order is there.

PROF. G. RANGA : He is an authority.

SHRI H. N. KUNZRU : The Capital Control Order may be there. Have the industries that have been helped by the Corporation—whether old or new—been included by the Planning Commission in its Plan? This Plan was published more than a year ago. Therefore, as new loans were made in the year 1950-51, it was possible for the Corporation to bear the Five Year Plan in mind. As regards the Capital Control Order, unless Government restrict the activities of the finance corporations in any particular manner, I doubt whether they can use that order to choke off any schemes that the Corporation might approve of.

SHRI C. P. PARIKH : There will be no company according to the Capital Issues.

PROF. G. RANGA : Why not the Minister answer it and be done with it?

SHRI H. N. KUNZRU : I suggest, Sir, that instead of depending upon this indirect control, Government should lay down the policy the Corporation should follow. The Act authorises the Government to ask the Corporation to follow the policy laid down by it, and where there is difference of the opinion between the Corporation and the Government with regard to any matter, that is, where there is any dispute with regard to any particular matter whether it is a question of policy or not, it can be settled in the manner prescribed in the Act. I think therefore, as I have already said, that the Government

should tell us whether it has laid down any policy that the Corporation should follow in future or whether it depends entirely on the control that certain enactments enable it to exercise to determine the activities of the Corporation.

Another point on which I should like to have information is how the State Financial Corporations Act has been used. The purpose of this Act admittedly was to provide finance for all those small scale industries and agriculture with which the State Governments are particularly concerned. The Act was passed by the Central Government. I hope therefore that the hon. Minister in charge of the Bill will be able to tell us to what extent the State Financial Corporations Act has been used in order to supplement the assistance given by the Industrial Finance Corporation Act for the economic development of the country.

My next point refers to the power proposed to be given to the Bank to supplement its resources from loans from the International Bank for Reconstruction and Development. It is stated in the latest report of the Corporation that while till February 1952 the rate of interest charged was $5\frac{1}{2}\%$ with a rebate of $1\frac{1}{2}\%$ if the interest and instalment of the principal were paid in due dates, the rate of interest had been raised since then to 6% , the rebate for punctual payment remaining unchanged. If at the present time the Corporation has to charge as high a rate of interest as 6% , what will be the situation after it borrows money from the International Bank? I believe that the loans so far negotiated by us with this International Bank for Reconstruction and Development bear an interest of $4\frac{1}{2}\%$. I suppose therefore that the Industrial Finance Corporation will have to pay interest at the same rate on any loan that it may be able to obtain from the Bank. Will not the rate of interest, therefore, rise further? The question assumes all the greater importance when it is remembered that the dividend on the share capital which

has been guaranteed by the Government cannot be paid by the Corporation from its own profits. This year the Central Government has had to pay 3 lakhs to enable the Corporation to pay the dividend fixed by the Government to the shareholders. In all upto now the Government have had to pay on this account amounts to the tune of 127 lakhs. If the rate of interest from the Bank is as high as $4\frac{1}{2}\%$, will a rate of interest of 5% or even 7% be regarded as sufficient by the Corporation? Again I would like to know what the effect of large borrowings from the International Bank for Reconstruction and Development will have on the bank rate in India. According to the Planning Commission's Report I think we have obtained loans so far to the tune of 130 crores. I don't remember whether all this money has been obtained from the International Bank for Reconstruction and Development or from the Bank and from other sources. But if the plan is to be carried out, a large sum of money will be needed which cannot be provided in this country. I am speaking on the basis not of the report that was presented yesterday but of the report that was circulated to some Members of Parliament some time ago. According to that report the full execution of the plan requires foreign loans to the extent of about 200 crores. If we borrow all this money, what will be the effect of it on our own bank rate? It has already been raised from 3 to $3\frac{1}{2}\%$ and it was explained that this was done in order to reduce the inflationary pressure that existed. If the Bank rate is raised further, then in the present condition of the market it may check the development of industries by making the provision of the capital required also for the rehabilitation of the existing industries or for the starting of new industries particularly in the private sector more difficult. One of the amendments in the Bill enables the Corporation to serve as the agent of the Government and the International Bank for Reconstruction and Development for the supervision of the loans granted by them direct to the industries. I would like to know whether it is inten-

ded to make use of the Corporation in connection with the execution of the industrial section of the Five Year Plan. Is it proposed that loans for new industries or for any other industrial purposes taken into account by the Planning Commission should be paid through the Industrial Finance Corporation and that the working of the new concerns should be supervised by the Corporation? If this responsibility is intended to be thrown on the Corporation, it may have to be considerably strengthened in order to undertake this heavy task. It is certainly desirable that Government should take steps to see from time to time that the assistance given by it is used for the purpose for which it is given and that the concerns to which it is given are managed with all possible efficiency but is the staff and is the strength of the Corporation sufficient for this purpose? It may be sufficient in the limited sphere in which the Corporation has worked so far.

But if it is to be charged with more onerous duties, we should like to know how Government propose to strengthen it to enable it to cope with the new demands that would be made on it. Under the Industrial Finance Corporation Act, the maximum loan that can be advanced to any one concern is Rs. 50 lakhs and it is now proposed to raise this limit to Rs. 1 crore, and to allow the Corporation to exceed even this limit of Rs. 1 crore, if the loan is approved or guaranteed.

SHRI M. C. SHAH : If it is guaranteed.

SHRI H. N. KUNZRU : If the loan is guaranteed by Government, this limit of Rs. 1 crore can be exceeded. I have no objection to the limit being raised. If we want, for instance, that various machine tool industries should be started in this country, it is obvious that we shall have to give assistance in a large measure to achieve our purpose. But we have to bear in mind that notwithstanding the staff at the disposal of the Corporation and the care that it

[Shri H. N. Kunzru.]

doubtless exercises in giving loans, there are several concerns that have not been able to repay the capital or pay the interest on the money advanced to them, on due dates. Our attention has been drawn to this by Lala Sri Ram, the Chairman of the Corporation, in his letter to the Minister for Revenue and Expenditure. He points out there that the two concerns in which he is interested have been able to meet their liabilities punctually, along with a few other concerns but there are as many as thirteen firms that—to use his own words “have defaulted”. I should like to know what is the exact position in respect of these thirteen concerns. But whatever their position may be, it is desirable for us to exercise great caution in exceeding the limit of Rs. 1 crore, when we see that notwithstanding the scrutiny to which plans are subjected by the technical experts of the Corporation and the care with which new loans are given, a large number of firms have not been able to meet their liabilities punctually. I suggest, Sir, that when at least the limit of Rs. 1 crore is exceeded, the names of the concerns to which the loans are advanced ought to be made public. Much has been said about the duty of the Corporation not to divulge the names of the borrowers. I think that in the public interest it is desirable that at least in certain cases the names of the borrowers should be disclosed. I do not think that any harm would be done. The firm that will approach the Corporation will do so not for temporary assistance to stave off bankruptcy, but in order to develop their activities. It should not, therefore, be a matter of disgrace to any concern that approaches the Corporation for financial assistance to have its names disclosed to the public. No stigma can possibly attach to any company that asks the Industrial Finance Corporation to lend it Rs. 50 or Rs. 60 lakhs. The Corporation has been established for this purpose, and a firm that can provide the necessary guarantee is entitled to approach the Corporation for the assistance that it cannot get from any

other source. I think, Sir, that I may say without casting any aspersions on the Corporation or on the Finance Ministry that it is desirable in the public interest that when the limit of Rs. 1 crore is exceeded, the names of the borrowers concerned should be made public.

Another point to which I should like to refer is the amendment of section 34 of the Act. Now, this section 34 enables the Government to appoint the auditors to audit the accounts of the Corporation. Two auditors have to be appointed, and this section 34 empowers the Government to appoint both the auditors. But it is now proposed to allow the Corporation to appoint one of the auditors, the Central Government retaining the power only to appoint one auditor, but in consultation with the Comptroller and Auditor General. We are told that this has been done in order to bring section 34 in line with section 37 of the State Financial Corporation Act. There it is undoubtedly provided that Government will appoint only one auditor. But why was it necessary to alter the provisions of section 34 in order to secure uniformity between the arrangements made for the audit of the accounts of the Industrial Financial Corporation and of the State Financial Corporations? I see no compelling reasons for bringing about uniformity between the auditing arrangements of these Corporations. What was needed, Sir, was that the Comptroller and Auditor General should be brought into the picture, and that could have been done by amending the Act in a different way, not by giving up the power to appoint one of the two auditors. While I am glad that the Comptroller and Auditor General will be consulted in regard to the appointment of one of the auditors, I am not satisfied with this arrangement. I see no reason why the Comptroller and Auditor General should not be made responsible for auditing the accounts of the Corporation.

The shares of the Corporation are guaranteed by the Government both in respect of the repayment of the

capital and in respect of the payment of the dividend. Similarly, the bonds and debentures issued by the Corporation are guaranteed by the Government of India. Practically, it is Government money or money obtained on the guarantee of the Government that is being used by the Corporation. I think, therefore, that it is but proper that the accounts of the Corporation should be audited by the Comptroller and Auditor General. It does not seem to me to be enough to appoint one auditor in consultation with the Comptroller and Auditor General.

Lastly, Sir, I should like to refer to the question of nationalisation. I have already pointed out the responsibility that Government bear in connection with the capital of the Corporation and the bonds and debentures issued by it. Now, if the responsibility is really that of the Government, what is the advantage in having a Board of Directors? Why should not this body be nationalised and if it is desired to obtain the assistance of industrialists and men of business, it can be secured by the Government even after nationalisation of the Corporation. I venture to think that if the Corporation were nationalised some of the provisions of the Act would become simpler. I know, Sir, that the question of nationalisation that I have raised, refers to many other bodies set up by the Central Legislature. It applies, for instance, to the Reserve Bank, but the fact that it can be raised in connection with other bodies ought not to deter us from considering the propriety of nationalising the Corporation.

SHRI B. C. GHOSE : Reserve Bank is nationalised.

SHRI H. N. KUNZRU : It was raised in that connection and we have succeeded there and I see no reason why this body should not be nationalised similarly. It can be nationalised without losing the services of experienced businessmen.

Lastly, Sir, I should like to know to what extent the money sanctioned

for new industries by the Corporation has actually been used for that purpose. We know that all the loans sanctioned by the Corporation have not been made use of by the bodies to which they have been granted. I should, therefore, like to know whether the sum of Rs. 5.8 crores mentioned by the hon. Minister in charge of the Bill as representing the amount provided by the Corporation for new industries is the sanctioned amount or the disbursed amount. If it is the sanctioned amount, we should like to know to what extent it has been made use of to start new industries.

DR. SHRIMATI SEETA PARNAND (Madhya Pradesh): Sir, most of the points have been mentioned here and if one wanted really to keep to the scope of the amendments, there should not be very much more to say, but, as occasions like this can be used, in the words of the hon. Minister himself, "to go into the working of the Corporation, to consider improvements and also its usefulness in the sphere of India's development," they must be used for giving expression to what the representatives of the people feel in regard to matters which though not necessarily pertaining to the amendment, will enable the Ministers to make improvements whenever an occasion presents itself.

Sir, I feel that four or five more things could be considered for improvement. One is that, as the object of this Corporation is to give an impetus to new industries and to people who have not much money, people who have more than two or three very well established concerns should not ordinarily be given any assistance when there are others who have only one industry to run and who require money, being small financiers.

I would mention, Sir, for instance, there are people in the industries of cloth, steel and sugar who have plenty of money, who should not ordinarily be given money, because they are big financiers, while there are others who have not enough money and who require it.

[Dr. Shrimati Seeta Parmanand.]

I feel that possibly, at a later stage, if not today, with a view to nationalising industry gradually, Government should insist on having certain shares in these private concerns when they require a large amount of money say Rs. 10 or Rs. 15 lakhs as that would be a gradual way for Government to get control of industries and nationalise them. Then, similarly, if possible, it should not be a custom to give money to concerns which are well established for over 10 or 15 years because it should be the duty of such industries and concerns to stand on their own feet and not to draw on the limited resources of Government which have to be really directed to helping the people of limited resources who require funds for developing their industries.

Secondly, I would like to suggest that as Government should be able to control the policy of concerns to which it gives money, Government should lay down a condition that they should run their concerns on modern lines, that is, as in Western countries, maintain research laboratories. Most of our concerns in India, including mills and others do not maintain a research laboratory while it is common knowledge that in the Western countries so many of the new discoveries in the particular trade have been possible through these laboratories maintained in fact like a scientific research laboratory. People who have money a lot of money, try to economise on these, out of a shortsighted policy, and refuse to maintain a research laboratory. I would mention the case of our oil industry. Take for instance the Vanaspati industry. They should really have modern laboratories to help them to show how their Vanaspati contains all the vitamins. As there is no compulsion in this respect, they try to open for mere show—I do not know whether by legislation it is necessary for them to have it—a laboratory, run it for a short while, and then, as a measure of economy, close it down.

Then, Sir, there are 2 or 3 points which have already been mentioned,

but I would like to touch them again not because they are new but only to make it clear to Government how the Members of this House feel in this respect, namely, the appointment of a Government Managing Director, and secondly the disclosure of names of borrowers. As pointed out by the previous speaker, Pandit Kunzru, I do not think the only intention in not revealing the names would be the possible disclosure of the bankruptcy of the borrowers. Such disclosure also makes it difficult for the borrower to get credit in the market by making it appear that the particular borrower has not enough credit to expand his industry. The result of disclosing these names would be that it would not be possible for the Corporation to give loans only to a certain group of financiers, but there would be a more equitable distribution of the Corporation's funds.

The last point is that Directors or those concerned with the Corporation or their relatives should not be borrowers from the Corporation.

SHRI KISHEN CHAND (Hyderabad) : Mr. Deputy Chairman, I am surprised that very often we go on multiplying intermediary agencies and thereby increase the cost of any facility that is given to industry. It has been pointed out by several speakers that the management cost of this Industrial Finance Corporation is Rs. 3½ lakhs, but I would like to point out that the cost is nearly Rs. 6 lakhs at present. If the profit and loss account is seen, it will be clear to anybody that out of an expenditure of Rs. 24½ lakhs, Rs. 18½ lakhs is given as interest, and the remaining amount relates to items of expenditure. That is to say on an investment of Rs. 7 crores, we are spending Rs. 6 lakhs which is, nearly one per-cent. At present the expenditure is one per cent., but in this very report you will find that the Corporation has purchased a plot of land in Parliament Street, New Delhi, for building its own premises. When these buildings are ready, they will probably cost the Corporation about Rs. 60 lakhs. Naturally with a big

building they must have more clerical staff, more supervisory staff, and so on, and I am sure that within two years the cost of this Corporation will go up to about Rs. 15 lakhs including depreciation on the huge building that it is going to own very shortly. And who pays this Rs. 6 lakhs which is being spent at present and the Rs. 15 lakhs which is going to be spent in future? It is naturally the borrower, and this will be an added burden on industry.

It has been pointed out by several speakers that in other countries the Central Bank, the apex bank, is entrusted with this task also. The Reserve Bank of India has served the country very well. It has built up a reputation for itself, and I am sure all Members of this House have got the fullest confidence in the management of the Reserve Bank. Supposing this task had been entrusted to the Reserve Bank, they could have done it very easily. The Reserve Bank deals with about Rs. 500 crores in the banking department, and it could have easily lent Rs. 20 crores to industry. And if it was to charge 5 per cent. interest, the country would have earned nearly Rs. 90 lakhs or a crore of rupees. And as the Reserve Bank is a national institution, all that money would have come to the Government. Instead of that, what are we doing now? We are paying a minimum guaranteed interest of $2\frac{1}{4}$ per cent., and even for paying that $2\frac{1}{4}$ per cent., the Government has had to contribute so far nearly Rs. 24 lakhs. And the future prospect is not much brighter, because with the present funds the total lending of this Finance Corporation will be about Rs. 10 crores. At present its assets are Rs. 5 crores as share capital and Rs. 5,80,00,000 as bonds—that means Rs. 10 crores and odd. Supposing that the entire amount is utilised, its earnings at $5\frac{1}{2}$ per cent. will be about Rs. 55 lakhs, and with the added expenditure it will never be a paying proposition.

The Government of India will always have to contribute something to it. Instead of that, if we had entrusted this work to the Reserve Bank,

we would have saved all this expenditure and given more money at a cheaper rate to the industry.

We are going to have State Finance Corporations also. There are going to be about 16 State Finance Corporations. We do not see why we should have so many agencies. Why can't we arrange that all loans of one lakh of rupees and over be given by the Reserve Bank? And thus there need not be any Industrial Finance Corporation of India as the present Industrial Finance Corporation could be merged into the Reserve Bank. At present the Reserve Bank is giving credit to rural societies and co-operative banks for financing rural schemes. Similarly, they could have a branch for the financing of industries.

Further, Sir, this amending Bill is being introduced in order to borrow money from the World Bank. The World Bank is going to advance money at 5 per cent. interest, and the Corporation is advancing to industry at 6 per cent. with half per cent. reduction for proper repayment, that means, at $5\frac{1}{2}$ per cent. net rate of interest. Our expenditure is $1\frac{1}{2}$ per cent. Therefore, if we borrow from the World Bank at 5 per cent. and spend $1\frac{1}{2}$ per cent. on expenditure our net cost will be $6\frac{1}{2}$ per cent. while we will be earning $5\frac{1}{2}$ per cent. That means that this Industrial Finance Corporation will lose one per cent. I do not see any reason why we should be in a hurry for borrowing from every possible source.

It has been pointed out, that there are no political strings attached to any borrowings from the World Bank. But we know, Sir, that there is always a different type of relationship between a lender and a borrower and then this World Bank advances money after a very careful scrutiny. Its experts will come to our country, scrutinise every industry in our country, its location, its potentialities. Then further, it gives loans for specific purposes. So every year we will have a team of inspectors coming to our country and

[Shri Kishen Chand.]

seeing whether the loan has been properly utilised for the specific purpose for which it was granted. Do we want, Sir, a continuous inspection and is it in conformity with the prestige of this country that we should have inspectors of the World Bank frequently coming to our country and studying our industrial progress and even controlling and guiding it? I think, Sir, that with the resources of our Reserve Bank at the disposal of the country, this small paltry amount of 15 or 20 crores, which is needed by the industry, can be easily given by the Reserve Bank and there is no need of our borrowing from the World Bank.

And now coming to the Bill, it has been pointed out by several speakers that after all, this Industrial Finance Corporation was started with the object of the implementation of the Five Year Plan in the private industrial sector. I do not find any sort of co-ordination between the Five Year Plan and the workings of this Industrial Finance Corporation. As has been pointed out by several Members, the distribution of these loans is concentrated in two major States—the State of Bombay and the State of West Bengal. Due to the coming of Britishers in this country, the port towns and the States connected with the port towns have developed commercially and industrially far ahead of the rest of our country. The Bombay market can easily get any amount of money for the industry either in the shape of share capital or in the shape of debentures. Similarly, in the Calcutta market any industry can get any amount of capital from the bazar. But in the backward areas it is very difficult to find investors. If we go through this list, we will find that there are some States which have only got one loan in the whole period of four years. For example Madhya Bharat—which has got only one loan of 3½ lakhs. Now, Madhya Bharat is the most backward place.

PROF. G. RANGA : Something more for Madhya Bharat.

SHRI KISHEN CHAND : I do not come from Madhya Bharat, and the hon. Member need not think that I am trying to defend Madhya Bharat for that reason. But if you see the list as supplied, this State of Madhya Bharat has got a single loan of 3½ lakhs till 30th June 1952. It is the most backward State and yet has been given the least amount, even though it has immense mineral resources to be tapped. Hyderabad also gets only one loan of 40 lakhs to a sugar mill. That sugar mill is mostly owned by the State and I do not see any reason why a loan should be granted to it. The other mill has proved a complete failure and if any loan has been granted to it, it will simply go down the drain. There are similar other cases. My object in saying this is that there should be some sort of co-ordination. This Corporation should be run for the purpose of developing basic key industries in backward areas, and its activities should be co-ordinated with our Five Year Plan, but from this report I do not see any sort of co-ordination. I would submit that the hon. Minister should reconsider the whole question in this light.

Secondly, it has been pointed out by almost all the Members that there is no secrecy involved. It is a well-known fact that every limited concern has got to publish its balance sheet, and when a loan is going to be repaid in ten years' time, naturally year after year this will appear on the liability side of the balance sheet when the company can publish its balance sheet year after year showing the loans taken from the Industrial Finance Corporation. I do not see any reason why any abrogation of the secrecy clause would be involved if we disclosed the names of the borrowers. It may be true that the reputation of the applicants whose applications have not been sanctioned will be affected.

But the House is demanding that the names of the parties who have been granted loans should be disclosed. As far as that is concerned, I do not see that there is any abrogation of the secrecy clause. With these few words, I submit that this Bill should be amended.

SHRI C. G. K. REDDY : There are a number of speakers who want to speak. I would suggest that discussion may go on for the whole day.

MR. DEPUTY CHAIRMAN : I hope we will be able to finish it today.

SHRI M. C. SHAH : Should my reply be made today or tomorrow, Sir?

MR. DEPUTY CHAIRMAN : How long would you take?

SHRI M. C. SHAH : At least an hour. So many points have been raised and so many Members have spoken and so many explanations have been asked that I do not think that I will be able to finish in less than an hour.

MR. DEPUTY CHAIRMAN : You can begin today and end tomorrow.

SHRI C. G. K. REDDY : It is not possible.

SHRI M. C. SHAH : I will start today.

SHRI GOVINDA REDDY : Sir, I wish to give my support to this Bill. No Bill, which has come before the Parliament, has been under such heavy fire as this Bill, and the searchlight of criticism has been focussed on the management of the Industrial Finance Corporation and especially on the Chairman. I believe Government is in full accord with the opinions expressed here by many of the hon. Members that whoever occupies that place, a place of trust and responsibility, should be above board. The success of any institution and much more

of a Finance Corporation of this nature depends upon the ability, integrity and the sense of duty of the person who is in charge of the administration of that institution. This institution, Sir, is entrusted with large funds and heavy responsibility and therefore it is but proper that everybody should see that the person who is in the office of managing and disposing of the resources of the institution must be a man of the highest integrity.

Well, in this particular case, Sir, I believe the Government have not made an unwise choice. The person who occupies that place commands as far as I know, a high regard in business circles. It is very difficult in a thing like this for the Government to find one who can be of greater integrity than the Chairman of this Corporation. But, Sir, there is this thing that if that gentlemen happens to be in the field of industry or business, he cannot help being in the position of linking himself to other institutions or business concerns. As is disclosed in the debate in the Lower House, he is concerned with two of the industrial concerns which have received financial assistance from this Corporation. I do not see what the Government could do in this matter. It was for the gentlemen concerned not to have allowed any assistance to the two concerns to be given as long as he occupied the place. But the Government cannot own any responsibility on such a matter. For all that we know, it may be that these concerns got the financial assistance not because the Chairman was there, but because they may be quite deserving of the financial assistance. But because he was concerned with them, it would have been better if the assistance was not given to it only on the ground that he was there as the Chairman. It is a matter of recognized public policy that any person in charge of administering funds in a Corporation should not as far as possible be involved in concerns in which he has interests.

The other point which I shall refer to is that the industrial Finance Corporation is functioning mostly as a

[Shri Govinda Reddy.]

bank and not as a Financial Corporation. In all the countries which have such a Corporation as this except for example, in the United States of America, the Corporation has a very limited field. There is in these bodies purposive, directed effort of approach in rendering financial assistance. For instance, in U.K., the President of the Board of Trade and the Chancellor of the Exchequer sit together and decide upon a line of industries which needs financial assistance or which needs development in a particular sector of industry which needs development and then they lay down a policy and advise the Corporation to pursue that policy. This point was touched upon by hon. Shri Kunzru. It is a very important point. The object of the Finance Corporation is not all to lend the money. It is not the purpose of the Corporation. It is to develop the industry and in a welfare State like ours, which is on the threshold of industrialisation, it is but necessary that the Corporation should have limited its efforts and its resources to a planned assistance. Well, Sir, the annual report of the concern which has been furnished to us very kindly by the Minister, does not disclose any planned administration or disposal of the funds.

4 P.M.

On the other hand a charge could very justifiably be laid at their door that they have rendered assistance to that section of the industry which least deserved it. For instance the greater part has gone to the textile industry which is the most developed industry in India and which did not need any financial assistance. The trend of events in India also favoured the Textile trade and they were not in the losing way at all. They belong to that section of the industry which least deserved financial assistance but I find that the greater portion of the financial resources have been spent on this branch of the industry. There is another industry—the sugar industry—which has been referred to. There is also

the oil industry. I don't know if I am wrong but I feel the oil industry does not need financial assistance as the oil mills are fairly well off. There are such things which show that the Board of Directors of this concern have not been planning to dole out their assistance. The very annual report that is given to us is of a very limited nature giving us rationed information. It is just like a catalogue. We wish we had more information to get an inkling into the working of the Directorate as to whether they had any plan before it. It appears from this report as well as from what has happened that the Government also have not given any directions to the Corporation with regard to the disposal of the funds. I wish Government had laid down a policy and then determined the particular sector of industry which this Corporation was to administer assistance. Most of the clauses of this amending Bill are not in dispute. Therefore, I would like to refer to only one particular clause, viz, Clause 30 (e) of which I am not sure of the legal position. This clause comes into operation where an industrial concern which has borrowed from the Corporation fails to pay back the debt and for that reason the Corporation takes over the management of that concern. In such a case, it is provided here that no resolution which the shareholders may pass will be approved unless they are approved by the Corporation and then they are not entitled to elect their Directors and that no proceedings for winding up will take place without the approval of the Corporation. I do not know if this is a correct legal position. I want to be assured by the Minister that it is so. Here also there are shareholders in the Corporation. According to the Indian Companies Act the shareholders have certain rights. The shareholders will not be privy to any contract which the management may enter into when contracting loans. The shareholders have a right to elect the directors and unless they waive it and as long as the Statute provides for their rights and the Memorandum of Association of that particular company also provides, nobody can deprive

them of their rights. Then the shareholders can pass any resolution. This clause disentitles them to pass any resolution. I wish to know whether this clause overrides the Companies Act.....

SHRI P. T. LEUVA (Bombay) : Section 30E provides for that.

MR. DEPUTY CHAIRMAN : He is referring to it and he wants to know whether it is correct.

SHRI GOVINDA REDDY : I don't say that it is *ultra vires*. I want to know if it overrides the Companies Act—the relevant portions of that Act.

SHRI M. C. SHAH : It is in supersession of certain sections of the Indian Companies Act and the articles of association or Memoranda.

SHRI GOVINDA REDDY : I want to know whether the shareholders of a limited company which is incorporated according to the Indian Companies Act lose their rights simply because we provide this clause in this Act.

SHRI M. C. SHAH : Yes.

SHRI GOVINDA REDDY : I am not sure of that position. I am very doubtful of that position and that is a point which I would like the Minister to go into if he is not sure of the position.

SHRI M. C. SHAH : I am sure of the position because the previous Parliament had already passed it in the Sholapur Spinning and Weaving Mills Special Provisions Act and the Sholapur Spinning and Weaving Mills was taken over by the Government and after taking over all these things were made in that Act. This is a Central Act and the Central Act can supercede certain sections of other Acts.

SHRI GOVINDA REDDY : Even without amending the Indian Companies Act?

SHRI M. C. SHAH : Yes.

SHRI GOVINDA REDDY : Though the hon. Minister says so, I am not so sure of the position. I would like to know from the hon. Minister if any question has arisen and decided upon. Unless there is a decision of a court, I do not believe we can sustain this provision.

SHRI B. C. GHOSE : Has the hon. Member seen section 30E (2)?

SHRI GOVINDA REDDY : Yes, I have seen 30E (2). But that is a provision made here. And the Indian Companies Act is an independent Act. Will it override that provision unless there is an amendment in the Indian Companies Act? That is exactly my point.

The other question I would like to refer to is the question of nationalising this concern. I do not know whether there are any difficulties in the way of Government nationalising this concern. I can see one difficulty, and that is the difficulty of providing finance. I agree that the Government is hard pressed for finance. But I do not think that Government would dispute about the very objective of nationalisation. It would be desirable to nationalise such an institution as this, particularly in the stage of industrialisation in which we are today. I agree finance may be a difficulty. Whatever the difficulties, even of finance, I would lend my support to the question of examining the possibilities of nationalisation, because as the hon. Member, Shri Ghose was pointing out yesterday, although this Corporation is a statutory body. Government takes full responsibility for its liabilities and Government also in a way, is directing its policy and also finding out resources for it. Therefore, when it is doing almost the entire work of the Corporation, unless it wants to use it as an agency for building up industries, the Government would do well to think of nationalising this institution. In fact, in all the countries to which I have referred in my speech, except in the U.S.A. the corporations are functioning as the agencies of the governments.

[Shri Govinda Reddy.]

It would be worth while for Government to examine this question of nationalising of the Corporation.

With these few words, Sir, I support the Bill.

SHRI C. G. K. REDDY : May I submit, Sir, that there are several speakers, including myself who are very anxious to take part in this debate and so I most humbly submit that it would not be possible for the hon. Minister to reply to the debate today, especially in view of the fact that he has not thought it prudent to refer this matter to the Business Advisory Committee for fixing the various stages of the Bill. I would therefore, most respectfully submit that the extension of time should not be restricted, especially on this important measure.

MR. DEPUTY CHAIRMAN: Mr. Reddy, this Bill has been debated for two days and.....

SHRI C. G. K. REDDY : Sir, I can assure you.....

MR. DEPUTY CHAIRMAN : And if hon. Members will please avoid repetitions we can.....

SHRI C. G. K. REDDY : Certainly Sir.

MR. DEPUTY CHAIRMAN : If hon. Members avoid repetitions, we can, I think, finish the debate today. You can leave it to me.

SHRI M. MANJURAN (Travancore-Cochin) : Mr. Deputy Chairman, it is said that beauty is half revealed and half concealed. Judged by this test, this amending piece of legislation, with parts of information concealed from the representatives of the people of India and parts revealed, seems to be a rare object of beauty.

SHRI GOVINDA REDDY : Beauty?

SHRI M. MANJURAN : Beauty. But the enjoyment of this beauty seems to be bested in the vested interests of

this country from which blessed category we are divorced.

Well, Sir, I thought there was Shri Ram of Ayodhya in ancient days who was so sensitive to public opinion that at the whispering regarding the chastity of his wife, he abandoned her. National representatives in two Houses of Parliament have protested in the most vehement manner in order to elicit certain information with regard to the growth of the industrialisation of this country which is of essential importance and yet Government could not divulge it because the present Shri Ram is embraced by docile Ministerial wives. I am sorry, Sir, this Government has such kind of character which wants to protect corruption in every institution. When we were debating the Bill for prevention of corruption, we said that it was in the Government ; now, in the quasi-Government institutions you find still greater corruption and, perhaps, Government will say that it is a national character and the nation is a very dishonest nation. Now, it is strange. We want to take away this bad propaganda spirit of the Government. We want the Government to lay before the representatives of the people vital information regarding the progress and prosperity of this country. If they refuse to do it, it will be our purpose to go and explain to the people outside that this Government has failed to protect the peoples' interests, and ask them to launch agitation against the Government for withholding information and make this Government for once understand that it is not a few capitalists alone who would be protected but the people at large whose interests are concerned in the Corporation.

Well, Sir, this Corporation is not subscribed to by any of the private industrialists who are taking advantage of the Corporation. The Government of India subscribes to it, the Reserve Bank of India subscribes, the poor policyholders of the insurance companies subscribe to it and the co-operative banks subscribe to it. Who

are these stalwart champions of private industries who get monetary advantage from such a Corporation? Who are advocating for them and what are their rights even under this constitution of this Corporation to which they do not subscribe a single pie? I consider myself equally entitled in this matter because like them I also do not subscribe anything to the Corporation. If rights are concerned, their rights are only as much as my rights. Where on earth are those who subscribe to it? It was the purpose of the industrialists to have associated themselves with the capital of this concern. When they do not pay a single pie, this Nation is mortgaged for this institution, which is being used by the industrialists alone. I, Sir, have always been against the industrialists not because they do not fulfil certain useful functions but because I represent a conflicting interest, that is, labour. For me, industrialisation of this country means the prosperity of the workers of this country. Production, as far as I understand, is governed by at least three factors, land, labour and capital. So, any national scheme of production includes these three factors of production. If you divorce two of them from any scheme of production, we have come to a stage where Government has not understood the basis of economic life and economics itself. Where is the representation for land and labour in this institution? It is labour that is most vital in a national production schemes. They seem to have, instead, capital enterprises which will be manipulated and speculated by financial sharks. It will never produce anything ; it is the worker who gives his labour and sweats to produce anything that is worthwhile to think of. That is my impression of production. This institution gives all representation to big industrialists. It does not think about labour interests. What is this amending Bill? Let us see what it is about. The amending Bill is going to help us to import a foreign loan. Well, I agree that we are deficient in resources and a foreign loan may be taken when there are 53 nations which are supporting us to get this loan. Very well, these 53 nations are there. But my

hon. friend Mr. Parikh, who was repeatedly referring to these 53 nations, did not tell us what the proportion of representation of these nations was in this international monetary scheme, and it would have amazed him to find that it is entirely controlled by imperialist interests. There was nothing strange, and it was only fair to have presented facts ; and the fact is that imperialist interests are controlling the International Monetary Fund and the World Bank as it is constituted today. The proportion of representation is there. It is not controlled by the small nations, which are actually there by virtue of the interests and influence of the imperialist nations.

Now, granting that we are deficient in capital and we want to allow a flow of capital from other lands and that it is in the interests of our industries, the question is, what is the ultimate object of these industries themselves? These industries are going to be started in our country. Are they for the benefit of the workers, for the benefit of the people at large? Are these functions fulfilled by this Industrial Corporation? That is the test that we have to apply. I am not concerned with anything else. You can keep all the divine secrets to yourself. We do not care about that. But what we are concerned with is the question of national prosperity. That is what we are all concerned with. We are in a minority. We understand that. It is always easy for the majority to manipulate through such financial institutions so as to take away from us our right to proper representation. We know that after all finance governs to a large extent a poor country like ours. We know how the hon. Member, Shri Parikh, took one and a half hours to tell us so many commonplace things. After all, what did he tell us during that speech? He told us that the share capital is Rs. 5 crores, that so much money has been taken up, that there is the right to issue Rs. 25 crores worth of debentures, and so on. I was very patiently listening to his speech, but I did not hear anything but commonplaces—information which is contained in the 1948 Act and which is contained in

[Shri M. Manjuran.]
the present amending Bill. Are we to listen to a paraphrase of these measures like students? We are not students. We understand the full implications of these measures. And we understand another thing : that by controlling this Finance Corporation certain vested interests in this country are not expanding but stifling and killing the industrial potentialities of this country and are retarding the industrial progress of the country through their monopolistic advantage. That is the greatest objection. I have for the secretive manner in which the Government carries on the operations of the Corporation, hiding them from public attention.

Industries have developed in certain States. Certain industries have developed, and some industries are being started in States. The Financial Corporation helps the old industries to the detriment of new industries in States like mine. By the time these anomalies and wrongs are corrected, industrial progress might have taken place in certain parts of the country where the present vested interests are now entrenched. We understand one thing: we say that America has advanced industrially, that the United Kingdom has made great progress industrially, and that we are not able to cope with them. Why ? Because they made progress earlier. Similarly, if certain parts advance early industrially without relation to a proper planning, it will be to the detriment of other parts of India. That is another serious objection. So if certain districts in Delhi hold all the rights over the industrialisation of India, it is quite likely that some industries would get a lions share from the Industrial Corporation or whatever it is. And if decentralisation, as Mr. Parikh said yesterday, was what the Government intended and which was according to him a constructive suggestion, then, what is the purpose of this Bill? If every State were to have to its Finance Corporation, if every State were to act in its own manner, assessing its potentialities, assessing its resources, and thus were to work out its part of the industrial prosperity then why should

there be a Central institution which is not in a mood to co-ordinate with all the State Governments? If decentralisation is the principle of any Government action, we should have started from the States. But you have first centralised it. But here is a disastrous thing that is shown out. The entire capitalists and the Government put together would only bring 14 crores of rupees for the industrial prosperity of India and now they are going to borrow 8 million dollars. So, initially when this Corporation was floated, it should have been the intention of the Government to borrow rather than do anything else. Nearly five years after the incorporation of this Corporation, we find that our economic stability has been going down and now what is the use of going to borrow more money and paying greater interest than we need pay in this country. Well, how are we going to have industrial prosperity by borrowing? When we are going to borrow, we are sure what we are going to borrow for. This amending Bill suggests that the limit of Rs. 50 lakhs should be raised to one crore of rupees. What does that suggest? There are certain things up your sleeves. Otherwise what is the need of such an amendment? Unless we have something up our sleeves, why should this amendment come at all? And the Government have not told us why this money is required. They have not given us any schemes over which this foreign capital is going to be invested. What are the schemes? We want to know the schemes. Otherwise why should you raise this limit of 50 lakhs to one crores? From an analysis of the industrial conditions in India, I understand that 63 per cent. of the workers of the total industries in India are working in factories where less than 75 lakhs of rupees is invested. And they produce 74 per cent. of the total production of this country. That means the smaller industries are producing more. 63 per cent. of labour personnel are producing 74 per cent. of the national wealth. The functioning of the big industries so far does not suggest to me that they are working in

the best interests of the country. There is much nepotism there. Big industries require big executives, big offices and as has been very often pointed out, the members of the Finance Corporation, its Managing Director or Chairman, have got their vested interests. This is a charge levelled against big industries. High salaries in these big industries drawn by the relatives or friends of their Managing Directors etc. is a very heavy charge on this nation. Is the Government prepared to understand and enquire into these matters?

To me the protection of this nation is important and the protection of the worker is more important. So we are concerned with all the loopholes, and the troubles of present day industrial organisation. We want that there should be a new stimulus given to it, a new fillip given to it. We want to progress as a nation. We want a national regeneration and prosperity for our country. Well, this is not going to be assured.

We are going to encourage many more industries in this country. Are you going to give loans as you like? You cannot do so in the way you are doing at the present time. We want to know to whom these loans were given to see how many workers they employ and the system of wages that they have. This is the national wealth entrusted with the Central Government to which we have got the same right, although you are a majority here. We are not here to be hoodwinked. Yes, we are a minority but we have got a right to be a minority, but that minority represents the people, and they have got the interests of the people at heart. This is a matter of public importance and the entire picture should be laid before us. We want to assess, we want to calculate how far we have progressed with an institution like this, because our greatest fear is that this Corporation is impeding and retarding the industrialisation of the country. Why? Because there are certain vested interests who want to keep all industries under

their arm-pits. They do not want to produce more, because prices might go down, profits might be less. So they invest wherever capital is not required. Superfluous capital therefore is provided to unnecessary industries to the detriment of the progress of the other more important industries. Have you taken a survey of this country? What are this industrial undertakings of this country and where should they be located? Is the Managing Director of a concern whose industrial ability is questionable and whose financial abilities are uncertain, an authority to judge the industrial progress of the country? Have you ever taken a survey of this country? You have not done it. You have got a Plan but it is unrelated to facts, because last time an answer was given to me by the Planning Minister that no industrial survey has taken place in this land. There is a Plan, there is an Industrial Finance Corporation, but no survey has been held, no data has been collected. What are you doing? You are only helping the capitalists who are working against the people of India. This is what we want to avoid. You want in collaboration with imperialist powers to lend out money to them to retard, to impede the progress of industrialisation here, so that the Indian market could still have a place for foreign goods.

Now, Sir, so much has been said on many of the clauses of this Bill. I need not add more. If this Government has any sense of responsibility, if this Government has any sense of shame, they could have come out with more information, but their hands are not clean on this matter. Why cannot the Government come out with all information? We do lodge our protest most emphatically against withholding of information. There should be no secret about this institution. Secrecy is only in a house-hold, but this is a public affair. The Government have no business to enter into any secret agreements which are not in the interests of the betterment of the nation. Even this Government

[Shri M. Manjuran.]
 should think of the interests of the workers and the interests of the people at large. They should harness industries to better and more production and not leave them in the hands of people who manipulate and control production, who are always clamouring for imposing excise duties, etc., to amortise their losses on sugar even. This is all leading us to confusion and troubles. Sir, we are a big nation, but where does our strength lie? How can you assume strength? Your strength lies in becoming more conscious of the national interests and in taking on yourself the rightful duty that is vested in you by the people to use the resources of this country and in using the money that you collect in the most profitable manner.

You have wasted the money and how do you keep it away from us and from our representatives today? It is the people of India who should actually control the Government. You have entirely pledged it into the hands of a few capitalists and then you tell us: "No, we are not liable". Can we agree to that? You are not only insulting us, but you are inflicting injury on us. You insult us by saying that we are not responsible and you injure our cause and from the Congress side comes the vehement plea to perpetuate the stranglehold of that capitalism which is now devastating this country. Should we also say that it should continue? Should we be parties to such a process? If this is to be so, there is going to be revolution. You are not able to gauge the will of this nation and unless the facts are placed before the Parliament, before the Members here, who represent the people, who are considered to be the real representatives of the people, unless that spirit is entertained, we are going to a land of confusion. That should be the attitude if we are going to economic or industrial prosperity for the benefit of the workers and the people at large of the country. I ask, is this going to take place? If it is

not going to take place, then we do not want this Bill and the Act of 1948. We do not want the Act. We will leave it to chaos rather than in the hands of a handful of capitalists, who are the real exploiters and plunderers of the resources of this country who will leave it to the foreigners. We once defeated imperialism and we thought we had achieved a certain amount of success. Now, you want to import imperialism. You achieved success using the blood and toil of the people and now you use your powers against them. Unless we realise that any investment where the Government pays could not be kept in secret without the people being taken into confidence, unless the people who are responsible for the uplift of this country and their interests—the essential interests of the workers—are recognised, we are not going to improve. We think that labour should have its full play in the industrial prosperity—not only in the Finance Corporation, but in all matters affecting the industry of this country. It is only proper that labour should be consulted and loans should be granted only in such factories where labour is treated properly and where labour could prosper. These are essential considerations. I would again and again draw the attention of the hon. Minister and the hon. Congressmen that in spite of their contention, with regard to the workers who go by the name I. N. T. U. C., there is no representation for them even.

MR. DEPUTY CHAIRMAN : Mr. Manjuran, you are repeating your arguments, I have been watching. Please do not do it.

SHRI M. MANJURAN : I am not repeating. I shall conclude.

AN HON. MEMBER : Is the hon. Member advertising?

SHRI M. MANJURAN : He is asking some questions, let me reply.

I have been only emphasising... ..

MR. DEPUTY CHAIRMAN : I will not allow any repetitions.

SHRI M. MANJURAN : This is not repetition.

MR. DEPUTY CHAIRMAN : Please don't repeat.

SHRI M. MANJURAN : I have been emphasising only one point.....

MR. DEPUTY CHAIRMAN : I will not allow any repetition. I am afraid I will have to ask you to wind up your speech.

SHRI M. MANJURAN : I am winding up. So whatever be the intentions of this amending Bill, these intentions have never been placed before the House in its proper perspective. Government might have brought it out just because some schemes should have been there but they should have told us what happened in the past and what is to happen in the future so that we may understand it and give our consent to it. Now at this stage we protest against it and do it vehemently. Thank you.

SHRI RAJENDRA PRATAP SINHA (Bihar) : Mr. Deputy Chairman, we have had a very thorough debate on this Bill both in this House and in the other House and we shall have more of it. This Bill has given us an opportunity to assess the working of this Corporation since its inception. If the Corporation and the Government take note of all the criticism and suggestions that have been offered, I am pretty sure the Corporation will be able to fulfil the purpose for which it is meant. At the outset I would refer you to section 6 and clause 3 of the original Act which says:

"In the discharge of its said functions the Board shall be guided by such instructions on questions of policy as may be given to it by the Central Government."

I would like to know from the hon. Minister what instructions on matters of policy have been issued to the Corporation. I think that much of the criti-

cisms that have been levelled against the Corporation would not have come if the Government had given a clear-cut direction in the matter of policy to the Corporation. I am particularly interested to know what directions have been given to the Corporation for giving financial assistance to such backward regions where industrial development is urgently required and secondly I would like to know if the Government has set a priority for the industries that could be financed by this Corporation. In this respect I shall draw your attention to the assurances that were given by the hon. Shri Shanmukham Chetty in the Provisional Parliament while piloting the original Bill.

"Though the Government has under the Bill, even as originally drafted, ample powers to control the administration of the Corporation, the Select Committee thought it necessary to incorporate a special provision under which the Central Government is empowered to issue from time to time directions to the Corporation on matters of policy.

For instance, the desire was expressed in the Select Committee, and very rightly too, that the operation of this Corporation should help the industrial development of the more backward provinces and areas."

And then again—

"It was also thought necessary that in certain cases where the Corporation lends money to a company one of the conditions imposed should be that the borrowing company should limit its dividend to a particular rate until the loan is repaid. Matters covering such subjects are appropriate for instructions from the Central Government and I might take this opportunity of giving an assurance to the House that I shall see that when the Corporation starts functioning we will issue instructions to the Corporation along these lines."

Sir, I would like to know if these assurances that were given by the then Finance Minister, have been carried out. Sir, two specific assurances were given. One was that the Corporation will use its finances for developing the backward areas. Much has been said in this House as also in the other House, about the Government not having done what they ought

[Shri Rajendra Pratap Sinha.]

to have done for the development of the backward areas of the country. I would like to know the views of the Finance Minister now on this point. The other point that was emphasised in this House and also in the other House is that the interests of the smaller concerns and the medium-sized and the smaller industries have not been looked after very well. A little while ago, my esteemed friend Shri Kunzru said that the small-scale industries were excluded from the purview of this Corporation, as was stated by the then Finance Minister. I would draw the attention of the House to the points that were referred to by my hon. friend Mr. Ghose—I will not repeat it—in which he pointed out that it was the intention of this Act also to provide for the smaller industries and the medium-sized industries. I would like to know the difference between the small scale industries or the cottage industries and the agricultural industries which Shri Shanmukham Chetty differentiated from the other industries. I in common with other hon. Members in this House, feel that due importance has not been given to the interests of the smaller industries. In order to rectify this defect, the Government would do well to nominate a Director on the Corporation who is genuinely interested in the development of the smaller industries, who is not connected with big business in this country, so that his mind is not pre-occupied with the problems of big business. What has happened today is that we have as Directors persons who are too much taken up with big industries and big business. What we should have is someone there who is interested in the development of the smaller industries, comparatively speaking. Sir, when this Bill was being drafted originally, I understand the two Finance Corporations which were functioning in England for similar purpose were in view. In England, Sir, we have two Corporations known as the Industrial and Commercial Finance Corporation and the Finance Corporation Ltd. Sir, I will read out from a report on the working of those institutions in U. K.

"The object of the I.C.F.C. is to provide finance for small and medium-sized industrial and commercial businesses where existing facilities provided by banking institutions and the stock exchange are not readily or easily available—businesses, more precisely, whose requirements fall within the limits of £ 5,000 and £ 200,000. It is clear that the Corporation has been designed to remove the difficulties which face smaller and medium-sized businesses in raising their requirements of capital."

"Although the policy of the Corporation is mainly to provide additional finance for established and progressive enterprises, it will not deny the use of its facilities to new undertakings whose functions and prospects are commercially sound."

In other countries also, Sir, we find, like the one in Canada, the purpose of the Finance Corporation is to provide loans to smaller concerns. "It will be seen that the largest number of authorized credits has been in the \$5,001—\$25,000 category." Then, in Australia, Sir, there exists an institution for providing finance for the industrial finance and there, it is said :

"Since the inception of the Department, its principal function has been the provision of assistance for the development and expansion of industrial undertakings, particularly where small undertakings are concerned, for which financial accommodation is not ordinarily available through banking or other channels."

Sir, the other institution, the Finance Corporation of Industry Ltd., in England, is meant for providing financial assistance to larger industries. Here in India, Sir we find that the functions of both the Industrial and Commercial Finance Corporation and the Finance Corporation Ltd., of United Kingdom have been combined in one and it was the intention of this Corporation to provide financial assistance to all types of industries whether they were big or small.

Sir, another point has been made out that smaller and medium-sized industries are to be helped by the State Corporations. But my grievance is this, that the State Corporation Act was only an enabling measure ; it did not mean that all the States would form State Corporations for helping industries in their areas. As a matter of fact

a majority of the States have not yet formed State Corporations.

AN HON. MEMBER : It has been formed only in one State.

SHRI RAJENDRA PRATAP SINHA : My hon. friend says a State Industrial Finance Corporation has been formed only in one State. Then, does it mean that assistance to small industries is to wait indefinitely till such State Corporations are established? No, Sir. That was not the intention of the original Act. It is because only persons associated with big business have been associated with this Corporation that they have given a turn to it that it is meant to provide finance to big industries only. There is another point. So far as my own State of Bihar is concerned, there is no prospect of a State Finance Corporation coming into existence there for some time to come. This year's budget in Bihar is deficit to the tune of Rs. 9 crores. We have now eaten away all the reserves, and we shall not be in a position to afford any further funds to start such an institution. As a matter of fact, the Government of Bihar is thinking of economising and scrapping out most of their schemes, sanctioned schemes even, for lack of funds. So, I do not see any prospect of any Finance Corporation coming into existence in my State. Similarly there are various other States, where there is no prospect of State Corporations being set up. We cannot possibly allow the resources of this Finance Corporation to be used only by the big industries, and the small industries to wait indefinitely and starve till the State Corporations are set up.

There is another very important point that I would like to place before you. The assistance given to industries in the past by the late Provincial Governments and in some of the Indian States has not been very happy, as has been pointed out by other friends in this House. We have to see why such financial assistance in the past by Provincial Governments failed. In my opinion it failed because that financial assistance was not integrated with

the import policy of the Government. Whether an industry is big or small, we cannot think of developing it unless we give adequate protection from the competition of imported foreign goods.

MR. DEPUTY CHAIRMAN : The hon. Member is going far beyond the point.

SHRI RAJENDRA PRATAP SINHA : It is not possible for the State Finance Corporations to help those industries. What happened in the past? Those industries had to close down and the taxpayer's money was wasted because the policy of financial assistance to those industries was not integrated with the import policy. I understand that even the recommendations of the Industrial Finance Corporation are not given heed to in this respect. They decide to give financial assistance to an industry provided they were convinced of the fact that there was a possibility of developing the industry by giving, for at least some period, protection from competition of foreign goods.

Now my complaint, Sir, is this that after all this is a quasi-Government body and if they decide after a thorough investigation that such an industry should be encouraged and provided with finance and if they approach the other Departments for giving them the necessary assistance, that assistance should readily come forth. Sir, I understand that the Commerce Ministry does not give the requested protection on the grounds that the quality will not be as good as that of an imported product and then their (Indian) cost of production would be high. Sir, this is a very very old excuse. That was quite all right when it was coming from our British masters. But it does not behove our national Government to give such an excuse. Sir, it is imperative that a certain consideration should be allowed for the qualities of the Indian products to improve or for their cost of production to come down. It cannot be done all of a sudden by magic. The industry has got to get used to it for producing those quality

[Shri Rajendra Pratap Sinha.]
products. We should no doubt have an intuition for quality control and for controlling the cost of production and advising the Ministry what prices should be fixed. Instead of doing that, if we kill the industry itself, it will not serve the national purpose. I therefore maintain, Sir, that the State Corporations could render help only to the industries of local importance which do not have to face any foreign competition. But unless on an all-India basis the smaller industries are encouraged by integrating both the financial assistance policy and the import control policy, the industrial development of the country will not take place, whether it is a big industry or a small industry.

Then, Sir, another point that I would like to make is this that the Corporation needs a very strong technical assistance department. I understand that the applications of the smaller industries are often rejected on the ground that the applications are not made in the proper form or the book-keeping of these small industries is not

up-to-date, the technical layout and the technical efficiency of these smaller units were not up to the mark. It is quite all right, Sir. We are a backward country. We have got to progress in every way and I would suggest that the Corporation should have a Technical Assistance Department like the Liaison Department of the Industrial and Commercial Finance Corporation of England. What do they do? I will just read a few lines about it.

MR. DEPUTY CHAIRMAN :
Are you likely to take more time?

SHRI RAJENDRA PRATAP SINHA : Yes, Sir. I would like to take at least ten minutes more.

MR. DEPUTY CHAIRMAN :
Then you may continue tomorrow.

The House stands adjourned till 10.45 A. M. tomorrow.

The Council then adjourned till a quarter to eleven of the clock on Wednesday, the 10th December 1952.