

(b) Rs. 1,24,44,890.

(c) Information regarding the total number of evacuees who have returned the amount is not available. The total amount recovered so far is about Rs. 15,00,000.

(d) The following staff is at present employed :—

(i) Officers and Ministerial staff	67
Class IV servants	36

(ii) Annual expenditure on their salary etc. is estimated to be... Rs. 1,30,000

(e) No.

(f) Some representations were recently received from certain evacuees and the Evacuees' Associations in Madras State. It has been explained to them that the policy of the Government of India is to make recoveries from the evacuees with due regard to their capacity to repay so that no undue hardship is caused to them and that the amount is recovered from only such of the evacuees as are in a position to repay the loans granted to them. The debts of the others are written off as irrecoverable.

MESSAGE FROM THE HOUSE OF THE PEOPLE

THE IRON AND STEEL COMPANIES AMALGAMATION BILL, 1952

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

"In accordance with the provisions of rule 115 of the Rules of Procedure and Conduct of Business in the House of the People, I am directed to enclose herewith a copy of the Iron and Steel Companies Amalgamation Bill, 1952 which has been passed as amended by the House at its sitting held on the 9th December 1952."

Sir, I lay the Bill on the Table.

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

MR. CHAIRMAN : We now resume the discussion on the Industrial Finance Corporation Bill. Shri Rajendra Pratap Sinha to continue.

SHRI RAJENDRA PRATAP SINHA (Bihar) : Mr. Chairman, when the House adjourned last evening, I was speaking about rendering assistance to the small industries by the Industrial Finance Corporation. I said, Sir, that the Government should see to it that a person genuinely interested in the promotion of the smaller industries was nominated on the Board of Management of the Corporation. Then I said, Sir, that so long as the State Corporations did not come into existence, the smaller industries lying in those States should be looked after by the Industrial Finance Corporation. Thirdly, I said, Sir, that the policy of giving financial assistance to our industries should be integrated with the policy of import control and in this respect, Sir, the recommendations of the Industrial Finance Corporation to the Commerce Ministry for giving protection to the industries should be heeded to. Lastly, Sir, I was saying that the Corporation should develop a technical assistance section in order to render technical advice both in the matter of layout and of book-keeping to their smaller constituents and I was about to give a quotation about such functions performed by the Industrial and Commercial Finance Corporation of U. K. when the House adjourned.

Sir, the Industrial and Commercial Finance Corporation of U. K. has a definite department known as the Liaison Department. The officials of this Department travel about the country visiting the several customers, discussing business problems and difficulties which may face them, advising them, giving them the benefit of their and the Corporation's wide contacts and watching on behalf of the Corporation for danger signals that may indicate the probability of business losses or other troubles. For expenses

[Shri Rajendra Pratap Sinha.]

they charge a small fee ranging from half to one per cent. on the amount provided by the Corporation. Sir, if an advanced country like England is giving such assistance to their smaller units, I think, Sir, that rendering such assistance in a backward country like ours is all the more important. I would, therefore, Sir, emphasise that the Corporation should have a well-developed technical assistance section and if their expenses increase on that account, we should not mind that, because ultimately this department will pay its own way, and the results that are likely to accrue will amply justify the expenses on this Department.

Then, Sir, I would suggest that an intensive scheme of advertisement for the activities of this Corporation should be adopted. Sir, our people do not know—especially those engaged in smaller industries—that there was such a Corporation in existence and they could come to it, if their business proposition was sound, for financial assistance. We find from the reports of the Corporation that they have not been receiving enough applications from smaller units or medium-sized units because probably they are not aware of the facilities that they could avail of from the Corporation. In U. K., Sir, I also found that in the beginning they faced such a difficulty. People fought shy of coming to the Corporation there and they had to advertise the activities of their Corporation in order to attract customers.

Then, Sir, I will draw your attention to the First Five Year Plan in which it is stated that the total capital investment necessary for industrial expansion of the private sector is estimated at 233 crores. We all know fully well, Sir, that the capital in this country is very shy and we are suffering from a dearth of capital for the expansion of our industries. We have therefore, Sir, to augment all the resources that may be available for increasing our capital availability. In this connection, Sir, my friend Mr. Ghose referred to the possibility of

securing the assistance of the scheduled banks for developing the smaller and the medium-sized industries and he made out an irresistible case in this connection for directing the Reserve Bank to permit the scheduled banks to help the smaller industries.

Sir, I would not repeat the arguments that he advanced, but I would like to tell the House what amounts could be made available for the expansion of our industries by such a method. Sir, I refer you to a publication of the Reserve Bank statistical table relating to the banks in India for the year 1951. At table II is given the capital, the reserves and the deposits which the scheduled banks had in the year 1951. We find that the scheduled banks' capital amounted to Rs. 34,44 lakhs. Their reserves were Rs. 27,15 lakhs, and the deposits with them on account of savings, current and others totalled to Rs. 748,39 lakhs. Now, Sir, the total of all these makes Rs. 809,98 lakhs. Now, if 3% of this amount is allowed by the Reserve Bank to be utilised for rendering assistance to small industries and medium-sized industries by way of debenture or mortgage loans, it will not be a mean figure. Calculating at 3%, it will come to about Rs. 25 crores, and since I am suggesting a very small percentage of the funds for this purpose, the risks either for the banks or for the depositors will not be much. Sir, after all, let us see what amounts the Corporation could gather for rendering assistance to industries. If they harness all their resources including their share capital, I think it will not come to more than Rs. 30 crores. Now, if by this method we can raise another Rs. 25 crores to be made available for the expansion of our industries, it will go a long way to help the industrial development of the country. In other countries we find that the scheduled banks take upon themselves the responsibility of providing such finance to industries, and I do not see any reason why the scheduled banks, when they are willing, should be debarred from transacting such business with their constituents.

12 NOON.

Sir, now I would like to examine the working of this Corporation. Much has been said by way of criticism about the working of this Corporation and it has been said that its expense ratio has been very high, it has not been making any profit so much so that it is forced to receive large sums from the Government in order to pay the guaranteed dividends, and that as such, it was not a good proposition. I would like those critics to refer to the statistics that are available on the working of this Corporation. I would like to make one remark. Sir, after all, this is a commercial organisation, and I have not known of any commercial organisation which earns profits in the first few years of its existence. It is only speculative business which earns profit from the date it is started, but a sound business concern has got to work its way up before it can think of any profits. All that we have to see is whether the Corporation is working on the right lines.....

PROF. G. RANGA : That's it.

SHRI RAJENDRA PRATAP SINHA :.....whether it is steadily giving profits, whether it is making a steady progress or not. Now, Sir, let us see how this Corporation has worked. Here is a Reserve Bank Bulletin of October 1952 in which a critical study of the working of this Corporation has been made. In Table II they have shown what the income and the expenditure have been in the various years. We find that the income from interest, discount and commission in the first year that is 1948-49 was Rs. 5.73 lakhs. In the second year it was Rs. 23.47 lakhs. In the third year it was Rs. 35.87 lakhs. In the fourth year, i.e., 1951-52, it is Rs. 42.05 lakhs. What we find is that there has been a steady increase in the income of the Corporation. It was not possible to have bigger incomes from the date it started. Sir, this Corporation has to combine both caution and venturesomeness. It was not possible for it to throw away its money simply in the

hope of earning more income without properly going into the soundness of the industries or business to which they had advanced money. So, naturally, it takes time for its income to increase.

Now, let us see the expenditure side of it. We find that the expenditure including interest for the first year, i.e., 1948-49, was Rs. 2.87 lakhs and in the second year Rs. 20.41 lakhs. In the third year, it was Rs. 22.94 lakhs and in the fourth year that is 1951-52, it was Rs. 24.57 lakhs. Naturally, expenditure ought to increase, because it expanded its activities.

Then, you take the figures provided for taxation. In the first year, they provided Rs. 2 lakhs for taxation. There is no provision in the second year. But in the third year, they have provided Rs. 5 lakhs and in the fourth year, they have provided Rs. 8.23 lakhs. So, in all, in four years' time, they have proposed to give to the Government Treasury Rs. 15.23 lakhs.

Now, Sir, the net profit in the first year was Rs. 0.86 lakhs. In the second year, it was Rs. 3.06 lakhs ; in the third year Rs. 7.94 lakhs and in the fourth year Rs. 9.25 lakhs. We find that the profits have also steadily increased.

Then, let us proceed with the figure that was transferred to the Reserve Fund. It was in the first year, Rs. 0.50 lakhs ; in the second year, Rs. 0.50 lakhs ; in the third year, Rs. 1.00 lakh and in the fourth year, Rs. 1.00 lakh. They have a total Reserve of 3 lakhs.

Now, in the first year, 'the Amount utilised for dividend' was Rs. 0.36 lakhs ; in the second year, Rs. 2.56 lakhs ; in the third year, Rs. 6.94 lakhs and in the fourth year, Rs. 8.25 lakhs.

Under "Government contribution to make up guaranteed dividend", we see the following figures. In the first year, it was Rs. 10.89 lakhs ; in the second year, Rs. 8.69 lakhs ; in the third year Rs. 4.31 lakhs and in last

[Shri Rajendra Pratap Sinha.]
 year, i.e., 1951-52, it was Rs. 3.00 lakhs. That is to say, in all, they have received from the Government for giving guaranteed dividends Rs. 26.89 lakhs. But, Sir, we find that there has been a steady decrease and a sharp decrease last year in the matter of receiving contribution from Government for giving guaranteed dividend. We also infer from this statement that they have in all in four years' time, received Rs. 26.89 lakhs from Government for giving guaranteed dividends. But, on the other hand, we also find that they have given to the Government Treasury by way of Tax Rs. 15.23 lakhs. So, the net loss to the Government comes to only Rs. 11.66 lakhs. Sir, I would consider that this is not a bad record for any commercial organization. On the other hand, I find that the Corporation has progressed steadily and the figures reveal that it has been in very, very good hands of management and that it has achieved much progress in such a short time. I feel, Sir, that instead of offering our criticisms, so far as the working side is concerned, we should offer our congratulations to the Managing Director, whoever he may be for maintaining and giving such steady progress for the Corporation.

The other point that we should consider is that the Corporation has been losing, and its expenses have been high, on account of the fact that they have to pay greater amount by way of interest than what they received as interest. This has been brought out in the Corporation's Fourth Annual Report. On page 5, it is stated "With the increase in the amount of loans advanced the Corporation would have shown better profits this year, had it not to suffer, as in the past years, loss of interest for fairly long periods on account of the time-lag between the date of sanction of the loans and the date on which they are fully drawn". Sir, in order to rectify this defect, they have brought this amending Bill—clauses 10 and 11—so that during this time-lag they could reduce their interest charges and earn

some interest, if possible. I would very much welcome the introduction of these clauses that are provided in the amending Bill; and if they are passed, I am pretty sure that in the coming years the expense ratio will go further down and the profits will increase and the Corporation will show better results.

There is another matter which we should see, that is, how the Corporation has dealt with the loans. Let us see the figures on page 805 of the Reserve Bank of India Bulletin regarding: "The amount of loans sanctioned" and the "Total amount of loans outstanding" It shows (Table 5) that in all in 1949, they have sanctioned Rs. 3.42 lakhs (since June 30, 1948) and the amount outstanding (after repayments) was stated to be Rs. 1.33 lakhs. Next year, 1950, it is Rs. 7.19 against the amount outstanding of Rs. 3.42 lakhs. In 1951, the figures were respectively, Rs. 9.58 and Rs. 5.66 lakhs. And in 1952, the amount sanctioned was Rs. 14.03 lakhs and the amount outstanding, Rs. 7.25 lakhs. Sir, in this respect, you will also find that the Corporation has made a steady progress and the amount of loans and advances outstanding at the end of the fourth year of working is over five times the amount at the end of the first year. How does this compare with similar institutions in U. K. ? I note that the record of the I. F. C. I. compares not unfavourably with that of the two U. K. Corporations, the F. C. I. and the I. C. F. C. At the end of 7 years, the F. C. I.'s outstanding advances amounted to £52 million and that of the I. C. F. C. to £24 million. Sir, in this respect also, I find that the Corporation has been doing well, and I am sure, if these smaller industries are given facilities and proper use is made of the facilities afforded by the Corporation, this side of the Corporation's activities will also improve.

Now, before I resume my seat I would like to voice the protest of my State of Bihar which has not received the attention that it ought to have received from the Corporation. We have

all the resources to develop very good and sound industries. Now we have electric power available from the D.V.C. and if the Corporation comes forward to assist and provide 40 to 50% of the capital of the new undertakings, the balance of the capital required, viz, 50 to 60% will come from the people of Bihar. I would earnestly request the hon. Minister to consider the possibilities of opening a branch office of the Corporation at Patna, the Headquarters of our State so that there may be better possibilities of exploiting the resources in the Damodar Valley project area.

I would like to make one submission. It is very good of my hon. friend the Minister in charge who is piloting this Bill to be very conscientiously taking down notes, lest he may not forget to reply the points that we make here in this House. But may I submit here that he also jots down the assurances that he gives on the floor of this House because it often happens that they forget the assurances that they give on the floor of the House and his predecessor while piloting this Bill, as I said earlier, gave certain assurances that a positive direction will be issued to the Corporation to help the development of industries in the backward areas but that assurance was not given effect to. Now they have given assurances repeatedly that they would investigate if any concrete case of favouritism or nepotism is brought to their notice. Here is my friend from Orissa who has given a concrete case of favouritism and nepotism in the matter of providing 50 lakhs of rupees to an industrial concern in Orissa.

Now may I request the hon. Minister to implement the promise that they have given on the floor of this House and in order to vindicate the honour of the Corporation and in order to restore the confidence of the public in this Corporation, they properly investigate this case and for our information lay on the Table of the House the reports of their investigations. Thank you, Sir.

SHRI M. C. SHAH : I was told by the Chair yesterday that I could reply after my friend from Bihar had spoken.

MR. CHAIRMAN : I don't think you will be called upon to reply until 2-30 Mr. Shah.

Now in the meantime, I hope the Members will economise the time of the House and make their points as briefly as possible. We have had already 18 speakers on this question and the speaker who just sat down took more than half an hour only today and if this goes on at this rate, I think it will be difficult. I hope therefore that you will confine your remarks to the point and not deal extensively or discursively with the topics.

SHRI C. G. K. REDDY (Mysore) : Sir, I will take your advice and will not repeat or will not be irrelevant as far as it is possible for me to do so. Sir, the hon. Minister, I am sure, before piloting this Bill has, or if he has not, ought to have, gone through the introductory remarks of his predecessor Shri R. K. Shanmukham Chetty before he introduced the Bill. At that time it was said, as it ought to have been really, that the real purpose of this Corporation was to develop this country industrially. It meant not merely giving loans but developing the industrial potential of this country. Therefore, two days ago when the hon. Minister introduced this Bill in this House it should have been possible for him to give us a picture of the progress that has been made through the Industrial Finance Corporation. Except a few commonplace remarks and inconsequential things that he has said in introducing this Bill, I have not come across any single word of his which gives us an indication as to how this Corporation has justified its existence during the last 4 years. I expected from the hon. Minister a progress report of this Corporation which did not tell us merely that from Rs. 10 crores the loan advances have gone up to 14 crores, but it should have told us about the industries which have taken loans from this Corporation and

[Shri C. G. K. Reddy.]

in what manner and to what extent they have contributed to the industrial progress of this country. He has not done so and as far as I can gather from other sources, what I find is, and I am sure the hon. Minister will agree with me when I say that that there has hardly been any advance in the industrial potential of the country through these loans.

The hon. Minister is nodding his head. I am aware that there has been an increase in the industrial production in the country but I am definitely of this opinion that the industrial potential of this country has not progressed even a little through these loans. The implication of this opinion and this statement is this that the loans that have been taken by the several industries have not been utilised for increasing the industrial output but to get over their own private difficulties. In the absence of any other facts that the hon. Minister could have placed, ought to have placed, this statement must stand unless he is able to produce figures to prove to this House and to the country that industry-wise, factorywise and also borrower-wise, they have taken 10 crores of rupees and they have exploited so much more of additional industrial potential and thereby the country has gained. Unless he says that, we cannot escape the inevitable conclusion that this Corporation is not an Industrial Corporation but merely a loan-giving bank as any other bank is. I would like him also to agree with me when I say that this Industrial Finance Corporation should not be only an agent to help promote industry in this country but it should also have been used to plan our industries in such a manner that such areas and such industries which have not been fully exploited should have been able to take advantage of the facilities which this Corporation places at the disposal of the country. In this connection may I refer the Minister to the remarks passed by his Chief, the Minister for Economic Affairs, when replying to the budget discussion. He said—it is in the official printed report page 614, second column:

“I am as conscious of the evils of concentration of industry on the British or Western model as anyone else. I believe that this is entirely unsuitable to our country. It has produced slums. It has produced all this congestion. It has produced thousand and one urban problems with which all kinds of authorities at all levels are trying to deal.”

He was saying this while agreeing with my contention that decentralisation should be more or less a necessary policy for the country today. But what do we find? I have not the time to analyse in detail the statement that the hon. Minister has been so kind to distribute to the Members of this House. While going through this statement, we can find only this, that highly centralised industries have received all the help from this Industrial Finance Corporation. Not only that. The biggest of the factories in a particular industry, have been given additional finances, to make them even bigger. I do not know whether it will stand the test of economic theory. Possibly, the hon. Minister believes in a particular theory; but it is not really an economic theory. But I should like to submit that his chief has made a categorical statement that the policy of the Government henceforth should be to put emphasis on decentralisation. I am sure this realisation did not dawn on the Government on the day he made that statement on the 28th May. It should have been some months or years before. If that was so, I should like to know in what manner the Government which has control over this Corporation used this Corporation to put into effect that policy. I am aware, that yesterday my hon. friend Pandit Kunzru referred to certain remarks of Sir R. K. Shanmukham Chetty on this policy. He said—and I also have confirmed it—that Sir R. K. Shanmukham Chetty stated that this Corporation was not meant to give help to small scale industries, but to the large scale industries. But going through the Act, I did not find any provision in it to prevent the Government from giving aid to those industries which admittedly, even according to the hon. Minister for Economic Affairs, are going to be the saviours of this country tomorrow or even today. It

may be that the intention of the hon. Minister who brought into being this Corporation was that they should give help only to the large scale industries. But times have changed now and the realisation that the small scale industries are going to be the saviours of this country has dawned, though late—it certainly has come and dawned on the Government. So in what manner have they used this agency to plan our economy so that that policy would have fructified ?

I would next refer to another thing. They should have used this Corporation to see that if any unplanned development of our industrial potentiality, if any uneconomic development of our natural potentials has taken place before, then they should at least check it in such a way that this Corporation at least, would not be used to further complicate matters in the unbalanced development of our natural potential. For example, it has been mentioned in this House before not only by me, but by an hon. Member who is closely associated with the industry, that the sugar industry which is concentrated in Uttar Pradesh and Bihar is perhaps the most unplanned and uneconomic industry that has ever come into being. The place of the sugar industry, as the hon. Minister ought to know, if he does not know already, is in the South, not in the North.

SHRI L. H. DOSHI (Bombay) : Why ?

SHRI C. G. K. REDDY : The hon. Member there asks "why", and I am very unhappy to know that he who is associated intimately with the sugar industry should ask that. For his information—as a big industrialist he ought to know, but I will tell him—that the production and also the sucrose content of sugarcane that is grown in Uttar Pradesh and Bihar is only a third of that grown in the South of India.

SHRI L. H. DOSHI : I don't think the hon. Member is correct.

SHRI C. G. K. REDDY : He may think it is not correct. But that is the fact, though he may like to escape from it, and it may not be convenient for him. But I can assure him that that is an economic fact, not supplied by the hon. Member who is speaking but by me, from official surveys conducted by the Government.

Now, so far as the help that is given to the sugar industry by the Corporation is concerned, I find that of course, Mysore sugar has received some help. But a great part of it has gone to those factories which are more or less concentrated in places where they ought not to have been.

SHRI P. T. LEUVA (Bombay) : All the loans have gone to the South—Bombay, Hyderabad, Madras, etc.

MR. CHAIRMAN : Order, order. Let him continue.

SHRI C. G. K. REDDY : I would like to go a little further and say that there have been requests, requests from those engaged in the sugar industry that their factories operating in Uttar Pradesh and Bihar are uneconomic and they would like to shift them to the South. Government is aware of that. They have expressed their wish to shift their factories to places in the South where they would be more economical. Yet nothing has been done in that respect. I am only giving an example to show that the Government has not used this agency to control the exploitation of the natural potential in such a way that it would be more economic for us as a country as a whole, so as to make the best possible use of the material and natural potential that we have in this country.

Sir, even if you take areawise, what do we find ? It has already been stated here that it is only certain particular States, States already highly industrialised which have received the lion's share from the loans that have been advanced by the Corporation. It is not as if the other States did not have as much industrial potential as those which already have all the

[Shri C. G. K. Reddy.] industries in the country concentrated in them. I may mention without being parochial, that my own State, for instance, the State of Mysore, is one of the States which has a high industrial potential. The hon. Minister is looking for the information among his papers, as to how much Mysore has got, but I can tell him that.....

SHRI M. C. SHAH : No I don't want any information. I have already got it here and I have already supplied it to all the hon. Members.

SHRI C. G. K. REDDY : Mysore State has received quite a bit of money. I am asking for more. I am saying that because it has more potential, it should be given more money. But what I say is, there are other States which have received no assistance at all. There are certain States where no survey has been made, where nobody has been interested. Such of those who run our factories today are those fortunate gentlemen who are invested with much wealth. But unfortunately their places of abode are either in Bombay or in Calcutta, or having their abode in Rajasthan, they operate in these places. It may be that the climate of other places does not suit them. But this should not be the reason why these other States where the industrial potential is just as high should not have got the assistance that this Corporation ought to have given them.

It should be to help promote the industrial exploitation of the country but, it is merely helping certain industrialists and financiers and factories to get over a temporary difficulty or even a threatened bankruptcy. Now, Sir, when I say this, the hon. Minister in his reply will say, "I have given so many lakhs to Orissa but, your own friend a member of your own Party has created such a furore about it that I will not ask the Corporation to give any more money." Sir, there are two aspects to this. When I say that certain States who have not been industrially exploited should get more

assistance, I do not mean that certain particular individuals in that State be given the largesse that you are capable of distributing. I do not, for a moment, suggest that Rs. 50 lakhs which you have given to a particular factory in Orissa should not have been given because Orissa should not be industrially exploited. The objection is only to a certain irregularity which is suspected. After all, Sir, in the particular case, the assets are said to be Rs. 1,52,00,000. How can a company with an authorised capital of Rs. 50 lakhs and a subscribed capital of Rs. 35.50 lakhs, which has got a loan of Rs. 50 lakhs from the Government of Orissa, could have assets which exceed...

SHRI M. C. SHAH : You are speaking from the information given by my hon. friend.

SHRI C. G. K. REDDY : It is for the Minister to contradict. Here is a Company which has got an authorised and paid up capital of Rs. 40 lakhs, that gets a loan of Rs. 50 lakhs from the Government of Orissa, totalling, in all, Rs. 90 lakhs and the assets are said to be Rs. 1,52,00,000. In what manner this economic miracle and multiplication of money happens, I do not know. It may be that there is an explanation for it ; it may be that the Secretariat which is responsible for giving the information to the Minister may have made a small clerical error, I do not know; but, this is a fact.

Sir, when we come across a certain unbelievable thing, a sort of a catastrophic thing, we say *Hare Ram*, *Hare Ram*; but, after seeing this, I am tempted to say, *Hare Krishna*, *Hare Krishna* and, really, Sir, I am surprised that such a thing should have happened.

So after endorsing whatever my friend says, I would only say that this Industrial Finance Corporation has not served the purpose of exploiting the country so far as its industrial potential is concerned, has not given effect to the industrial policy that ought to be the most economic method of

exploiting this country. Not only that, Sir,—I would take just 2 or 3 minutes more and I hope I have not been irrelevant or repetitive, Sir—we find that the Plan that has been supplied to us, the 5-Year Plan of which 2 years have already gone, according to the Prime Minister who laid the Plan on the Table, has been in operation during the last two years. Now, I should have expected that every Government agency and every Government sponsored institution would dovetail its activity with this Plan. The Plan cannot be separated from the operation or manipulation of this Industrial Finance Corporation. This Corporation and the activities of this Corporation should form an essential part or should be the vehicle through which the Plan should work. Even in that regard—I am unfortunately limited by time, else I could prove it to you—you will find in every case, so far as aid to industry and industrial targets and industrial exploitation of the country which the Plan foresees are concerned, the Industrial Finance Corporation is not serving that purpose. So far as aid to small scale industries is concerned, of course he will say that it was not the intention of the Corporation to give aid to small scale industries but whereas the hon. Minister who made this institution possible, gave a definite undertaking in the House that he would see to it that separate Corporations were started all over the country to confine itself for help to small scale industries, we have not seen anything of it for the last 4 years. So, naturally, when it was not possible for the Government to promote such Corporations in the several States, this Industrial Finance Corporation, whose only purpose is to help the promotion of industry in this country, should have taken over that agency also, that function also. You cannot say, on the one hand, that you are promoting the industrial potential of the country, industrial expansion of the country and, on the other hand, say that this Corporation was meant for a definite purpose and we cannot use it for any other purpose. The only purpose for which this Corporation was instituted was to help in the promotion of the exploita-

tion of the industrial potential of this country and I say categorically that this main function has not been discharged by this Corporation. It has not, for a moment, come to the aid of the industry which is about to exploit more potential.

The Corporation may have given Rs. 50 lakhs to one textile mill or to another textile mill or to a sugar factory. That is not exploitation of industrial potential, as I understand it. It may be that from 20,000 spindles, a particular textile mill has increased its spindles to 40,000. That is not exploitation, as I understand it. It may be, that in so far as duplicating the profits of that particular concern is concerned it might have helped but, it certainly has not helped, so far as this country is concerned. The textile industry, for instance, has even outstripped the target which the Plan has in contemplation, in July, according to my information. Well, it is not necessary for us to give help to an industry which is already exploiting to the full, which has even outstripped the target which we had for 1956. We should have been able to put this money to help the exploitation of another field where there has been unbalanced progress in this country. There is so much of heavy engineering, so much of mineral prospecting, geological survey, resulting in the exploitation of our mineral wealth. There are so many other metal industries which have never found a place in this country but for which there is enough scope, if proper survey and exploitation takes place. But, none of these industries have been helped. Where a factory is already installed, where a factory is flourishing, more money is thrown into it; where a factory is already economical and which is already producing quite efficiently, more money is thrown into it. To what effect? It may be a very good business proposition; it may be that if this Industrial Finance Corporation is a banker and if it wanted security only and not function as it should, then it may be a very good proposition to give more and more money to a concern which is already showing good progress.

SHRI L. H. DOSHI : Don't you want security ?

SHRI C. G. K. REDDY : Security ? Yes. My hon. friend's case is already torpedoed by the many things that have been said by hon. Members. You don't even have security. The Chairman himself has admitted that as many as 13 firms have defaulted in payment. He has given it in black and white ; he has given it in writing.

SHRI L. H. DOSHI : The security is there.

SHRI C. G. K. REDDY : One crore and some lakhs manipulated out of Rs. 35 lakhs capital.

(Interruption.)

MR. CHAIRMAN : Order, order.

SHRI C. G. K. REDDY : But, then, we know that security is shrouded in secrecy.

SHRI L. H. DOSHI : There is no secrecy.

SHRI C. G. K. REDDY : The hon. Member says that there is no secrecy. Would he, who is a Member of the Government Party, persuade his friend, the hon. Minister, to put on the Table all the loans that have been given so that we can examine the security for which he stands here ? He cannot get away with a statement like that.....

SHRI L. H. DOSHI : Why not ?

SHRI C. G. K. REDDY :..... unless you put them up to the examination of the entire people of India, the way you have secured these loans. Here is a statement of those who have defaulted, defaulted time and again, not once, but, time and again and you have security. Well, by the time you try to foreclose, that security would have disappeared and your secrecy also might have disappeared by that time. Sir, all that I would say is that here is a Corporation which was meant for a definite main purpose and it has not served that purpose. It has served the purpose

only of helping certain individuals, and certain industries in which this Corporation or this Government may be interested. This statement must go unchallenged unless and until the Government through its hon. Minister tells us that there is not one transaction which is not above board. Until that is done, not all the shoutings and protestations of my hon. friend's massive array of friends on the other side could deny this fact or put at rest this suspicion that there is something shady.

SHRI L. H. DOSHI : It is none of my functions to defend the Industrial Finance Corporation for its acts of commission and omission, but I have heard this debate and have read extracts of the debate in the papers, and I wish to contribute to this debate from the purely economic point of view.

Sir, the attack from the Opposition has come on the ground that certain loans have been given to certain concerns whose management is in the hands of the Chairman of that Corporation.

DR. R. B. GOUR (Hyderabad) : That is not all.

SHRI L. H. DOSHI : That is mainly the ground of opposition both in this House and in the other House.

DR. R. B. GOUR : That is one thing that is revealed. There seems to be something more.

SHRI L. H. DOSHI : I do not say that is the exclusive opposition. I say that is the main point of the Opposition.

Sir, I feel that the criticism has been rather below the belt. I do not think there is anything wrong for the Chairman or any of the executives or the directors to give a loan to their organisation so long as it is backed by some security for the loan.

SHRI S. N. DWIVEDY (Orissa) : That has been challenged by the hon. Member's own party men.

SHRI L. H. DOSHI ; I know it is being challenged, but the reply has to come, and it is coming. Wait for it.

Sir, the criticism has been that a certain concern in Orissa, of which the Chairman of the Corporation is the managing agent.....

SHRI M. C. SHAH ; He is not the managing agent.

SHRI L. H. DOSHI : Well, he is concerned with the management of that concern.

PROF. G. RANGA (Madras) : No.

SHRI L. H. DOSHI : He is not concerned with it

SHRI C. G. K. REDDY : His son-in-law is.

SHRI L. H. DOSHI : A certain relation has been established between the Chairman and the management of that concern and therefore the attack has been made. This is very unfair. As has been mentioned already by my hon. friend Mr. Reddy, the assets of that concern amount to more than.....

SHRI C. G. K. REDDY : No, Sir. I beg your pardon. May I interrupt ? That is what the hon. Minister said. I said it could not be.

SHRI L. H. DOSHI : Well, he can see the balance sheet of the concern and convince himself.

SHRI B. RATH (Orissa) : You do not give the names.

SHRI L. H. DOSHI : There is no need for him to depend on somebody's reply. It is a matter of fact which cannot be disputed merely by an argument. The assets of that concern have been verified by the Corporation, and it is only after verification of those assets and the security offered by that concern that a loan has been given.

SHRI C. G. K. REDDY : Do the assets include the loan ?

SHRI L. H. DOSHI : In the argument led by my hon. friend Mr. Reddy, he said that a certain loan was given by the Orissa Government. All right. There is nothing wrong. But so far as the activities of the Corporation are concerned, it has seen to it that this loan of Rs. 50 lakhs is backed by the assets of that concern. Therefore, it was a very good proposition for the Corporation to offer the required loan for an industry to be established in a part of the country which is considered to be a backward part of the country.

SHRI C. G. K. REDDY : For private benefit.

SHRI S. MAHANTY (Orissa) : May I interrupt, Sir ?

MR. CHAIRMAN : No.

SHRI S. MAHANTY : The hon. Member is saying "backward". It is "undeveloped".

SHRI L. H. DOSHI : What is the difference between "backward" and "undeveloped" from the economic point of view ?

MR. CHAIRMAN : I think the objection is to the word "backward".

SHRI L. H. DOSHI : He does not like the word "backward". In economic terms, perhaps it is "undeveloped" or "underdeveloped". Let us call it, for his satisfaction, an underdeveloped part of our country—economically undeveloped part of the country. It is the intention of this Government through this Bill to help such parts. And what has been done is to help that concern, which is backed also by the State Government, by giving a loan for establishing an important industry, an industry which is supplying the needs of the consumers.

SHRI B. RATH : Never.

SHRI L. H. DOSHI : The textile industry has been established. That is what that concern has done. It has not only established a flourishing industry in that part of the country.....

SHRI S. N. DWIVEDY : Question !

SHRI L. H. DOSHI :.....but it has helped in the export of goods and earned foreign exchange for this country.

SHRI C. G. K. REDDY : Hear, hear !

SHRI L. H. DOSHI : In spite of the criticism of the Opposition Members, this is the achievement of the loan that has been given to this concern.

The hon. Member was eloquent in saying that the potential should have been established. You can take a horse to a pool of water, but you cannot force it to drink. You can offer loans, but there has to be a certain concern that can avail itself of those loans. If in certain parts of the country there are no establishments to which loans can be given or for which sufficient security cannot be had, you cannot give loans, and that is why you see that certain applications from certain concerns have had to be refused after investigation.

SHRI C. G. K. REDDY : Unfortunate people !

SHRI L. H. DOSHI : My friend brought up the question of the sugar industry. When somebody asks a question, they have a habit of immediately attributing motives. It was suggested that I had some interest in U. P. sugar mills, and something like that. No, Sir. It is a very bad method of meeting arguments. The proper thing was to answer in a fair way, and not to attribute motives.

SHRI C. G. K. REDDY : I do not think I attributed motives. I am sorry if I did.

SHRI L. H. DOSHI : The hon. Member did say, "You may be having certain interests in U. P. sugar". He did say that. He cannot deny it.

MR. CHAIRMAN : "You may be having certain interests".

SHRI L. H. DOSHI : That is attributing motives. That is what I do not like.

Now, Sir, what has the Chairman of the Corporation done in the case of the other concern in which probably he was interested ? Let us take the case of the Jay Engineering Works. They have established in this country an important industry like the sewing machine industry. The result of the establishment of this industry by an Indian concern under completely Indian management and Indian labour was that a foreigner was induced to come in and establish a similar factory in this country, because this Indian concern under Indian management and Indian control and Indian labour has been able successfully to establish that industry in the country. And not only that concern has been established but has expanded its production to such an extent that it has been able to meet to a large extent the demand in the country and has been successful in exporting its products to foreign countries. Probably Members on the opposite side may not like it that an Indian should do such a thing and particularly an Indian capitalist should do such a thing. But the fact is there that the Indian has done that and the Indian capitalists will certainly continue to help in the increased production of this country by the utilisation of the available capital in this country. He may go to the Corporation and borrow and do everything in his power, so that the country's productive capacity may be canalised in useful production.

Sir, the Corporation's main function is to help in rendering assistance to those concerns that need assistance. It cannot start new industries.

SHRI C. G. K. REDDY : It can. I would invite his attention to that.....

SHRI L. H. DOSHI : I am sorry, Sir, that a Corporation like this cannot start new industries. It can invite capitalists. It can invite even Members on the opposite side to start industries. But if they do not care to do so.

and satisfy themselves in merely leveling criticism, well, the Corporation cannot help them. I am sorry. The Corporation's main function is to assist those people who come forward with their own resources, with the resources of those people who are prepared to trust them, with their money and their investments and come forward to establish new industries or expand old industries, to help such concerns to build up further resources whereby the country's productive capacity can be established and can be broadened, so that ultimately the standard of living of the people and the prosperity of the country can be expanded. Sir, this is the main function for which the Corporation has been brought into existence. And I feel that from year to year and gradually the Corporation has done its utmost to achieve that objective for which it had been brought into existence.

Sir, I need not go into any details on this point because I do feel that personal criticism without bringing forward any concrete facts as to the ulterior motive in a certain thing is the worst thing that anybody could do. I feel that the Corporation as a whole have done very well in advancing loans to the concerns that had the potential of expansion and those concerns have certainly achieved the purpose for which they were started. The question regarding certain concerns not being able even to pay the interest or the liabilities that they were expected to pay is a very broad question. In a year you investigate the assets and liabilities of the concern. You satisfy yourself that it is a sound concern. But the circumstances afterwards change considerably. There have been cases where industrial concerns two years ago were in a very prosperous condition.

Subsequently, due to the varying policies of the Government and particularly with regard to the import-export policies of the Government, there have been such changes that some of those prosperous concerns have had to close down. I am one of those victims, Sir, whose concerns probably

will have to close down due to excessive imports, in this country, of certain things, that should not have been imported. But, Sir, you cant help it.

AN HON. MEMBER : Thank God.

SHRI L. H. DOSHI : The policies are there. They have been laid down with broad principles and occasionally such things do happen when a sound concern may default in its payment of interest. All the same, the Corporation has taken sufficient care to see that its advance to these concerns is sufficiently backed up by securities or the bonds. Sir, in that respect I must say that the investigations carried out by the Corporation and its executives are very thorough. And therefore the Government or the Parliament cannot blame the executives if on certain occasions the default does occur. As long as they have taken sufficient care to see that the money is safe, I am sure we cannot blame the Corporation.

There are one or two points more, Sir, on which.....

SHRI S. MAHANTY : Sir, the time is up.

SHRI L. H. DOSHI : I want to take only two minutes by putting only two questions.

SHRI S. MAHANTY : Sir, we will miss the bus.

MR. CHAIRMAN : You have already missed the bus. I am asking the Minister to answer at 2-30 P. M. Those questions you can put to the Minister. He will answer them.

SHRI B. RATH : Sir, there are three Members who are to speak.

MR. CHAIRMAN : On amendments you can speak then.

SHRI B. RATH : There is no question of amendment. But still there are Members who want to speak and we are trying for the last few days to catch the eye of the Chairman.

MR. CHAIRMAN : My friend, I have looked into the list of speakers and I see from it that every section of the House has been adequately represented.

SHRI C. G. K. REDDY : If you can give us some latitude in the third reading, it will be all right.

AN HON. MEMBER : Those who are sitting in front of you, Sir, have not had any opportunity.

SHRI B. GUPTA (West Bengal) : Further discussion would not have been necessary if the Government had been fairer. We find that we have not been furnished with the material facts that we require for discussion, and it will be our endeavour to disclose such of the facts as we have got. We fear that on the third reading stage we might be ruled out if we bring out such facts again on the ground that we can discuss only the Bill.

MR. CHAIRMAN : I see that you have taken an hour first time.

SHRI B. GUPTA : Sir, the scandal is so great.....

MR. CHAIRMAN : You take one hour and then you had Mr. Manjuran another Member of your side.

SHRI P. SUNDARAYYA : He does not belong to the Communist Party, Sir.

MR. CHAIRMAN : Whatever it may be, we will impose a time limit of five minutes.

SHRI S. MAHANTY : At least ten minutes, Sir.

MR. CHAIRMAN : No, five minutes. The House now stands adjourned till 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.

MR. DEPUTY CHAIRMAN : (After a pause) Yes, the hon. Minister.

SHRI S. MAHANTY : Sir, I wanted to speak.

MR. DEPUTY CHAIRMAN : Nobody got up.

SHRI S. MAHANTY : Sir, I got up.

MR. DEPUTY CHAIRMAN : After I called the hon. Minister.

SHRI B. RATH : Sir, as we have seen during the last few days, we know that you call persons who have to speak and

MR. DEPUTY CHAIRMAN : There is no list before me. I looked at that side. Nobody got up Mr. Reddy knows it. Now the hon. Member can take his chance at the time of the third reading.

SHRI S. MAHANTY : Then it imposes upon me the necessity of walking out.

SHRI C. G. K. REDDY : There is some misapprehension, Sir.

MR. DEPUTY CHAIRMAN : Did you not see me turning that side? I did look that side and nobody got up.

SHRI C. G. K. REDDY : Sir, there seems to be some misapprehension.

MR. DEPUTY CHAIRMAN : There is no misapprehension.

SHRI C. G. K. REDDY : Not on any other side. On our side.

MR. DEPUTY CHAIRMAN : I have now called upon the hon. Minister

SHRI M. C. SHAH : Mr. Deputy Chairman, for the last two days and a half I have been listening to the speeches made by my friends with rapt attention.

SHRI RAJAGOPAL NAIDU (Madras) : Sir, before the hon. Minister proceeds, I want to put one or two questions with

regard to some clarifications. I wanted to put them at the end of the discussion but now that the hon. Minister has started replying, that might be helpful to him, Sir, in replying to the debate.

MR. DEPUTY CHAIRMAN : If you are not satisfied with his speech, you can put those questions, at the end.

SHRI P. V. NARAYANA (Madras) : Others also can put some questions for clarification.

MR. DEPUTY CHAIRMAN : Yes. I will allow them.

SHRI M. C. SHAH : I have heard the speeches of my friends here for the last two days and a half with rapt attention. I thought, Sir, that this is a very simple measure and it will not evoke so many speeches on this subject. I am afraid, Sir, that many of the hon. Members have rather lost sight of the objectives for which the Industrial Finance Corporation was established.

AN HON. MEMBER : Oh !

SHRI M. C. SHAH : I say, Sir, that when such an amending Bill is being debated, it is only natural that the Members would like to discuss the working of the Industrial Finance Corporation. And if that was the only thing, then I had nothing to say. But, Sir, I have found that they have strayed from the Bill before the House. Very few Members—perhaps two or three—have spoken on the clauses of the amending Bill.

Sir, at the outset, I would like to say that in the course of the discussion here, one important point has been spoken of by so many Members and that was with regard to the disclosure of the names of the loanees. I may say, Sir, that it would have given us great pleasure to give out the names of the loanees but for the fact that a certain policy has been followed, if I may say so, with the concurrence of the House, that the names of the loanees should not be given.

AN HON. MEMBER : When ?

SHRI M. C. SHAH : It is not the desire of the Government to keep anything secret from this august House as well as from the House of the People. We concede and we know that Parliament is a supreme body and Parliament can ask for any information from the Government on the subject under discussion before the House. And I say, Sir, and I have said so in the House of the People, that the Government are prepared to give, if possible, all the available information on the subject under discussion. But, Sir, there is a limitation. There are certain conventions which have been already accepted by the House.

SHRI P. SUNDARAYYA : Never.

SHRI M. C. SHAH : The Prime Minister has assured the House of the People that this was because a certain policy was accepted not only by the present Finance Minister but also by the previous Finance Minister, Dr. John Matthai, that the names should not be given. Twice the question was raised, once in the Provisional Parliament and again in the present Parliament when it was given out as a convention that the loanees' names cannot be given as between a client and his bank, and though this is not a banking institution in the real sense of the term, really speaking it is a banking institution lending money to industrial concerns. At the same time the Prime Minister has assured the House of the People and I assure this House that when the Finance Minister comes back, the matter will be discussed in consultation with the representatives of both the Houses and the policy will then be decided. Except that information, I am prepared to give all possible information and I assure the House—and I have assured the other House—that if any instances are brought to our notice about partiality, favouritism or nepotism exercised in the working of the Corporation, the Finance Minister is prepared to investigate into that matter.

SHRI C. G. K. REDDY : How can we ?

SHRI M. C. SHAH : I did not stop any of the hon. Members. I have heard them all very patiently, I have taken exhaustive notes and I shall reply to every one of the points raised by hon. Members. There have been 18 or 19 speakers and they have raised so many points that it will not be possible for me within an hour or so to reply to all those points.

AN HON. MEMBER : Take three hours.

SHRI M. C. SHAH : I am prepared to give the utmost satisfaction on all the points raised. Coming to the working of the Corporation, I am prepared to give a satisfactory reply to all the questions raised with regard to nepotism, etc. I will soon come to certain instances that have been quoted and I will show how hon. Members have been misinformed, how their criticisms have been based on imaginary misapprehensions on certain information received from persons who have no idea about the working of this institution, or perhaps information might have been given which is not correct. Basing on that information, certain friends have made certain allegations against the working of the I. F. C. and particularly against its Chairman. I am going to reply to that very soon but before I do that, Sir, I want to bring to the notice of the House that the I. F. C. was established in 1948 under certain circumstances. Hon. Members of this House must be knowing that in the post-war period from 1946 many *entrepreneurs* came forward to start new companies and new industries. There was scarcity about certain items which were imported, and certain industrialists and certain *entrepreneurs* took upon themselves to start those industries. They floated companies and they planned their schemes. At that time, capital was forthcoming in abundance. From 1946 to 1952, Rs. 484 crores were raised for industrial purposes. As I said, all these *entrepreneurs* began to plan their new ventures and then they floated their companies. At the time it was hoped that that floatation was oversubscribed and that they will

have to refund the subscription. Later on, Sir, as we all know, the prices went up, costs went up very high and slowly and slowly their plans rather weakened. There was difficulty of their fructifying. There was difficulty at that time in 1948. It was thought that if industrial concerns which would be useful in the economy of the country were floated and orders were placed for plant and machinery and buildings were constructed, and if at that time there was a deficit and these *entrepreneurs* cannot continue their ventures without assistance either from the capital market or from commercial banks, then the Industrial Finance Corporation should supplement their capital for running their ventures. That was the main objective with which this Corporation was established. If you see, Sir, the preamble, you will find that it makes it very clear :

"Whereas it is expedient 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....."

There was capital. During 1948—52, 306 crores of capital was raised. But, as I said, in 1948 there were certain concerns which were found to be useful and very important for the national economy. It was also found that if these concerns were not able to continue without the assistance of such an institution, they would not be in a position to run their business and all the money invested would have gone in vain. Therefore, Sir, this Industrial Corporation was then established.....

AN HON. MEMBER : The dispute is not with regard to the Corporation ; it is the administration of the Corporation that is under criticism.

SHRI M. C. SHAH : Sir, I heard my friends very patiently and I expect them at least to hear me patiently and if there is any doubt remaining, I am prepared to explain to the best of my ability. When I have been hearing very

patiently, it is but fair to hear me also patiently. That much I could expect of them. Sir, I was just going to tell about the two aspects relating to this Corporation—whether the Corporation in working for the last four-and-a-half years had fulfilled the objective quite successfully or not, and whether the Industrial Finance Corporation has followed the policy laid down by the Government and also the policy for the good of the country, for the national interests of the country. Thirdly, Sir, I want to mention about this aspect, whether the Industrial Finance Corporation has worked economically and efficiently, in the best interests of all concerned. I am giving you the background and just telling you what was the object of the Corporation. At this stage, I may say that certain points have been raised with regard to the small scale industries and cottage industries. I say, Sir, as the then Finance Minister Shri Shanmukham Chetty has stated in clear terms, though this Industrial Corporation was meant for big industries and was not meant for small-scale industries, the Corporation up to now has not made that distinction. It has granted loans to the extent of 50,000, 75,000 and a lakh. Shri Shanmukham Chetty then stated : “with regard to the scope of the Corporation some criticism was made that the activities of the Corporation will extend to helping small-scale industries. This criticism misses the entire point relating to the scope of the Bill.” He continues : “The scope of the Bill is to set up a finance Corporation for financing industries of the country. When I make this deliberate statement it does not mean that the Corporation is not helping the agriculture or small industries. If you believe in large-scale industrialisation—and we all believe—we must improve the scope for private enterprise in addition to the State enterprise.” He then says that in the building up of that large-scale industry we want an Industrial Finance Corporation to help these industries. The object of the Bill has got that restricted scope. He wanted to limit the scope of the Bill to that limited purpose. Then, he goes on about the State Finance Corporations.

Sir, it was enquired by my hon. friend, Mr. Sinha—his criticism was very helpful and I thank him for all he said—whether the assurances made by the then Finance Minister have been carried out or not ? I say that those assurances have been carried out. The State Finance Corporation Act was passed in the year 1951 and I may inform the hon. Members, Sir, that Madras has already a State Finance Corporation. Bombay, Hyderabad, and Travancore-Cochin have already approached us to consult us. The Punjab is just having the State Finance Corporation. U. P. and West Bengal are also enquiring in this matter of State Corporations. These State Corporations are being established and there the small-scale industries and the cottage industries will have free scope for help. In the Bill that has been already introduced in the House of the People about the amendment to the Reserve Bank of India Act, there is help contemplated for small-scale and cottage industries. They may be given medium term loans. So, the assurances given by the Government are being implemented and so, Sir, the House should consider whether from the facts that I am going to place before the House about the working of this Corporation, whether that restricted objective which was stated by Shri Shanmukham Chetty has been carried out or not.

As I said, this Corporation was meant to supplement capital. I may tell you, Sir, that during these four and a half years, they have sanctioned 103 applications for loans amounting to Rs. 15,22,70,000. But, at the same time, I may tell you, Sir, that up to the end of June 1952, 94 applications were sanctioned and 14·03 crores were sanctioned for them and for those 14·03 crores sanctioned, the paid up capital of the companies concerned was Rs. 30 crores. You will see therefore that from 1948 to 1952, with a capital issue to the extent of Rs. 307 crores and with the borrowing capacity of only Rs. 25 crores, from which only Rs. 5·8 crores have been raised by bonds, with the reserve of 10·8 crores, this Corporation has already sanctioned loans

[Shri M. C. Shah.]
to the extent of Rs. 15,22,70,000. I will again say that there is a misconception about the objective because some of the Members have stated that this Industrial Finance Corporation ought to have promoted industries. They have missed the real point. It is not the function of the Industrial Finance Corporation to promote new industries.

SHRI C. G. K. REDDY : On a matter of explanation.

MR. DEPUTY CHAIRMAN : No interruption.

SHRI C. G. K. REDDY : I cannot be misquoted.

SHRI M. C. SHAH : I am not quoting you.

SHRI C. G. K. REDDY : When I said that, I did not mean promotion of the companies. There is a difference between promoting an industry and promoting a company.

SHRI M. C. SHAH : My friend from Travancore-Cochin, Shri Mathai Manjuran, stated clearly in his speech that this Corporation did not promote new industries. I say that it was not the intention and it was not the object of this Corporation to promote industries. Its object was as I stated and I say again, that it should supplement the capital that was required in those concerns which were established. Loans to the extent of Rs. 5,78,70,000 were for new types of industries distributed as follows :—

Textile Machinery,
Mechanical Engineering,
Electrical Engineering,
Woollen Textiles,
Rayon Industry,
Chemicals,
Ceramics and Glass,
Metallurgical Industry (Nonferrous metals),
Iron and Steel (Light Engineering),
Aluminium,
Mining.

Paper Industry,
Automobile and tractor industry, and
Unclassified.

My venerable friend Mr. H. N. Kunzru has asked one question with regard to that and I would like to tell him this that out of Rs. 5,78,70,000 a sum of Rs. 3,73,25,000 has been given. As I stated, out of Rs. 15,22,70,000 a sum of Rs. 1,45,00,000 was not availed of either because they took back the applications or their demands were reduced and so it comes to Rs. 13,77,70,000 out of which Rs. 7,96,00,000 have been availed of. What is the reason ? That also I will tell the Members here that whenever a scheme is put up, when an application is made by the concern, they put up a scheme for a certain industry and they give all information regarding the floating, their resources, raising of capital and what they want in the shape of assistance from the Corporation. The Corporation through its technical experts examines all those things and then comes to a conclusion as to whether the industry is in the national interest of the country, whether the resources are quite sufficient, whether the management is efficient, whether the scheme is feasible, whether the location is correct and then they sanction the loan and when they sanction it, then the order is placed for capital goods and they don't come all of a sudden so that the Corporation has to give these loans not in a lump but as and when required. So the sanctions have been made to the extent of 13.78 crores after deducting 1.45 crores. The sum that has been availed of is 7.96 crores.

Now, my friend, Mr. Sinha, asked whether in the beginning, as laid down in the Act, instructions were issued to the Corporation, with regard to the policy to be followed. I say that it was done and that was done on 21st August 1948. The letter from the Secretary went to the Managing Director of the Industrial Finance Corporation as follows :

“ In exercise of the powers conferred on them in that behalf by sub-section (3) of section 6 of the Industrial Finance Corporation Act,

1948, the Central Government are pleased to give the following instructions on questions of policy :—

(1) In its operations the Corporation should assist, as far as may be practicable, the industrial development of backward provinces and areas in order that such regions may attain a more balanced economic development.”

That is the first instruction given.

“(2) In certain cases where the Corporation grants accommodation to an industrial concern, one of the conditions for providing such accommodation should be that the borrowing concern should limit its dividend to a particular rate until the loan is repaid. This is intended to prevent the dissipation of the resources of the borrowing concern through the payment of a high rate of dividend.

(3) In the distribution of shares, the tendency for the accumulation of shares in large centres like Bombay or Calcutta should be prevented, and the shares should be distributed as widely as possible throughout the country so as to obviate the concentration of shares in particular areas and the acquisition of a large proportion of the voting power by particular groups or interests.”

The point was raised as to why for one sector—the scheduled banks—45 shares went out. It was remarked that because of that accumulation of shares in the hands of those financial interests, the capitalists are going to have more and more control. The Member who made that remark did not properly know the constitution of this Industrial Finance Corporation Act. The Act has provided :

2,000 shares for the Central Government;

2,000 shares for the Reserve Bank;

2,500 shares for the scheduled banks;

2,500 shares for the insurance and other investing companies; and

1,000 shares for the Co-operative Societies.

In the beginning the co-operative societies could not subscribe fully the 1,000 shares and even today they have 964 shares. The banks had taken 2,500 and more but as the House is aware there are certain scheduled banks that went into liquidation. They had the shares and they pledged them with the insurance companies to meet some liabilities and therefore the in-

surance companies and those financial interests have 45 more shares and one of those is the Calcutta National Bank or so.

Then the fourth is :

“(4) The shares of the Corporation reserved for scheduled banks, insurance companies, investment trusts and other like financial institutions should be issued only to such companies or institutions as are registered in India under the Indian Companies Act.”

There was a point made that foreign companies may come in and have some control. There is a specific instruction that shares should be distributed only to those companies which are registered under the Indian Companies Act.

“This policy should be followed by the Corporation both with respect to the first allotment of shares and subsequent registrations of transfers of shares so as to prevent concerns not registered in India from acquiring the shares of the Corporation.”

These were the instructions issued soon after the establishment of the Industrial Finance Corporation in July 1948. This letter is dated the 21st August 1948.

Then with regard to the policy followed by the Corporation, if my hon. friends had only gone through the report for the first year, they could have found out that the Corporation has clearly followed a policy in granting loans as well as in considering the applications. I will, with your permission, Sir, refer only to the relevant paragraphs. I need only say that applications are judged by the following standards. The standards laid down by the directors of the Finance Corporation in considering the applications and in sanctioning applications are these. The applications are judged by the following criteria. The national importance of the industry is the first thing.

SHRI B. C. GHOSE (West Bengal) : Were they approved by Government ?

SHRI M. C. SHAH : I am coming to that. The question was also raised whether they were in the Five Year Plan or not. I will come to all that.

SHRI B. C. GHOSE : But were these standards approved by Government? Were there any consultations with the Government ?

SHRI M. C. SHAH : This is the Industrial Finance Corporation's Report and this is the policy laid down here, for the guidance of the Directors.

SHRI B. C. GHOSE : But were they approved by Government ?

SHRI M. C. SHAH : I just read out the instructions issued in 1948.

SHRI GOVINDA REDDY : But he asks whether these standards were approved by Government ?

SHRI M. C. SHAH : It means that. And so what is considered first is whether the industry concerned is one of national importance. Then come the experience and competence of the management, the feasibility of the scheme, the reputation enjoyed by the products of the company in quality ; cost of the scheme as compared to the resources of the company, the security offered and the proportion to the loan whether the aid granted is likely to help the company to work efficiently and comfortably; whether the industry's product exceeds the country's requirements, whether the concern has adequate technical personnel, whether it has an adequate supply of raw materials available for a period of years, and so on.

And then with regard to the consideration of applications also, there are certain rules laid down. I will not, however, take up the time of the House in dealing with them here. But they are very elaborate rules.

This is the policy that the Industrial Finance Corporation and the Board of Directors of the Industrial Finance Corporation will adopt in inviting applications and in considering these applications. From all this it will be clear that they have pursued a certain policy.

Then, Sir, much has been said about the Chairman. I think that it was not fair to talk about personalities. Even the name of Lord Sri Ram was brought in here. There was a reference to Shri Sri Ram in very bad taste. Really I cannot see why so much was said here. I must say that I feel that it was not fair. About the Board of Directors also much was said. It was said that Sri Shri Ram controls the whole Board of Directors. I submit with all humility that it is an insult to the other eleven Members, to their intelligence, to their integrity and to their honesty. I would read out the names of these twelve Directors.

It was also said that the report does not contain sufficient information, that we should give fuller information. I may say that Government will take all the suggestions made in this connection and consider them and when the next report appears, I am sure all this information will be there in the report submitted to Parliament, by the Corporation.

I will now read out the names of the Directors and it will be seen that much has been made out quite unnecessarily—I don't know for what purpose—as if Shri Sri Ram controls the whole industrialisation of India. It is nothing of that sort. If you look at the sections of the Act, you will find that the Chairman has no powers except that of presiding over the meetings of the Board of Directors. I will read out the names of the Executive Committee. Shri Sri Ram is not even the Chairman of the Executive Committee and it is the Executive Committee that examines the applications and makes its recommendations, whether they are sanctioned or rejected and sends them up to the Board. The Managing Director is the Chairman and I am glad my hon. friend Shri Sinha from Bihar has paid a well-deserved tribute to the Managing Director for bringing the Corporation to its present efficient standard.

There are three nominees from the Government, on the Board of Directors.

That is usual when the Board has to follow a policy laid down or accepted by the Government, and the Secretary of the Finance Department (Economic Affairs) is a member and also the Secretary of the Commerce and Industry Department. Shri Ambegaokar, Secretary Finance Department and Shri Boothalingam, Secretary, Commerce and Industry Department, then Shri Khandubai Desai, and then two directors—Sir Sri Ram.

SHRI RAJAGOPAL NAIDU : Who is Shri Khandubai Desai, Sir ?

MR. DEPUTY CHAIRMAN : Order, order. No interruptions.

SHRI M. MANJURAN (Travancore-Cochin) : On a point of order.....

MR. DEPUTY CHAIRMAN : Order, order.

SHRI M. MANJURAN : I only want to say that it is not right to refer to or use the word "Sir Sri Ram" as according to the Fundamental Rights, all such titles have been abolished, and.....

MR. DEPUTY CHAIRMAN : Order, order.

SHRI M. C. SHAH : There are two nominees of the Reserve Bank and Shri Sri Ram is nominated by the Reserve Bank. Then there is Dr. Gadgil, a well known economist of India. And there are two others from the Scheduled Banks—Shri B. N. Mookerjee and Shri H. C. Captain, the Managing Director of the Central Bank of India. Shri B. K. Shah is the Managing Agent of the New India Insurance Company and then Shri L. S. Vaidyanathan the Managing Agent of the Oriental Insurance Company. Then there is Shri R. G. Saraiya of the Co-operative Societies and Shri V. P. Varde and then Shri V. R. Sonalkar. These are the twelve Directors.

As I said the Executive Committee considers the applications and with their decisions and recommendations

they are sent to the Board of Directors. In the Executive Committee the Chairman is the Managing Director about whom I just referred and then there is Shri Ambegaokar and Shri Sri Ram. There is provision that there ought to be in the Executive Committee two from among the nominated members and two from the elected members. So from the three of the Central Government and two of the Reserve Bank, we have Shri Ambegaokar and Shri Sri Ram and from the elected members there is Shri H. C. Captain and Shri B. K. Shah from the Insurance companies and then there is Shri V. R. Sonalkar who is the Chairman.

From this, can anyone believe for a moment that all these eleven people are ruled by one Shri Sri Ram who is the Chairman of the Board of Directors ?

SHRI B. C. GHOSE : Nobody says that.

SHRI M. C. SHAH : They have also said that all these industrialists are there and for that I may say that when this Industrial Finance Corporation Act was to be framed, Shri C. D. Deshmukh, the Governor of the Reserve Bank while recommending the establishment of the Corporation wrote as follows. I will read only a few lines :

"I express provisionally the opinion that the institution that would be most suitable to conditions prevailing here would be a corporation owned jointly by the State, the Reserve Bank and institutional and other investors. Such an institution would enjoy the advantage of having available to it the intimate knowledge of industry and wide business experience which the representatives of this board of institutional and other interests may be expected to possess. Such representation would insure that wise discretion is exercised by the Corporation in the scrutiny of the industrial ventures applying for financial assistance. At the same time the persons on the Board of Directors and, probably, on its Executive are nominees of Government and the Reserve Bank, would serve as a guarantee that the policies pursued by the institution are conceived in the broad national interest and not with a view to promoting sectional interest. Furthermore, an institution of this character would be relieved from this handicap, that is, lack of business experience

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and contacts with industry which, to a greater or lesser degree, hampers operations of institutions owned wholly by the State."

Now, Sir, it will be seen from this that the association of the Reserve Bank, of the scheduled banks, of the insurance companies and such other financial institutions and the Co-operative banks was deliberately aimed at, and, therefore, Sir, the Industrial Finance Corporation has got on its Board of Directors, these nominated and elected persons and, to suggest that all these Directors are ruled by one gentleman, is, I think, absolutely unfair to those 11 gentlemen about whose integrity and intelligence none can question. At the same time, Sir, I am glad that my hon. friend Mr. Sinha has spoken in very high terms about the Board. Mr. Lalchand Hirachand has also stated and I will be failing in my duty if I did not say that I deprecate the remarks that are made without considering all these facts. You want to have certain people and you want to have a private sector, you want to have industrialisation and, even in the 5-Year Plan, the private sector is given a prominent part and if you want to industrialise our country, then, the association of well known, well reputed industrialists is absolutely necessary and that is what the Plan also envisages. We know, Sir, that in the private sector of industry this 5-Year Plan has provided nearly Rs. 383 crores for modernisation and expansion, while Rs. 94 crores are provided for the public sector. Therefore, Sir, if you decry those people who are coming here to serve on the Board of Directors, I think, Sir, it will not be in the best interests of the country.

My hon. friend, Mr. Manjuran, was pleased to say that the Government do not come here with clean hands and they want to hide something. I say, Sir, that we come here with cleaner hands than the tongue that spoke those words and we have nothing to hide from this House or from the other House. We are prepared to give each and every information that is asked of us.....

SHRI C. G. K. REDDY : 'Except'.

SHRI M. C. SHAH :except only the names and for that too, as I have stated about the future, the Prime Minister has assured that that would be considered very soon.

Now, Sir, I come to the loans that are granted. There too, many Members had a wrong notion about the distribution of the loans. If my hon. friends look to the original Act, they will find that it did not apply to these Part B States. They had not integrated with the Union and we all know that the backward areas are mostly in those Part B States. They integrated with the Union and, by the amendment of the Act in 1951, the activities of this Industrial Finance Corporation was extended to all these Part B States and then, Sir, you have to judge the results as to whether the Industrial Finance Corporation has not tried to help the backward areas.

I have already circulated to the Members two lists showing the region-wise and industry-wise distribution of the loans. It has been stated that Bombay and West Bengal have appropriated to themselves nearly 50%. In the other House I had a complaint that West Bengal was not given due proportion. Here, I hear that the West Bengal and Bombay States have appropriated more than 50%. I say, Sir, that that criticism is not fair; as I have stated, Sir, upto 1951 as long as the Industrial Finance Corporation Act was not amended, these Part B States, which are mostly backward, were not, I mean, entitled to the benefits of this Industrial Finance Corporation or the Industrial Finance Corporation was not competent to give help to those concerns. I have got here figures with me that Rs. 132 lakhs were given to Maharashtra which is also backward. There, a point was raised by one of the Members : "Why not give loans or help a backward part like Maharashtra." I immediately gave the figures that Rs. 132 lakhs were given to Maharashtra, a sum of Rs. 43 lakhs went to Gujrat. Then, Sir, some of the most important industries

which are being established in Bombay must get some assistance. I have also gone through the question as to whether these loans were according to the 5-Year Plan. The 5-Year Plan came here possibly, if I remember right, it was placed before the Provisional Parliament—in July-August, 1951. From July-August 1951 up to July-August 1952, the figures are very clear as to which industries the loans have been granted and it will be seen, Sir, as also even from the 5-Year Plan—possibly the Chapter about Industry is XXIX—that all those loans which are given are primarily to those industries which have been mentioned there. We know that production to the extent of 4%, 5%, 6% and more is expected and we know that they wanted that the private sector also should undertake that work.

Now, Sir, as I stated, Bombay gets Rs. 415 lakhs ; Bihar gets Rs. 83 lakhs ; Madhya Pradesh gets Rs. 29 lakhs ; Punjab gets Rs. 20 lakhs ; Madras gets Rs. 121 lakhs ; Orissa gets Rs. 50,000 ; U. P. gets Rs. 50 lakhs ; West Bengal gets Rs. 250 lakhs ; Rajasthan gets Rs. 50 lakhs ;—Rajasthan became eligible only, as I told the House, from 1951, after the amendment of the Act—Saurashtra gets Rs. 140 lakhs as a backward area ; Madhya Bharat gets Rs. 3,50,000 ; Travancore-Cochin gets Rs. 65,50,000. Mysore gets Rs. 71 lakhs, Hyderabad gets Rs. 40 lakhs, total Rs. 14,03,00,000. Thereafter, the machine tool industry also has come in. So far, upto 30th June 1952, there was no application from the machine tool industry ; but, after that, a machine tool industry had come in and, as I have stated, Sir, after this period, loans to the extent of rupees one crore and about nineteen lakhs have been sanctioned.

Then, Sir, a point was made that cotton textiles get a very large proportion. There too I would like to show that my friends are not correct in their criticism. If they would look at the figures, the Bombay State gets only Rs. 28 lakhs, and I may inform my friends that out of this neither

Bombay city nor Ahmedabad city gets a single pie. But there is a weavers' society which has just organised a mill and about Rs. 10 lakhs have been given to that weavers' society. That is in Gujrat. There was one argument put forward, that certain industries should be decentralised. Sir, I have heard the argument that industries have been centralised. I have always heard that Ahmedabad and Bombay have got cotton textile mills and there ought not to be any expansion of the cotton textile industry in those places. And, Sir, that is the very thing that this Industrial Finance Corporation has tried to achieve. If you will look at the figures, you will see that for cotton textiles they have given to Madhya Pradesh Rs. 23,75,000 ; to Madras Rs. 11,50,000 ; to Orissa Rs. 50 lakhs ; to Uttar Pradesh Rs. 40,50,000 ; to West Bengal Rs. 31 lakhs ; to Rajasthan Rs. 30 lakhs ; and so on and so forth. From this it will be very clear that in the matter of cotton textiles, Bombay and Ahmedabad have not been given anything. Whatever has been given has been given to the backward areas.

SHRI B. C. GHOSE : May I ask whether there were applications from Bombay and Ahmedabad mills ?

SHRI M. C. SHAH : Perhaps there was one from Ahmedabad. Not granted. As regards the cotton textile industry, I may say that we have not yet become self-sufficient in cloth production.

After the cotton textile industry, I want to refer to other industries also, and I am going to give all the figures in my possession, and they are absolutely correct. I am prepared to show that they are absolutely correct.

Next comes the sugar industry. My friend in the Lower House, Shri Sarangdhar Das, Leader of the Socialist Party, while criticising the Corporation about this, said that if the loans had been given to the South, he would have been very happy, and I told him, "Here are the facts : All the loans have been given to the

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South", and he was happy. And my hon. friend Mr. Reddy also must be happy, and he will be much more happy when I say that the loans of Rs. 40 lakhs given to the sugar industry in Bombay State have been given to co-operative societies and farmers' societies. One co-operative society has started to produce sugar. Rs. 40 lakhs have been given to Hyderabad for this sugar industry. And in Hyderabad, the State owns 80 per cent. of the shares. There is an Investment Trust or some other body which controls it. Madras has been given Rs. 35 lakhs for the sugar industry. Rs. 40 lakhs have been given to Bombay State, as I have said. Sir, I think, that here also the industrial Finance Corporation has acted very wisely in pursuing the policy of decentralisation.

Then, take the aluminium industry. If you read the Five Year Plan, you will see that in aluminium we have to make very big strides during the next three or four years. There are at present only two aluminium factories in India. One is owned by a foreign company, and the other is owned by an Indian firm. And the Indian firm has been given a help of Rs. 50 lakhs in order to expand its activities, to expand its production and to reach the target which has been laid before the country by the Planning Commission. That is a basic industry.

Then, take the chemical industry. That industry is also a basic industry. The Planning Commission has said so. The Planning Commission has referred to so many industries, and I will tell you something about them also I have already referred to aluminium. Automobiles have been given Rs. 50 lakhs. Then, cement production has to be increased. Cement also has been given help, and that too in Madras. The glass industry is there. The paper industry is there. The heavy chemical industry is there—caustic soda, soda ash, etc., Cotton, Jute, and Rayon are there as also Newsprint.

Therefore, Sir, if you scrutinise all the loans that have been given, you will see that they are in accordance with the Five Year Plan. It is in the national interest, for the economic development of the country, that they have been given. And what is the total? Only Rs. 14 crores, whereas as investment up till now, from 1946 to 1952, Rs. 484 crores were raised for industrial purposes, Rs. 306 crores were raised for the private sector from 1948 to 1952. According to the Plan, they want Rs. 383 crores for the private sector apart from the working capital and the depreciation. The Planning Commission also wants the private sector to play its own role. Therefore, the Industrial Finance Corporation, with its limited resources, has tried to be in line with the Planning Commission.

Now, Sir, I will come to certain specific companies that were referred to by my hon. friends here. My friend Mr. Sarangdhar Das had raised the point in the House of the People, and here my friend was rather hasty in saying that either I was misled by the officials or I misled the House. Nothing of the kind. I stand by what I stated and I will prove it. I said that on the 31st March, 1952 the assets were Rs. 1,52,00,000. Here, my hon. friend asked me certain questions. I say that he has not done any good to his State. I may tell him that we are not concerned here with Orissa politics. Orissa politics are brought here. It has got nothing to do with the Industrial Finance Corporation.

SHRI S. N. DWIVEDY : There is no politics, I strongly protest.

SHRI M. C. SHAH : I am coming to facts—home-truths, hard facts. I have got each and every figure. I am prepared to prove that the allegations made by the hon. Member against the Chief Minister and against.....

MR. DEPUTY CHAIRMAN: The hon. Member may address the Chair.

SHRI M. C. SHAH : I am sorry an ex-Minister of this Government are without foundation. I say they are made without proper inquiry. He first asked me the question as to when this application by the Orissa Textile Mills was made. It was stated that there was a textile mill A and a textile mill B, and then it was alleged that the textile mill A was given preference as against the textile mill B because the textile mill A was connected in some way with the nephew or the son-in-law or the daughter-in-law of somebody. But what are the facts ? I will give you the facts. The Orissa Textile Mills applied to the Corporation in January 1949 for a loan of Rs. 50 lakhs. The hon. Member asked me when the loan was applied for. That was in January 1949. The executive sanctioned to them a loan of Rs. 40 lakhs on the 7th March 1949. As you will see, Sir, we have got branches at Bombay, Calcutta and Madras. We have got Branch Managers to look into the applications that we receive and find out the assets and liabilities and the possibilities of expansion of those concerns. This application was sent to the Calcutta Branch Manager and the Calcutta Branch Manager on the 2nd March 1949 reported to us that the land was worth Rs. 45 thousands, buildings Rs. 23 lakhs and 56 thousand and machinery Rs. 40 lakhs and 35 thousand, plant and machinery in transit Rs. 14 lakhs, advance paid for plant and machinery Rs. 6 lakhs 49 thousand and also other tangible assets the total comes to Rs. 93 lakhs and 16 thousand.

SHRI C. G. K. REDDY : No liabilities ?

SHRI M. C. SHAH : And then they applied for a loan. My friends may be knowing that this mill had only about 14 or 15 thousand spindles. The mill was to be expanded. That mill today has got about 50 thousand spindles.

SHRI P. SUNDARAYYA : On a point of order, Sir. The hon. Minister

is giving the assets of a particular company. He must give the net assets. My point of order is that he is not giving full facts to the House. I therefore want the protection of the Chair to see that he gives the proper facts. Our question is : What is the liability at the same time ?

MR. DEPUTY CHAIRMAN : There is no point of order, Mr. Sundarayya. You want some additional information. You can ask for it at the end.

SHRI P. V. NARAYANA : Sir, I want to.....

MR. DEPUTY CHAIRMAN : Order order. The hon. Members may note down if they have got anything to ask and it may be asked at the end. Let there be no disturbance in the middle.

SHRI P. V. NARAYANA : Like Ministers we also should note down.

MR. DEPUTY CHAIRMAN : Order, order. Let the Minister proceed.

SHRI M. C. SHAH : Sir, I have noted down the questions that were put to me and I am replying to these questions. They may be inconvenient to my friends, but I cannot help them.

SHRI B. GUPTA : On a point of submission, Sir. I feel that there are reasons for the inconvenience on that side. But the hon. Minister is replying to certain points that have been raised. Now when a reply is given, it stands to reason and we claim that the reply should be to the point. I can understand that the hon. Minister is effusive but his effusiveness should not take him away from the relevant points.

MR. DEPUTY CHAIRMAN : I will not allow any further interruption. If the hon. Members are not satisfied with the speech, they may note down the points and put questions at the end. Let there be no further disturbance in the middle.

SHRI M. C. SHAH : Now, Sir, the question was asked as to when this Orissa Textile Mill applied for a loan. I said "In January". When was the loan sanctioned? I say, Sir, that it was sanctioned on the 7th March 1949. Before that we got their assets valued and the assets valued were Rs. 93 lakhs and 16 thousand. The company availed of the loan from 30th June 1949. Since then the block account has increased and that block account is Rs. 1 crore, 66 lakhs and 55 thousand and out of that, as I have stated, something like Rs. 14 lakhs and odd are to be deducted for depreciation allowance. The loan of Rs. 40 lakhs is to be repaid by the company in the following instalments, of which they have already repaid Rs. 2 lakhs due on 3rd June 1952. And then, Sir, another loan of Rs. 10 lakhs was for working capital in 1950. And Rs. 5 lakhs have been paid. What I was just going to point out to you, Sir, was that here is a point raised that the backward parts of our country are not helped. Here is an undeveloped part. Then they say that the ex-Minister of the Central Cabinet took the initiative or something like that and so on and so forth.....

SHRI S. N. DWIVEDY : On a point of personal explanation, Sir.

MR. DEPUTY CHAIRMAN : Order, order. Certain allegations have been made and he is replying to them.

SHRI C. G. K. REDDY : He is misreporting our speech. It is not fair to twist our points like that.

SHRI M. C. SHAH : I have got the whole speech with me.

SOME OPPOSITION MEMBERS : Quote it. Quote it.

SHRI S. N. DWIVEDY : Why don't you quote it ?

SHRI M. C. SHAH : I will do it.

MR. DEPUTY CHAIRMAN : The hon. Minister may please address the Chair. I am the buffer between this side and that side.

SHRI M. C. SHAH : I am sorry, Sir. All those who know something about these practical affairs of borrowings and lendings of the industrial concerns know it very well that when these loans are sanctioned, they are sanctioned against the assets as well as the assets to be acquired and the assets acquired are so much, as I have already stated. Nor, Sir, you will find that this loan application is supported by the Commerce and Industry Minister. The Commerce and Industry Ministry then was in charge of Dr. Syama Prasad Mookerjee and not the ex-Minister of the Cabinet to whom reference has been made. That was on 2nd February 1949. Therein they have stated that it is with an up-to-date machinery and it ought to be given a loan. As a matter of fact, Sir, after this loan, that mill has got now about 45 or 46 thousand, or something near about, spindles and 864 looms and a complete up-to-date bleaching and dyeing plant. And if you will see, Sir, you will find that the mill has given employment to nearly 1,800 workers there, who get 22 lakhs of rupees as wages, if the wages are to be based on the Bombay standard. (*Opposition Members* : Question). There are my friends here who claim that they have got the interests of labour at heart. And here is a case where so many labourers are employed who get about Rs. 22 lakhs per month. Over and above that, they get about Rs. 1 crore and 56 lakh yards per year and at the same time that concern has made a profit of Rs. 37 lakhs last year. Can it now be said that the Industrial Finance Corporation has not acted in the best interests of the country or in the best interests of the undeveloped part of the country? And then, Sir, I have got the list of Directors also and I have got all those figures there. I find that much has been made by my friend Mr. Reddy also, my Socialist

friend, about this Orissa Textiles business. I am sure, if he is open-minded, he will immediately come to the conclusion that there is nothing wrong in giving this loan to the Orissa Textiles. Orissa is an undeveloped part of the country. This loan was given just to develop the resources and to get something for the poor down-trodden Oriyas of Orissa. Here is a case where an undeveloped part of the country is helped and here we find Members saying that they are the representatives of the people and just raising all sorts of opposition. They say that there is something shady. I do not find anything shady in it. I am prepared to give each and every particular about this transaction and at the same time I say, Sir, that even if there is a relative or a friend in the management, is it a crime for the Industrial Finance Corporation to give help? I have got, Sir, the Articles of Association of the Bank which has been referred to—the Industrial and Commercial Finance Corporation of England. And permit me to say, Sir, that even a Director is not debarred from having a loan against security. That Corporation of Great Britain has been quoted here. If you were just to refer to the Indian Banking Act which is very recently passed, there too, Sir, a Director is debarred only of having unsecured loans. On the secured loans, there is no difficulty. As I quoted from the Governor of the Reserve Bank of India, the objective was to associate all these industrialists in order to industrialise the country with the help of the private sector. Is that a sin? Even if there is any relative—I do not know whether there is any relative—but even if there is any relative, what is the harm there?

AN HON. MEMBER : In all concerns?

SHRI P. V. NARAYANA : Did Mr. Shri Ram write to the Government of India a letter.....

SHRI M. C. SHAH : I say, Sir, there is nothing wrong in the Corporation giving such loans if it is in the

interests of that part of the country.

DR. R. B. GOUR : Yesterday it was decided.....

MR. DEPUTY CHAIRMAN : Order, order.

SHRI M. C. SHAH : My friend, Mr. Bhupesh Gupta, referred to two or three companies.

SHRI P. SUNDARAYYA : Half a dozen companies.

SHRI M. C. SHAH : He referred to the Bengal Electric Lamp Works Ltd. I will give him all the facts through you about all these concerns. I think that he has been misinformed. His informant has not served him well, because the Bengal Electric Lamp Works Ltd. had a capital of Rs. 11·84 lakhs. They applied to the Corporation for a loan of Rs. 20 lakhs. The Corporation after going through everything granted them a loan of Rs. 11 lakhs.

SHRI C. G. K. REDDY : What are their assets?

SHRI M. C. SHAH : But the condition is imposed by the Corporation, whenever a loan is granted, that they must have one or two Directors nominated by the I. F. C. Such Directors have been appointed to 13 companies. These Directors are not the brothers-in-law or nephews-in-law or any other-in-law of anybody, but they are from the administrative set-up of the Corporation. There are branches of the Corporation in Bombay, Madras and Calcutta. They have Branch Managers. It is these Branch Managers who are being appointed Directors of these concerns by the I. F. C. It is absolutely necessary to have these Directors in order to see that the loans that have been granted are well-spent and the concerns are efficiently run. This is entirely natural.

SHRI B. GUPTA : Was there any name suggested?

SHRI M. C. SHAH : The history goes further. These Rs. 11 lakhs were not availed of by them. The

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 Bengal Electric Lamp Works Ltd. had mortgaged all their property to the Calcutta National Bank, and when the loan was to be given, they asked for the title deeds. The Calcutta National Bank had deposited these title deeds with the Reserve Bank, and as soon as the moneys were paid, the Reserve Bank released these title deeds. Rs. six lakhs or so was given to the Reserve Bank; the I. F. C. was prepared to give them all the 11 lakhs of rupees but then they said that they did not want the full amount at that time as they had instituted a suit. That is the history of the Bengal Electric Lamp Works Ltd. Then, Sir, there was another company that was referred to by Mr. Gupta. If I remember correct, it was the Bengal Porcelain Company, Ltd., Calcutta. There, the paid-up capital was Rs. 1,69,000 only. They applied for a loan of Rs. 20 lakhs. As a matter of fact, with regard to accommodation, there is a provision in the Act. If you look, Sir, to Section 5 of the Act, you will find..... (*The hon. Minister was searching for papers*).

SHRI C. G. K. REDDY : Shall I give him a copy of the Act ?

SHRI M. C. SHAH : Sir,.....

SHRI B. GUPTA : The hon. Minister may have lost his books in his arguments.

SHRI M. C. SHAH : No, Sir. It has been laid in that Section that the Bank should act on commercial lines.

SHRI B. C. GHOSE : No, Sir. Section 5 is regarding guarantee by the Central Government.

SHRI M. C. SHAH : Sir, I am sorry, I was referring to Section 6. It is stated under sub-section (2) that "The Board in discharging its function would act on business principles, due regard being had by it to the interests of industry, commerce and the general public."

Then, Sir, I was referring to the Bengal Porcelain. They asked for a

loan from the Industrial Finance Corporation, in spite of the fact that their assets were only to the extent of Rs. 1,69,000. We did not refuse that application. It was sent to the Calcutta Branch for investigation and thereafter whoever may be the persons in charge of the Company, they have not turned up.

SHRI B. GUPTA : What are the assets of the Bengal Potteries ?

SHRI M. C. SHAH : They are much larger, probably, they are double than the loans granted.

Then, there was reference to two Bengalore Companies. A loan, it was stated, twenty five lakhs of rupees was granted for one of the companies. As a matter of fact, 10 lakhs were granted. They are doing good work and it is very necessary to help them. Here, I may refer to certain information he gave that it has an element of foreign ownership. We enquired into this and I may say that it is not so.

SHRI C. G. K. REDDY : He did not say foreign ownership.

SHRI M. C. SHAH : About my learned friends who spoke so much about these companies, I would submit that they are practically misinformed.

I have stated that we have given an assurance and I give specific and categorical assurance that if any complaint is brought to our notice about malpractices, about favouritism about partiality shown or about discrimination made, then we will immediately enquire into that. You might note that under the Act the Central Government has the fullest possible control over the administration of the Corporation. They can supersede the Board of Directors. But to go on in this manner, to criticise the working of the Industrial Finance Corporation on the basis of some misapprehensions, is not worth the while.

Now, I come to the working of the Corporation. The question was raised whether it was self-supporting.

My friend Mr. Sinha has already explained that and I will not take up the time of the House over it.

My friend Mr. Sinha has argued at length about the profits of the company from its start. I am very thankful to him for explaining in a nutshell. Here is a Financial Corporation which grants loans to industrial concerns. It is well known that the industrial concerns cannot give immediate results. It takes some four or five years and it may be that at times there may be some default in paying the interest and instalments. Much has been made by a certain reference in a letter from Shri Sri Ram that 13 companies have been defaulters. In fact I have the figures and I say that out of the 13 companies, five have not been able to pay interest and instalments but they are of recent origin and they have gone into working and they will be making profits soon and therefore there is no risk whatsoever as far as the funds of the Corporation are concerned. Because under the Act the accommodation is to be given upto a certain percentage of the assets. Naturally they will be about 50 or 60% of the assets and there is no harm. The instalments due are to the extent of Rs. 10 lakhs out of which Rs. 5 lakhs are from one concern which have been given extension and the other concerns' sum will be a lakh or fifty thousand and we hope to get all those instalments and interest. There are five companies which have not paid interest and there are three which have not paid the instalments. But it is quite possible that when they are just expanding and when they are only supplemented by the resources of the Corporation, there may be some delay due to various factors. They have taken the loan, ordered the machinery which may come late, they may have purchased building and other things and so there is a possibility that for going into full working they may take some time. Therefore it cannot be said that there is no satisfactory working of the Corporation. Dr. Mookerjee asked whether it is self-supporting or

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it is losing and if it is a losing concern, shall we continue that? I say that as pointed out by my friend Mr. Sinha in the preliminary stages this Corporation was almost a new venture of its type and in foreign countries such ventures have failed and in fact this Corporation had to feel its own way and slowly it may come up. As he has already quoted, in the first year the profits were to the extent of Rs. five lakhs, and odd in the second year about Rs. 23 lakhs, in the third year Rs. 35 lakhs, in the fourth year about Rs. 42 lakhs and odd and that too when the investment was to the extent of Rs. 7.96 crores. At the same time my friend should know that the Corporation had to pay its dividend from its inception and in the first year only about a crore of rupees or something more had been advanced but for one year it had to pay dividend of 2¼%. They had raised bonds to the extent of Rs. 5.8 crores. They had to pay interest at 3¼% and all these they had to pay. As a matter of fact the Act as it stood then made a provision that all the surplus moneys can be kept only in the Reserve Bank or its agency where almost no interest can be had. So this time we are bringing forward this amendment and gradually, as we go on, and as our volume of business also increases, our earnings too will go up. This year we distributed aid up to Rs. 7 crores. The moment we invest about Rs. 14 crores, then there is the possibility,—nay the certainty—that the profits will go up to Rs. 70 lakhs. The increase in the ratio of expenditure is not going to be very much. Actually the ratio of expenses to the loans distributed has come down. From 2.25 it has come to 0.84 or so and it is bound to come down and.....

DR. RADHA KUMUD MOOKERJI
(Nominated): What about the.....

MR. DEPUTY CHAIRMAN :
Order, order. At the end you can put the question, Dr. Mookerji.

DR RADHA KUMUD MOOKERJI : But at the end I think he might forget the point.

SHRI M. C. SHAH : I will come to that point.

DR. RADHA KUMUD MOOKERJI : My point is simply this.....

MR. DEPUTY CHAIRMAN : I think he has already understood your point.

DR. RADHA KUMUD MOOKERJI : I follow the House of Commons procedure. There interruptions are allowed on principle so that the hon. Minister who makes the speech may then and there reply to the question raised.

MR. DEPUTY CHAIRMAN : Order, order. I am not allowing any interruptions here. The hon. Minister can go on.

SHRI M. C. SHAH : So, as I was saying, as the volume of business increases, there is the possibility, and even a certainty of our incomes also going up, from interest and commissions. At the same time the ratio of expenditure is not going to rise. In one or two years the Corporation will be able to not only pay dividends, but also to put by money in the reserve fund. This is envisaged because in the Act it is provided for and the framers of the Act had considered that point. It is provided that whenever profits in excess of 5 per cent. is made, that will accrue to the Government.

Then the point was raised, as to why private companies have not been included. This point also was considered by the Select Committee and it was wisely decided that private companies whose number of shareholders is only 50 and whose balance sheets are never published and about whose financial position or financial stability there are no possible ways of knowing, should not be included, that it was a risk that should be avoided by an Industrial Financial Corporation. Of course, there is no bar to private limited companies being converted into public limited companies in order to get themselves entitled to apply for and get

loans from this Corporation. Therefore private limited companies are not in that way, excluded. I may inform hon. friends that in the State Finance Corporations private limited companies have been allowed.

And then it was stated that the cottage industries have not been considered. I may again refer to the fact that the second meeting of the All-India Cottage Industries Board at Jaipur recently adopted a resolution that in order to get assistance for cottage and small-scale industries, the State Financial Corporations should be the only medium.

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As I have stated in reply to my hon. friend, Dr. Kunzru—I hope that he was here—I will not repeat, but, I have already replied to that, that all possible action has been taken. It is, rather, within the competence of the State Governments and, as a matter of fact, on the request of the Bombay State Government, the State Finance Corporation Bill was taken up and I am sure, slowly and slowly, all the States will have their own Financial Corporations. The only thing that is required of the Central Government is a notification to be issued when the State Governments approach, about the participation in the capital by the Reserve Bank and other institutions. There, 25% is offered to the public also and, so, Sir, the small scale and cottage industries will be well served by the State Finance Corporations. At the same time, as I have stated, this Industrial Finance Corporation does not ban applications of the small scale industry because it is difficult to draw a line where we can just have small scale industries or big scale industries.

SHRI RAJENDRA PRATAP SINHA : What was the minimum amount of loan ?

SHRI M. C. SHAH : Rs. 50,000.

Then, Sir, about the loan of the International Bank. As I have said in the Lower House also, it has become the fashion of a certain section to decry

whatever help we can get from America, England or other countries. They always decry such help from the International Bank and they say that by taking help from this Bank we are subjecting our economy to the supervision of those countries who will shape our policy as far as economic matters are concerned. Sir, as far as this Bill is concerned there is only 8 million dollars to be taken and that comes to something about Rs. 3 crores and odd. At the same time, as I have stated in the Lower House, I state here also categorically, that there are no strings attached to this loan. It is a simple business proposition and from a realistic point of view, if you want to industrialise the country and if you want to have a private sector, to raise capital for the industrial enterprises, as has been envisaged in the 5-Year Plan, to the extent of Rs. 383 crores, I think it will be necessary to have foreign aid, if we can get with favourable terms. If we can get with favourable terms from the International World Bank, I don't think there could be any objection whatsoever to have that loan from this Bank. As a matter of fact, we are among the five member countries who have got a permanent Executive seat in the Board. We have contributed and all these countries, 51 originally, Germany and Japan having joined very recently, 53 in all have contributed. It is not only this bloc, Anglo-American bloc, but, perhaps my friends on the other side may be knowing that, Czechoslovakia, a Communist country, is also a member of this International World Bank. So, Sir, if we get loans at favourable rates, I do not think there can be any objection. This loan is for buying foreign currency only. There was a lacuna in the Act. When the International Bank gives loans to institutions in other countries, they require a guarantee from the Government about the repayment of the principal and interest from the Government to which that loanee belongs and for that very reason we have come to amend this Act. We have made it very clear. There was nothing to be kept secret and, Sir, it had been stated that there will be a condition that all these moneys worth about Rs. 3 crores

and odd—8 million dollars at Rs. 4.76 per dollar—shall have to be purchased from America. It is not a fact, Sir. The fact is that the International Bank will provide foreign currency, be it in America, be it in the United Kingdom, be it in Switzerland, be it in Germany, be it in Japan. As a matter of fact, we have already had inquiries as to whether we will require foreign currency, and from which countries, and what the amount will be. In 1952 and 1953, we have found that we will require very little dollar currency. Our industrialists are purchasing from the cheapest markets in the world. And the International Bank has to provide the currency of those countries from which our people have to purchase their requirements. At the same time the rate is also favourable when compared with the rate charged for loans which have been taken by our neighbour, Pakistan. There they have to pay 4 $\frac{5}{8}$ per cent., whereas we have to pay less. That is a tentative proposal. That is why the Bill was not referred to Select Committee. We said that we were in a hurry to get this Bill passed. There is nothing secret about it. The Bill contains no contentious proposal. As a matter of fact, all the clauses are simple. Clauses 3 to 9 deal with the administrative set up of the Corporation. You will see that section 2 also is sought to be amended. There we have included shipping. We know that shipping is an important industry. We know that we require a good deal of tonnage today. At present we have only a tonnage of 4 $\frac{1}{2}$ lakhs. During the last four or five years we have been able to raise only Rs. 50 crores for shipping, and one ship costs Rs. 58 lakhs. We want to expand our tonnage. If we want to expand our tonnage, and if shipping concerns come to us for help, then naturally we have to help them in order that our shipping position may be strengthened. In 1951 we paid Rs. 50 crores as freight for bringing food, grains to India. We want to save that. Therefore we are trying to help the shipping industry in all possible ways. Therefore, we have included shipping in clause 2. And for the same reason we have raised the limit of finance

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given to such concerns as shipping, heavy engineering or machine tool industries which require a bigger capital. Till now the limit was Rs. 50 lakhs. If we keep to that limit, there is a possibility that deserving concerns may be denied help. Therefore, we have included shipping and raised the limit to one crore. That cannot be done if the amendment is not made. The Industrial Finance Corporation has not got the powers. The finance has to be guaranteed by the Government. And Government will guarantee only on the recommendation of the Corporation, because the Corporation will have the technical staff. As I have already said, the technical staff is there, and we propose to increase the technical staff, as we propose to act as agents for the World Bank and therefore we have provided for that. It has to be guaranteed by the Government on the recommendation of the Corporation. We have to put those safeguards.

With regard to future policy as regards disclosing the names of concerns, as the Prime Minister said, the matter will be considered by the Finance Minister along with the other Ministers. There is no doubt about it and I am sure we will consider it in consultation with the representatives of this House and that House.

Now, Sir, as I stated, from 3 to 9, they were only provisions about the administrative set up. Then come 10, 11, 12 and 13 and although they are fundamental, they are very simple, and then, Sir, there are certain clauses which we have taken from the State Finance Corporation. The State Finance Corporation Bill was sent to the Select Committee and the Select Committee made certain suggestions and those things were incorporated in that and we have taken them here.

There was one objection raised, rather one point raised by my friend Mr. Kunzru about the Comptroller and Auditor-General. He said that the Government had powers to appoint

two. Why should those powers go away and why should not those powers remain and the Comptroller and Auditor-General be there? We have discussed this matter, Sir, with the Comptroller and Auditor-General of India and he has definitely stated that he is not prepared to take the entire responsibility. But he is prepared to come into the picture in this way. That was so in the State Finance Corporation then too when the Finance Ministry's officials discussed this matter. But at the same time I may assure him that the Comptroller and Auditor-General has got additional powers of appointing a third Auditor to go into the detailed working of this Corporation. So, I think, that would perhaps meet the desire expressed by my friend Mr. Kunzru.

Another point which he raised was: Whether all these loans were granted by the Industrial Finance Corporation?

SHRI H. N. KUNZRU (Uttar Pradesh): Before the hon. Minister goes further, may I know which Act confers on the Auditor-General the power of appointing a third Auditor? Is it here in the Act?

SHRI M. C. SHAH: I think that it is within his power. Anyway I will satisfy him on that point later on.

Now, with regard to another point about the Plan, whether the policy adopted by the Industrial Finance Corporation was co-ordinated with the Five Year Plan, I have already stated, Sir, that they have already laid down certain policies and at the same time as I have already gone through some part of the Plan, I find, Sir, that it is entirely with that policy laid down in the Five Year Plan. There will be no competition, as he stated yesterday, between the Government borrowing and other borrowing and the Industrial Finance Corporation borrowing. As a matter of fact, the Industrial Finance Corporation has got power to borrow only 25 crores of rupees, five times the paid-up capital and 10 crores in deposits and that too for a period not

below five years. Five years' period is fixed. The resources at the disposal of the Corporation will be then about Rs. 25 crores. Of these Rs. 25 crores, Rs. 5.8 crores have been raised. So I think that the Industrial Finance Corporation will have a limited role to play in the private sector of industry during the next three years. If I remember aright, in the Chapter on Industry they have made a provision for Rs. 707 crores, private and public. There also, the I. F. C. will have to make a provision of about Rs. 20 crores.

Then about agents, if the International Bank advances big loans to some concerns because we have the technical staff necessary and we propose to still further strengthen the technical staff and because the Mission that they sent are completely satisfied with the working of the Industrial Finance Corporation, if they think it desirable that the actual spending of these loans should be watched, then we will be prepared to take up that agency. Discretionary power vests in the I. F. C. whether to accept the agency or not.

Now, Sir, in regard to the rate of interest, my friend had raised the point, but I am afraid that point can be raised only when the Five Year Plan is being discussed. These borrowings of Rs. 3 crores or Rs. 4 crores will not affect the bank rate at all. It all depends on the money market all over the world and particularly in India, and so it is very difficult to answer that question at this stage in relation to the I. F. C., because, as I said, the I. F. C.'s borrowings will be practically negligible as compared with our public debt of Rs. 2,200 crores or so and the borrowings under the Five Year Plan. So, I think that question can be perhaps taken up later when the Five Year Plan is being discussed.

Then, there is the question of nationalisation. I have already read from the C. D. Deshmukh Report, when he was Governor of the Reserve Bank, and he has clearly stated that the objective of this Corporation is to associate businessmen and industrialists who have got technical knowledge

and also private capital in the industrial sector. The I. F. C. was started in this way. The interests of the Government of India are there excepting Rs. 3 crores. If it is thought desirable that this institution should be nationalized, it can be nationalised in no time, but it is thought that if a quasi-Government institution, a statutory body, could raise funds independently only with the guarantee of the Government, it would be better for the private sector.

Sir, I think I have tried to meet many of the points raised by my hon. friends.

AN HON. MEMBER : You have answered all the points.

SHRI M. C. SHAH : My friends have raised so many points that it will not be possible for me even to touch on each and every point, but on the general aspect of the question, the Government claims that the I. F. C. has worked successfully till now. It has served a useful purpose in supplementing industrial finance which was the objective at the beginning and with its lean resources it has done well. With its small resources, it is hoped that it will serve the interests of the country in a better way in future. This House and the House of the People—this is Sovereign Parliament—are entitled to all information.....

SHRI C. G. K. REDDY : Except...

SHRI M. C. SHAH : We feel that this Corporation has worked in the best way possible. If the Members of the House have got any information which as I have said repeatedly regarding anything which savours of favouritism or something of that sort, let them tell the Government and the Government would be prepared to institute an enquiry. Shri C. D. Deshmukh has categorically stated that he is prepared to enquire into any allegation if facts are revealed to him. To my knowledge, not a single Member has yet approached him with any such facts. And so, Sir, I submit that this amendment Bill be

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taken into consideration. This amending Bill ought not to have evoked such a heated discussion. I think it is a simple business proposition and if you will look at it from a practical and realistic point of view without any prejudice, then, I am sure, that the Bill is a very good improvement on the parent Act. Then it will be found that all these amendments are absolutely necessary for the good working of the Industrial Finance Corporation in the best interests of the national economy of the country. Thank you, Sir.

SHRI RAJAGOPAL NAIDU : Sir, only a clarification. I just want some clarification on three or four points.

MR. DEPUTY CHAIRMAN : Please put your question. No speech. You are not satisfied with the clarification given by the Minister ?

SHRI RAJAGOPAL NAIDU : Sir, I would like to know why no rules are framed under this Act. Secondly, I want to know whether in the Board of Directors of the Industrial Finance Corporation, there are any Members of Parliament and, if so, any remuneration is paid to them besides the usual sitting fees and all that. Thirdly, if the Industrial Finance Corporation earns sufficient profit, whether the subsidy of nearly 25 crores of rupees, that has been paid by the Central Government, will be paid back to the Government ?

SHRI M. C. SHAH : Yes, about the last point. About the subvention given by the Government, it is a loan to the Industrial Corporation and the Industrial Corporation cannot pay dividend out of this capital. It is a loan which shall be repaid by the Industrial Finance Corporation.

About the rules—well, I forgot to state about that. There are the regulations. I want you to refer to them and the rules were not necessary, and so they were not framed. If they are found necessary, they will be framed. That matter will be considered if necessary.

DR. RADHA KUMUD MOOKERJI : Sir, my point is very simple. If the Company is charging interest and paying the interest from the date on which the loan is advanced, why should not the Corporation be able to pay out of the interest this small rate of guaranteed dividend of 2 per cent. ? That is, out of the earnings of the Corporation from the very day of its working, why should it not be able to pay guaranteed dividend ? My second point is that the share capital will also bring in some interest and, therefore, there is no point in the Corporation having approached Government for guaranteed dividend.

SHRI M. C. SHAH : I have explained that the capital was raised to the tune of Rs. five crores. And from the date on which that capital was raised, dividend liability started. As a matter of fact, if the report is seen in the first year, we gave only about a crore of rupees and for the figure at the end of the year, they are in the report. In the first year, the deficiency was to the extent of Rs. 10 lakhs. Then, in the next year, we had this capital. As we advanced more money we had to pay less. In the third year the subvention goes down and in the fourth year it comes to Rs. 2,99,000. The moment a loan was sanctioned the Industrial Finance Corporation had to make arrangements to pay them whenever called upon. They cannot wait for calling upon. As a matter of fact the borrower was not bound to take up immediately. He might have ordered the goods which may not have arrived but the Corporation had to make arrangements.

DR. RADHA KUMUD MOOKERJEE : The capital earns interest also.

SHRI M. C. SHAH : Yes. The difficulty is under the old sections I think 19 and 20 if I remember aright, the Corporation was entitled to invest all its funds with the Reserve Bank of India or its agents and as we all know the Reserve Bank does not pay much

interest and at the same time the Corporation had to invest in Government securities. They invested in Government securities but those securities also had to be sold at a time when the moneys were required and therefore there was some depreciation also, a fall in the rates and so they had to lose on that account. At the same time they had to make provision for income-tax. It was right that capital also may earn interest. The position was that the surplus was invested in the Government securities and also deposited in the Reserve Bank. They had to pay income-tax on the profits also which came to Rs. 15 lakhs or 6 to 7 annas per rupee. It is liable to income-tax. In the beginning as long as the volume does not increase there cannot be any profit. Therefore to avoid that difficulty and to make it work in a business like way as Dr. Mookerjee said, we have amended here to say that we can invest in any scheduled bank or co-operative bank in consultation with the Reserve Bank and at the same time we have provided that we can just borrow from the Reserve Bank a short term loan of 90 days against Government securities. At the same time we can take moneys against our bonds to the extent of Rs. 3 crores for 18 months. Formerly the position was that we sanctioned Rs. 10 crores, we had only Rs. 5 crores and we wanted to have Rs. 5 crores more. We issued bonds to the extent of Rs. 5.80 crores at 3 1/4 per cent. and those moneys were not availed of. We can't force them to take immediately. We sanctioned but at the same time we had to make provision. Now under these amended clauses it will be making good profits. This year there is Rs. 42 lakhs income as against Rs. 7 crores investment at 5 1/2 per cent. and for the regular payment of instalment 1/2 per cent. rebate, it comes to Rs. 35 lakhs or so. Now it is 42 lakhs of rupees. We have raised the rate of interest to 6 per cent. and there is the rebate of 1/2 per cent. So the income has gone up. The income from year to year will go up. As I have already explained, next year it may be Rs. 70 lakhs.

DR. R A D H A K U M U D MOOKERJI : We have lost Rs. 27 lakhs in the meanwhile.

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

SHRI M. C. SHAH : Yes, that is so.

DR. R A D H A K U M U D MOOKERJI : My next point is...

MR. DEPUTY CHAIRMAN : Order, order. I have already called Mr. Rath.

SHRI B. RATH : Sir, my first point relates to the chart that has been supplied to us. In this chart we find that the textile machineries have been sanctioned an amount of Rs. 64 lakhs. That is the total sanctioned amount. Then the amount availed of as on 30th June 1952 is given as Rs. 66,79,555/4/3. I fail to understand how the amount availed of can be more than the amount sanctioned. This is not the case with the textile industry alone. That is also the case when we see the item ceramics and glass.

Now, my second point is with regard to the Orissa Textile Mills, Limited. I want to know what is the paid up share capital of this concern, and of that, what is the share of the Orissa Government and what is the share raised by public subscription.

SHRI C. G. K. REDDY : How does it come to Rs. 1,52,00,000 ?

SHRI RAJAGOPAL NAIDU : It includes interest. That information is given on the chart itself.

SHRI M. C. SHAH : As regards the first point raised by my hon. friend, i.e., about the sum Rs. 66,79,555/4/3, I am afraid they have included the interest also in this sum. Really speaking, it should have been given as Rs. 64 lakhs, plus so much as interest. It is a discrepancy which ought not have been there.

AN HON. MEMBER : The footnote says that.

SHRI M. C. SHAH : Yes. I am sorry, it is mentioned there in the footnote, that this amount includes the interest also.

SHRI B. RATH : Is this the only industry that got advance ? Has not interest been included in the other cases also ?

MR. DEPUTY CHAIRMAN : What about his other question ?

SHRI M. C. SHAH : Yes, Sir, I come to that now. If you will excuse me, I will take a little time to search the figure from these papers.

SHRI S. N. DWIVEDY : In the meantime, may I add one or two more points ?

MR. DEPUTY CHAIRMAN : No.

SHRI M. C. SHAH : I have got it all here—whatever information is necessary. I think it is about Rs. 73 lakhs or so, but.....

SHRI C. G. K. REDDY : What ?

SHRI M. C. SHAH : It is here. The paid-up capital is Rs. 69 lakhs and Orissa Government loan is Rs. 30 lakhs.

SHRI B. RATH : I wanted their share of the paid-up capital.

SHRI M. C. SHAH : I think they have got 10,000 preference shares.

Their issued capital as on 31st December 1948, was Rs. 75 lakhs ; subscribed capital is Rs. 73,25,720 ; the paid-up capital was Rs. 64,95,917 and not Rs. 23 lakhs as stated somewhere else. That is the only thing that you want ?

MR. DEPUTY CHAIRMAN : Orissa Government's share.

SHRI B. RATH : Orissa Government's share, preferential and ordinary.

SHRI M. C. SHAH : As I said, paid-up capital is Rs. 66,86,000 ; shares are distributed among the public and Orissa Government holds shares for Rs. 10,20,000.

(Mr. Deputy Chairman stood up.)

SHRI S. N. DWIVEDY : Sir, I want to put this question.....

MR. DEPUTY CHAIRMAN : Order, order. I am putting this motion.

SHRI P. SUNDARAYYA : You said, Sir, that we could ask questions at the.....

MR. DEPUTY CHAIRMAN : When the Chair stands, you cannot stand. Please resume your seat.

SHRI S. N. DWIVEDY : May I make a simple submission ?

MR. DEPUTY CHAIRMAN : No.

SHRI S. N. DWIVEDY : I leave the House as a protest because you do not allow me to put my questions.

SHRI P. SUNDARAYYA : You yourself said, Sir, that we could put questions at the end of the Minister's speech.

MR. DEPUTY CHAIRMAN : I think sufficient questions have been allowed. You cannot convert it into a question hour, Mr. Sundarayya.

(Shri P. V. Narayana then stood up while the Deputy Chairman was standing. Also interruptions from several other hon. Members.)

(Cries of order, order from Government Benches.)

MR. DEPUTY CHAIRMAN : Order, order, Mr. Venkat Narayana.

SHRI P. SUNDARAYYA : You yourself said that at the end of the speech we can ask questions.

MR. DEPUTY CHAIRMAN : I think sufficient questions have been asked.

SHRI P. SUNDARAYYA : You did not allow me to ask my question.

MR. DEPUTY CHAIRMAN : I am sorry. The motion.....

SHRI B. C. GHOSE : This will only prolong the discussion because in the third reading we shall go on talking.

MR. DEPUTY CHAIRMAN : I know how to control. You leave it to the Chair.

MR. DEPUTY CHAIRMAN : The question is :

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

The House divided :

AYES—63

Agarwal, Shri B. P.
 Agarwala, Shri R. G.
 Agarwal, Shri A. N.
 Amolakh Chand, Shri.
 Anant Ram, Pandit.
 Barlingay, Dr. W. S.
 Beed, Shri I. B.
 Bisht, Shri J. S.
 Budh Singh, Sardar.
 Chandravati Lakhnapal, Shrimati.
 Das, Shri Jagannath.
 Deogirikar, Shri T. R.
 Deshmukh, Shri R. M.
 Doshi, Shri L. H.
 Dube, Shri B. R.
 Faruqi, Moulana M.
 Gupta, Shri R. C.
 Gupte, Shri B. M.
 Hensman, Shrimati Mona.
 Inait Ullah, Khwaja.
 Italia, Shri D. D.
 Jain, Shri Shriyans Prasad.
 Karayalar, Shri S. C.
 Khan, Shri P. M.
 Lakshmi Menon, Shrimati
 Lall, Shri K. B.

Leuva, Shri P. T.
 Lilavati Munshi, Shrimati.
 Majumdar, Shri S. C.
 Mazhar Imam, Syed.
 Misra, Shri S. D.
 Mookerji, Dr. Radha Kumud.
 Mujumdar, Shri M. R.
 Nagoke, Jathedar U. S.
 Narayan, Shri D.
 Narayanappa, Shri K.
 Onkar Nath, Shri.
 Parikh, Shri C. P.
 Pattabiraman, Shri T. S.
 Raghu Vira, Dr.
 Raghbir Singh, Dr.
 Rajagopalan, Shri G.
 Reddy, Shri Govinda.
 Reddy, Shri N. Sanjiva.
 Sambhu Prasad, Shri.*
 Savitry Nigam, Shrimati.
 Secta Parmanand, Dr. Shrimati.
 Shah, Shri B. M.
 Shah, Shri M. C.
 Sharma, Shri B. B.
 Shetty, Shri Basappa.
 Singh, Shri Kartar.
 Sinha, Shri R. B.
 Sobhani, Shri O.
 Surendra Ram, Shri V. M.
 Swaran Singh, Sardar.
 Tajamul Husain, Shri.
 Tankha, Pandit S. S. N.
 Thakur Das, Shri.
 Thanhlira, Shri R.
 Vaidya, Shri Kanhaiyalal D.
 Varma, Shri C. L.

NOES—24

Abdul Razak, Shri.
 Bhanj Deo, Shri P. C.
 Dhage, Shri V. K.
 Dwivedy, Shri S. N.
 George, Shri K. C.
 Ghose, Shri B. C.
 Gour, Dr. R. B.
 Gupta, Shri B.
 Imbichibava, Shri E. K.
 Kakkilaya, Shri B. V.
 Mahanty, Shri S.
 Manjuran, Shri M.
 Mann, Lt.-Col. J. S.
 Mathur, Shri H. C.

Mazumdar, Shri S. N.
 Misra, Shri C. G.
 Naidu, Shri Rajagopal.
 Narayana, Shri P. V.
 Ranawat, Shri M. S.
 Rath, Shri B.
 Raut, Shri R. B.
 Reddy, Shri C. G. K.
 Singh, Shri Sardar.
 Sundarayya, Shri P.

The motion was adopted.

MR. DEPUTY CHAIRMAN : We will now take up the clause by clause consideration of the Bill.

SHRI B. C. GHOSE : I would like to make a submission, Sir. Sir, it is very unfortunate that I have to stand up and say that we have felt very strongly the way in which you did not allow us after you had assured us during the speech of the Minister that questions will be permitted thereafter and we could ask those questions.

As you may know, Sir, the usual parliamentary practice is that interruptions are allowed and that Members can always ask questions by interrupting the Ministers. Of course you are there, if any question is irrelevant, to stop Members from asking or pursuing such questions. But the position was that you did not allow the Members to ask any questions at all whatsoever. You gave the categorical assurance that questions would be allowed after the Minister had finished his speech. On your assurance we did not interrupt the Minister and when the Minister had finished speaking, you allowed only two or three Members to ask their questions for clarification.

There were other Members also who had questions to ask and you did not allow them. We feel, Sir, that that was not what you had stated you would do, and when we brought that matter to your notice, it was very unfortunate that you did not allow us to make our submission. In the circumstances, we feel that it is necessary for us to register our protest against the way in which

this matter has been handled and the rights of Members have been interfered with. I feel, Sir, that in the circumstances we should walk out but we shall come back. We want to register our protest by walking out but we shall come back immediately and take part in the discussion that will go on.

SHRI P. SUNDARAYYA : May I also say a few words ? I want to make a statement also. I raised a point of order during the course of the Minister's reply.

SHRI T. S. PATTABIRAMAN (Madras) : On a point of order, Sir.....

SHRI P. SUNDARAYYA : I am speaking now. While the Minister was replying, I raised a point of order. Because I speak a foreign language, perhaps I had not made myself clear. My point of order was that the hon. Minister was misleading the House by giving only the assets without giving the liabilities of the companies concerned and whether the Minister was justified in doing this. In any case, the point of order was ruled out, but the Chair ruled that we could ask questions on points of information at the end of the Minister's speech. But at the end of the Minister's speech, you allowed only two or three questions and not allowed us to ask our questions. Of course, when the Chair was on its legs we could not stand on our legs and we had to submit to the ruling of the Chair. But we have got this alternative to protest against the way in which the whole thing has been conducted. Further I also wanted to raise another point. In the Objects of the Bill it was stated that an agreement is to be concluded between the International Bank and the Government or the Corporation.

SHRI T. S. PATTABIRAMAN : Is he allowed to make a speech ?

SHRI P. SUNDARAYYA : I have not finished. On that point also I wanted to ask whether the agreement would be laid on the Table of the House. When I protested and asked the Chair

to give us more time to ask questions and when one of the Members said that the hurried way in which the whole thing was conducted would only prolong the discussion in the third reading, you, Sir, said that you knew how to conduct the business of the House. I think this kind of remark is not conducive to our.....

THE MINISTER FOR WORKS, HOUSING AND SUPPLY (SARDAR SWARAN SINGH) : On a point of order, Sir.....

SHRI P. SUNDARAYYA :business in this House.

MR. DEPUTY CHAIRMAN : Mr. Sundarayya, a point of order is being raised.

SHRI P. SUNDARAYYA : We are walking out.

(Several hon. Members then walked out.)

SARDAR SWARAN SINGH : To criticise the ruling of the Chair is hardly proper. So far as the statements made by Members of the Opposition are concerned and the course they have chosen to adopt is concerned, they are the best judges of the propriety thereof and I am here neither to criticise nor to approve of what they have done.

But certain things have been said which must be noticed and I consider it my duty to make the position of the Government Benches clear on that point. One point has been made. It was a point of grievance that when the hon. Minister was making his speech, then an attempt was made to interrupt him and that interruption was not allowed. On that point the Parliamentary practice is quite clear that unless it is a point of order he is not bound to give way. Unless the Minister gives way, any interruption, which is not on a point of order cannot be allowed. If the Chair did not permit interruption, it cannot be made a point of grievance by the hon. Member. Therefore, this point which has been raised on the score that the Minister did not give way is certainly not a valid

objection and if this is allowed to prevail, then the proceedings of the House cannot proceed in a smooth manner. It is also against the rules. As a matter of fact, if I may say so, with due respect to the Chair, the Chair has been rather indulgent in permitting some Members to put questions on the conclusion of the speech. That was a concession and if taking advantage of that position some Members are to abuse that concession by putting lengthy questions and if the Chairman does not permit such an abuse this cannot be made a point of grievance. This objection has no substance whatsoever.

The other point which was made by Mr. Sundarayya is this. He raised a point of order by suggesting that the Minister was trying to mislead the House. Sir, this is certainly not a point of order, because to controvert what one Member is saying is certainly not a contention which could be raised by a point of order. Any Member who is in possession of the House, whether he is a Member of the Treasury Benches or of the Opposition, should be permitted to make a submission before the House and if any Member feels that what he said or suggested is incorrect or if he does not get enough information, later on, he can get a clarification. But to interrupt in such a case when the Member is speaking and to do so by raising a point of order is, if I may say so, nothing but an abuse of the right to raise a point of order and if this was disallowed, it was so done rightly.

Then, Sir, I owe to the Chair an apology on behalf of the House for the manner in which one of the Members of this House thought fit to question the ruling of the Chair. The Chair takes into consideration all the facts in giving a ruling and the manner in which an hon. Member of the House attempted to throw mud, if I may say so, was hardly consistent with the dignity of the House.

With these words, I submit that the points that have been raised were without any force.

MR. DEPUTY CHAIRMAN : I owe an explanation to the House. During my regime as Deputy Chairman, I have tried to take all the sides with me and give equal opportunities to all the Members of the House. When I promised that I would allow some questions, three Members put as many as four questions each and as many as twelve questions have been put. The Bill has been debated during the last three days here, while the House of the People took only two days for the general debate. Three Members have put twelve questions and it is perfectly within the discretion of the Chair to hold that sufficient questions have been put and that sufficient discussion has taken place. If the hon. Members on this side misconstrue these things, they are perfectly at liberty to do so, and I am not responsible for their act. The Chairman has certain powers of control in Parliamentary practice; it is there in the Rules. When one hon. Member said that the debate would be prolonged, I reminded him of the powers that are there under the Rules framed by the Rules Committee of the House. As far as possible, I have been trying to take all sides with me and it will be my constant endeavour to take all sides and not to treat any Party or any Member with any favour. I shall try to discharge my duties to the best of my ability.

Now, clause by clause consideration of the Bill will be taken up tomorrow.

There is a half-hour discussion by Mr. Reddy.

HALF-AN-HOUR DISCUSSION

MATTERS ARISING OUT OF ANSWERS TO QUESTIONS NOS. 5 AND 7 ASKED ON 24TH NOVEMBER 1952 *re* EXPORT OF SCRAP IRON

SHRI C. G. K. REDDY (Mysore): Mr. Deputy Chairman, the discussion that I wish to raise arises out of the answers given by the hon. Minister for Commerce to questions Nos. 5 and 7 on the 24th of this month. Sir, I am aware that the hon. Minister may

not be, at the time of giving the answer, aware of the conflicts that he creates between one answer and another. I am aware also that he does not cull the information himself but I expect the hon. Minister and every other Minister to check the answers which the Secretariat gives them before answering a particular question in the House. In this case in answer to a question by Mr. Sobhani the hon. Minister said in reply to part (c) of question No. 5 that the quantity used in India was about 8 times that exported. But on the other hand in answer to a question by me he said that a total of 1,46,506 tons during the six months ending September 1952 were exported. In part (b) of answer to question 5 he says that the consumption in India by the furnaces converting the scrap iron into mild steel or alloy steel is about 29,200 tons per month. For a moment I thought that I might have forgotten how to multiply a certain figure by 8 but I tried my best to do so, the whole of yesterday and tried to find out if I was wrong but I am told by friends who know a little more mathematics than I do, that 6 times 29,200 is 1,75,200 tons whereas the figure exported is 1,46,506 tons and I also firmly believe with the limited arithmetical knowledge that I have, 8 times 1,46,506 tons is not 1,75,200. In fact it is not a multiple at all. Therefore I should like clarification from him—that is point number one.

Number two is—in answer to a question by me arising out of the answer he had given to Mr. Sobhani—I would like to read it out. I asked: What is the method of finding out whether the scrap iron that is being exported could not be used by our own factories? What I mean is before giving the export license does the Government examine the quality of the scrap iron that is proposed to be exported? The hon. Minister's reply to that denoted the non-existence of any method to check whether the scrap iron that is intended to be exported is found to be usable in the country itself. Perhaps I thought that this scrap iron which is about to be exported or which is likely to be exported may have some sort of