

(iv) Audit Report on the Annual Accounts of the Delhi Road Transport Authority for the year 1950-51 together with the reply of the General Manager, Delhi Transport Service, and the Supplementary Report of the Accountant General, Food, Rehabilitation and Supply. [Placed in the Library. See No. P-85/52.]

#### MINISTRY OF LABOUR NOTIFICATIONS

THE DEPUTY MINISTER FOR LABOUR (SHRI ABID ALI) : Sir, I lay on the Table a copy of each of the following papers under sub-section (2) of section 7 of the Employee's Provident Funds Act, 1952 :

- (i) Ministry of Labour Notification No. PF-509 (34), dated the 4th November 1952.
- (ii) Ministry of Labour Notification No. PF-523 (3), dated the 10th November 1952.
- (iii) Ministry of Labour Notification No. PF-523 (4), dated the 26th November 1952. [Placed in the Library. See No. P-89/52.]

#### THE HINDU MARRIAGE AND DIVORCE BILL, 1952

THE MINISTER FOR LAW AND MINORITY AFFAIRS (SHRI C. C. BISWAS) : Mr. Chairman, I move for leave to introduce a Bill to amend and codify the law relating to marriage and divorce among Hindus.

MR. CHAIRMAN : The question is :

That leave be granted to introduce a Bill to amend and codify the law relating to marriage and divorce among Hindus.

The motion was adopted.

SHRI C. C. BISWAS : Sir, I introduce the Bill.

#### THE ABDUCTED PERSONS (RECOVERY AND RESTORATION) AMENDMENT BILL, 1952

THE DEPUTY MINISTER FOR EXTERNAL AFFAIRS (SHRI A. K. CHANDA) : Sir, I move for leave to introduce a Bill further to amend the Abducted Persons (Recovery and Restoration) Act, 1949.

MR. CHAIRMAN : The question is :

That leave be granted to introduce a Bill further to amend the Abducted Persons (Recovery and Restoration) Act, 1949.

The motion was adopted.

SHRI A. K. CHANDA : Sir, I introduce the Bill.

#### PRESENTATION OF REPORT OF SELECT COMMITTEE

THE DEPUTY MINISTER FOR DEFENCE (SARDAR S. S. MAJITHIA) : Sir, I beg to present the Report of the Select Committee on the Bill further to amend the Cantonments Act, 1924.

MR. CHAIRMAN : The Select Committee's Report is presented.

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

MR. CHAIRMAN : We pass on now to the Industrial Finance Corporation (Amendment) Bill, 1952—the second stage of clause by clause consideration. Clause 2.

SHRI P. SUNDARAYYA (Madras) : Sir, I beg to move :

That at page 1, line 7, for the words "or in shipping" the words "or in shipping or for the purposes of developing village industries on a co-operative basis" be substituted.

Sir, my amendment says that the Industrial Finance Corporation should give loans to small scale industries—village industries—which could be

[Shri P. Sundarayya.] developed on a co-operative basis. This is essential because even in the Five Year Plan it was said that these village industries have got an important role and for financing them a suggestion was made that Regional Finance Corporations should be established because it is quite likely that State Finance Corporations are not likely to have sufficient finances to advance for the development of the village industries. When the State Industrial Finance Corporations are not in a position to help these small scale and village industries it will be better if the Central Industrial Finance Corporation could be entrusted with the task of advancing loans to village industries organised on a co-operative basis. This becomes especially necessary in view of the fact that Government is coming out with dubious methods of helping the handloom industry. They are coming out with the dubious measures of restricting mill production of dhoties and sarees to 60% of what the mills were producing earlier. There is also another measure for levying a cess on mill production in order to help the handloom industry. Instead of adopting all these dubious methods of helping the handloom industry and the handloom weavers who are suffering, Government can very well extend the scope of this Industrial Finance Corporation to one of the important sectors of our Indian industries and it is for this purpose that I am moving my amendment. Now, with regard to these village industries, why the Industrial Finance Corporation should advance loans is this: The Bill before us extends the limit of the loans that the Corporation is entitled to advance to industrial companies from Rs. 60 lakhs to Rs. 1 crore, and from the whole debate we have seen that this loan money which the Government guarantees has been utilised by certain big industries to make huge profits, while the Corporation has given very few loans to small scale industries. Even the hon. Minister himself has stated that though the purpose of the Industrial Finance Corporation

is not to advance loans to small scale industries, still it gave a loan of Rs. 3,000 to a particular small-scale industry. As such, the necessity is there as is evident from the sanction of Rs. 3,000 to a small-scale industry. So, in the Act they can very well include giving loans to village industries as one of the objects of the Industrial Finance Corporation. Instead of Government bringing in dubious methods, they can make the Industrial Finance Corporation do something good in its life which it has not been doing so far. Therefore, I move this amendment.

MR. CHAIRMAN : Amendment moved :

At page 1, line 7, for the words "or in shipping" the words "or in shipping or for the purposes of developing village industries on a co-operative basis" be substituted.

SHRI S. C. KARAYALAR (Travancore-Cochin) : Sir, the words "Co-operative society" used in the section 2(c) of the principal Act, are comprehensive enough and do not exclude from the scope of such societies those contemplated in the amendment. There is no restriction placed on the applicability of section 2 to societies. So I do not see what purpose will be served by the amendment proposed by the hon. Member. This section does not exclude the category of co-operative societies mentioned by the hon. Member, and therefore no purpose will be served by adopting this amendment. The words are comprehensive enough to include the class of societies contemplated by the hon. Member. Sir, I oppose the amendment.

THE DEPUTY MINISTER FOR FINANCE (SHRI M. C. SHAH) : Sir, I do not accept the amendment. My colleague has already stated the reason. As a matter of fact, two types of industrial concerns are mentioned—one, public limited companies and two, co-operative societies. If there are co-operative societies running villages or cottage industries, they will be covered. As a matter of fact, the Industrial Finance Corporation does not

discriminate between small-scale and big industries, and as I have already explained yesterday, for this purpose even the Reserve Bank Amendment Bill has been there. So, I do not accept this amendment.

MR. CHAIRMAN : The question is :

At page 1, line 7, for the words "or in shipping" the words "or in shipping or for the purposes of developing village industries on a co-operative basis" be substituted.

The motion was negatived.

MR. CHAIRMAN : The question is :

That clause 2 stand part of the Bill.

The motion was adopted.

Clause 2 was added to the Bill.

MR. CHAIRMAN : The motion is :

That clause 3 stand part of the Bill.

There are four amendments to this clause.

SHRI B. GUPTA (West Bengal) : Sir, I beg to move :

At page 1, line 13, after the words "be substituted", the following be inserted:—

"and the following proviso shall be added at the end of the clause, namely:

'Provided that one such nominee shall be appointed on the recommendation of the All India Trade Union Congress'."

In the Act, there is provision for three Directors being nominated by the Central Government. The amending Bill proposes to add another Director to be nominated by the Central Government. If it is so, I would request my hon. friend, through my amendment, that the additional Director to be nominated should be a representative of the All India Trade Union Congress. The workers should have representation on the Board. Yesterday, the hon. Minister gave us a list of the Directors which for businessmen and men of money was undoubtedly a very fascinating one but which cannot allay the fears and misgivings

in the hearts of the common people and of the workers. Therefore, when they are going to increase the number of members in the Board of Directors, there is no reason why they should not accept my amendment. I think, Sir, that if a representative of the All India Trade Union Congress is put on the Board of Directors, he would be able to bridle a little the unbridled. Therefore, I would request the hon. Minister who made a very effusive speech, to accept this simple amendment which is very reasonable, just and indeed fruitful, if you want to control this particular institution. With these words, I move.

SHRI B. C. GHOSE (West Bengal) : Sir, I beg to move:

That at page 1, after line 13, the following shall be inserted—

"(ia) in clause (c) for the word 'two' the word 'three' shall be substituted;

(ib) in clause (d), for the word 'two' the word 'three' shall be substituted;"

I also move :

That at page 1, line 17, after the word "Corporation" the words "with the approval of the Central Government" be inserted.

Let me explain very briefly the purpose of these amendments. To understand the first one, I shall have to refer you to the structure of the Board of Directors. We have twelve Directors, six nominated and six elected. Six are elected by scheduled banks, insurance and investment companies and co-operative societies. I would like to know from the hon. Minister, as to why it is that he is increasing the number of nominated Directors from three to four. Why does the Government not continue with the present Board? It is due to the apprehension that there is equality between nominated and elected Directors and when they have one more nominated Director, they will have a majority of nominated Directors? If that is the real purpose behind this amendment, then the Government should state that clearly, but that is not

[Shri B. C. Ghose.]

in line with what the Minister has been saying, viz., that Government have full control over the Corporation. Therefore, there should not be any necessity for increasing the number of nominated Directors by one. Further, Sir, if you look at the capital structure of Rs. 5 crores, you will find that two crores are contributed by Government and the Reserve Bank and three crores are contributed by the scheduled banks, investment and insurance companies and co-operative societies. If you take only the share capital, then the scheduled banks, investment and insurance companies and co-operative societies have a larger share-holding than the Government and the Reserve Bank and from the point of view of shares only, it would stand to reason that they should have a majority on the Board of Directors, but instead of that, the Government is altering the old ratio and making it more Government-nominated. That is why I suggested that, if Government want four nominated Directors and make the total nominated Directors seven including the Managing Directors, then they should also increase the number of Directors selected by scheduled banks, investment and insurance companies and co-operative societies, so that there may be a majority of Directors of those who have a majority of share-holding. Now, I want to know from the hon. Minister if there is any error in my argument.

The second amendment that I proposed was for these reasons. There is a Deputy Managing Director to be appointed. And he is to be appointed by the Corporation. There is a provision in the amendment, and if you look to clause 7, you will find that there is a provision for filling a casual vacancy of the Managing Director. If I understood that clause rightly—I may be wrong—I find that there is a provision for appointing any person in the casual vacancy of the Managing Director. Now, if you are proposing to have a Managing Director and a Deputy Managing Director, it should

stand to reason that if the Managing Director was absent on casual leave and not permanently absent, then the Deputy-Manager should officiate for him. If we want the appointment of the Deputy Managing Director and if the Deputy Managing Director is to be appointed by the Corporation subject to the approval of the Central Government, then, there should be no difficulty in making him officiate when the Managing Director shall be absent not permanently.

I also wanted a clarification from the hon. Minister as to what objection he has in making the appointment of the Deputy Managing Director subject to the approval of the Central Government in the first place and in the second place, I want to know what is the utility of clause 7.

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

MR. CHAIRMAN : I will put all the amendments.

SHRI P. SUNDARAYYA : Sir, I beg to move :

At page 1, after line 17, the following be inserted:—

“Provided that the person so appointed as the Deputy Managing Director shall have no financial interest directly or indirectly in any industrial concern.”

This amendment is absolutely essential when we consider the way in which the Industrial Finance Corporation is functioning. A number of allegations have been brought out regarding the Corporation's policy of handling loans. Loans have been granted to certain industrial concerns because certain individuals who are interested in these concerns are connected with the Board of Directors. It is alleged that certain members of the Board of Directors have got their own industrial concerns and as such, many of the Members on this side have pointed out the necessity that those persons who are on the Board of Directors should not have any interest in borrowing from the Industrial Finance Corporation. The Government should have power to appoint a Deputy Manager. It would

make the Industrial Finance Corporation above board and it will be above suspicion and it will be enabled to judge the issues before it more soberly than it has been doing for the last two years. I move the amendment.

PROF. G. RANGA (Madras) : Sir, there are two points. To take up the point raised by Mr. Sundarayya, first of all, I should like to say that no allegation was made regarding the Managing Director. The matters raised were only relating to the Directors. So far as the Managing Director is concerned, I understand that no allegations have been made against him. He is expected not to have any interest.....

SHRI B. C. GHOSE: He is an employee.

PROF. G. RANGA : Yes, he is an employee of the Government—whole time, and he is not expected to have any connection with the industries. Therefore, no such provision is necessary. And, if this is the case with the Managing Director, it ought to be similar with the Deputy Managing Director also.

Secondly, I wish to refer to the point raised by Mr. Gupta. I am sorry to say that I cannot agree.

There is from one end, the cry for the greater nationalization of this Corporation than what there is today; and from the other end, my dear friend wants that the present balance between Government and non-official Directors should be maintained and that if the Deputy Managing Director comes to be appointed by Government, then that would be.....

SHRI B. C. GHOSE : No, there will be no vote. He cannot have any vote.

PROF. G. RANGA : In that case, there will be no difficulty of any balance being upset. If the balance is not upset and if it is insisted that he will have no vote, I would not take any objection to

that, because we would like this Corporation to be controlled, in the light of the discussions, even to a greater extent and more intimately by the Government than at present. The whole gravamen of the charge was that the Government has not been discharging its responsibilities *vis-a-vis* the Corporation as it is expected to do. Therefore, I want to say that it will be absolutely unnecessary for us to support either of these amendments.

SHRI S. C. KARAYALAR : Regarding the first amendment moved by Mr. B. C. Ghose—Sir, I may point out that it applies to the question of nomination of Directors by the Central Government. The very object of reserving power to Government to nominate directors means that they should have absolute discretion to nominate them ; such discretion cannot be fettered by any restriction. The Government should have the power to nominate people of their choice and that discretion should not be fettered by a destructive clause of the nature that is now sought to be moved. That goes against the very conception of nomination and so it cannot be supported.

With regard to the other amendment, moved by Mr. B. C. Ghose, I oppose it on the short ground that this amendment relates not to the amending Bill, but to a section in the original Act. We are not at the original sections of the Industrial Finance Corporation Act, but we <sup>are</sup> at the stage of considering amendments to this Bill. These two amendments are really only amendments to the original Act which is not before us. If such an amendment were allowed, it will be open to the Members to propose amendments to every section in the original Act and it will be out of order and it cannot be allowed. On this short ground, I oppose the amendment.

SHRI B. C. GHOSE : That is a point of order.

SHRI M. C. SHAH : Sir, I oppose these amendments. My friend Mr. Ranga has already stated about these

[ Shri M. C. Shah. ] amendments and Mr. Karayalar also has spoken about them. I don't think any further explanation is required. As I already stated in my opening speech, Government wants to have more control as we are going to extend the limit and therefore we want to have one more additional nominated member on the Board of Directors and we want to control it more effectively. It should be unfettered. So, I cannot accept the amendment of Mr. Gupta and about the amendment of Mr. Ghose it is not in order. But that is for the Chair to decide. We are not amending (c) and (d). However, I don't accept that because the Government wants to have more representatives in the Board and those representatives will be lessened if we accept this. Then the Deputy Managing Director will be a permanent official of the Industrial Finance Corporation and he is appointed by the Board. As already explained by Prof. Ranga they are the permanent officials of the Corporation and they can't have any interest financially and the moment they have, they will be dismissed. So this amendment is not necessary.

12 NOON.

SHRI H. P. SAKSENA (Uttar Pradesh) : What is the amendment that you accept ?

SHRI M. C. SHAH : None.

SHRI B. C. GHOSE : The Deputy Managing Director will have to officiate for the Managing Director. I propose that he should be appointed subject to the approval of the Government. That is giving more power to the Government and I don't understand the objection to it at all.

SHRI M. C. SHAH : I have already stated that that is the practice in all the Statutory bodies. If a Deputy Managing Director is to be appointed, it is within the powers of the Corporation and we must give them. He does not get any other power. The Managing Director is the principal person and he is to be appointed by Government on the recommendation of the Corporation.

MR. CHAIRMAN : The question is :

At the page 1, line 13, after the words "be substituted" the following be inserted:—

"and the following proviso shall be added at the end of the clause, namely:—

' Provided that one such nominee shall be appointed on the recommendation of the All India Trade Union Congress '."

The amendment was negatived.

MR. CHAIRMAN : The question is :

At page 1, after line 13, the following shall be inserted:—

"(ia) in clause (c) for the word "two" the word "three" shall be substituted ;

(ib) in clause (d), for the word "two" the word "three" shall be substituted."

The amendment was negatived.

MR. CHAIRMAN : The question is :

At page 1, after line 17, after the word "Corporation" the words "with the approval of the Central Government" be inserted.

The amendment was negatived.

MR. CHAIRMAN : The question is :

At page 1, after line 17, the following be inserted:—

"Provided that the person so appointed as the Deputy Managing Director shall have no financial interest directly or indirectly in any industrial concern."

The amendment was negatived.

MR. CHAIRMAN : The question is :

That clause 3 stand part of the Bill.

The motion was adopted.

Clause 3 was added to the Bill.

MR. CHAIRMAN : The motion is :

That clause 4 stand part of the Bill.

DR. R. B. GOUR (Hyderabad) : Mr. Chairman, my amendment is very simple and I hope the hon. Minister will have no reason to reject it.

My amendment is :

At page 2, for lines 3—5, the following be substituted:—

“(i) in sub-section (1), after the words “the Central Government” the words “or the Reserve Bank of India” shall be inserted.”

In the course of the first reading of the Bill it was made amply clear on the floor of the House that we have apprehensions as regards the nature of the negotiations that have taken place in Washington with the International Bank of Reconstruction and Development and the Minister has not thought fit to place a copy of the agreement that has been concluded. In the Statement of Objects and Reasons they have said :

“To augment the resources of the Corporation to meet the heavy demand on it, negotiations with the International Bank for Reconstruction and Development have been concluded for a loan.”

The negotiations have been concluded and we are not aware as to what those negotiations have produced, as to what is the nature of the agreement concluded. So, in this respect we have a ground to be apprehensive. The hon. Mr. Parikh who sits to your right—unfortunately, he is not present today—but who is on the wrong side of the facts, if I may say so, has said that India stands in a galaxy of 53 nations who are partners in this Bank. But I don't know whether the Government knows there is a very valiant and ancient neighbour of ours whom we respect, whom we honour and who is our friend and that is Iran. The delegate of Iran—Dr. Khosrow Khosrovani said before the United Nations General Assembly on November 27, 1951 :

“That World Bank is truly a bank of the rich, run by the rich and naturally works for the rich.”

I don't know if Dr. Khosrow Khosrovani has less information than our hon. Minister here but the very Bank in its second Annual Report in the year 1946-47 says :

“There exists today a number of deterrents to the free flow of private capital, and with it

of foreign technical, managerial and administrative skills, to the underdeveloped nations. If the Bank, by use of its resources, its influence and the technical specialists on its staff, can help to remove some of these deterrents, it will have achieved an important task in the development field.”

That means the nature of the Bank, the purpose of the Bank, is to utilise its influence, its resources in order to arrange for a flow of private capital from America into a country that is going to take loans from it. We don't know the nature of the agreement and the negotiations that have been carried out but we are definitely apprehensive that such an International Bank, it is probable, may have stipulated some conditions. In this International Bank, according to their own report, more than 58 % of votes are held by America, Britain and France together. I don't think with 4 % votes India can be considered a partner with Imperialist nations having 58% votes. We don't know what negotiations are completed but we know, as the Minister said, that our own corporation when it came to giving a loan to some industrial concern, claimed that it should have some of its nominees as Directors in that concern. The hon. Minister has accepted Mr. B. Gupta's contention that a similar condition was laid down on a certain industry in Calcutta. That means if a Corporation can prevail upon an industry that has taken loan, to say that its own Director must be appointed on the Board of Directors in that concern, similarly in the negotiations that have been carried on in Washington whether through that agreement a similar director may not be appointed in our Industrial Finance Corporation by the International Bank of Reconstruction and Development. This apprehension is at the base of my amendment. The hon. Mr. Tyagi said in the other House that this clause is simple. He said, it is the right of the Government or the Reserve Bank of India because it is these two institutions which are appointing the Directors. If that is so, let him quietly agree to my amendment because I have stated that it should be either by

[ Dr. R. B. Gour. ]

the Central Government or by the Reserve Bank. If according to what he said these are the two who are going to appoint these Directors, then let him agree to the amendment proposed by me.

Sir, I submit my amendment is a very simple one and if the hon. Minister means what he has said in the other House, he should have no objection to accepting this amendment. It will go to allay our fears that have been expressed in both Houses of Parliament during the last two or three days regarding these negotiations that have been carried on and regarding the settlement arrived at with the International Bank. This is a very innocent amendment and I do hope the hon. Minister will be able to accept it. He will certainly accept it if he wants to stand by the assurance that he gave in the other House.

MR. CHAIRMAN : Next amendment ? Anyone of you moving it ?

SHRI P. SUNDARAYYA : No, Sir.

MR. CHAIRMAN : Sometimes you are very good. Very well.

PROF. G. RANGA : Sir, is the amendment under discussion ?

MR. CHAIRMAN : Yes.

PROF. G. RANGA : Sir, I think it would be wrong for anyone to feel that it is only the duty of the Minister to oppose an amendment if it is not acceptable to him. I feel that everyone will have to look at the amendments and also the Bills from the point of view of the House also, and not only from the Government's point of view ; and if we are not able to accept any amendment, if we feel that some important principles are involved in an amendment, to which we take objection, then it is our duty to state our case, even though it may be convenient for Government to accept the point of view that had been pressed.

AN HON. MEMBER : Is it convenient for them to accept it ?

PROF. G. RANGA : I am not saying that. I don't know. Now, the point that has been stressed by the hon. Member here is that in spite of the Government of India being on the Corporation, or in addition to the representative of the Government of India, the Reserve Bank of India should be brought into the picture. My hon. friend seems to be satisfied with any authority—it does not matter what—provided it is not directly under the Government. But my attitude is entirely different.

DR. R. B. GOUR : Sir, is this speech relevant ?

SHRI B. RATH (Orissa) : Ignorance is a bliss.

MR. CHAIRMAN : He is coming to it probably. The Reserve Bank maybe as much of the Government, it may not be.

PROF. G. RANGA : The point seems to be ignored by my friend or maybe he is ignorant of it. But whether he is ignorant or not is entirely a different matter and I am not prepared to castigate my friend's attitude. But one point is clear and it is this. The Reserve Bank is a nationalised institution and the Government of India has control over it. This House has only indirect control over the Reserve Bank, whereas we have direct control over this Government. So if this Government is made responsible for any of these items, it would be open to this House to take exception to it, if at any time Government were to go wrong. If, on the other hand, you place this power in the Reserve Bank, it is not going to be so easy for Parliament to control it, if at any time this power were to be misused. This simple and elementary fact ought to be kept in mind, and if my friends were to keep it in mind, I am sure they would not be so very keen about this amendment.

Secondly, my experience, anyhow, of the Reserve Bank has been different,



evidently from the experience of several of my hon. friends here who seem to place implicit faith in it, more implicit faith in the Reserve Bank, than in the Government. The Reserve Bank was entrusted with the duty of helping the rural co-operative banks and also to help the co-operative development in the rural areas. But we have had to complain on many occasions about the Reserve Bank and we had to say how in these respects the Reserve Bank had failed to satisfactorily discharge its duty. Having all that at the back of the mind, having it in the store-house of our memory, we cannot certainly be expected to place such faith in the Reserve Bank and that is one of the reasons why I am not prepared to accept this amendment.

There are several other important points which my hon. friend has raised, with reference to the International Bank and our relations with that bank. I do not propose to deal with them just at present, because I would like to reserve those remarks when we reach the third reading stage.

MR. CHAIRMAN : Why ? Why even then ?

SHRI M. C. SHAH : Sir, I think my hon. friend has not understood the implication of this amending section. If he refers to the original parent Act, he will find that the term of office of the nominated Directors depends on the pleasure of the Central Government. The Directors to be nominated hold office during the pleasure of the Central Government. There are two sets of nominated Directors ; one set appointed by the Central Government and the other by the Reserve Bank. So, what we have stated is that they shall hold office during the pleasure of the authorities appointing them and there are only two authorities doing the appointing—the Central Government and the Reserve Bank. There is no question of the International Bank appointing any Director. There is no interference by the International Bank at all on the working of

the Industrial Finance Corporation. I have made this point quite clear before and I shall again make it clear that the Industrial Finance Corporation does not brook any interference from the International World Bank. There is no question of their interfering.

With regard to the agreement too, I would like to remind by my hon. friend that the agreement has not been finally concluded. It will be concluded only after this Bill has been passed because there the guarantee is required. As I have said in the beginning, it is because of that we have brought forward this amending Bill since we found a lacuna here.

Therefore, there is no need for my hon. friend's amendment. The Reserve Bank nominates the two Directors and they hold office during the pleasure of the appointing authority. There is no ghost anywhere ; but my hon. friend sees a ghost where none exists, unfortunately.

MR. CHAIRMAN : Do you want to press your amendment ?

DR. R. B. GOUR : If there is no ghost, why not accept the amendment ?

MR. CHAIRMAN : The question is :

That at page 2, for lines 3—5, the following be substituted :—

(i) in sub-section (1), after the words " the Central Government " the words " or the Reserve Bank of India " shall be inserted.

The motion was negatived.

MR. CHAIRMAN : The question is :

That clause 4 do stand part of the Bill.

The motion was adopted.

Clause 4 was added to the Bill.

MR. CHAIRMAN : The question is :

That clause 5 do stand part of the Bill.

SHRI B. C. GHOSE : Sir, I move :

That at page 2, after line 17, the following be inserted as new clause (aa) of section 12 of the principal Act:—

“(aa) except as provided for under sub-section (2) of section 25 and section 30A, is a Director or managing agent of a company which has borrowed or received any other form of financial assistance from the Corporation ; or;”

Sir, I consider this to be a very important matter, because the discussion in both the Houses has been over the influence that Directors might exercise if they also figure as borrowers. The question is not what the hon. Minister in charge of the Bill has explained to us here. In the course of a very long discourse, he said that it was preposterous to suggest that all the other Directors could be dictated to by one Director who is the Chairman. As far as I remember, nobody in this House suggested that. We are perfectly well aware that one man cannot dictate to eleven or twelve others, unless of course, he is in a very supernatural position, or has qualities very much above the others. But the point is that if you have a Director, who also, let us say, is a borrower, than he can exercise influence among friends or among his colleagues and thus influence could be exercised. It is not a question of dictation. We are certainly moved to do things and I believe the hon. Minister will agree that they are also moved to do things when they are approached by friends more easily than if approached by strangers. That is but human and there is nothing wrong about it. So, I feel that that possibility should be eliminated. If there is any prospect of undue influence being exercised by a Director on friends or colleagues like this, and if we can eliminate that, we should eliminate that possibility. Now, two questions arise for considerations. The first is whether we should have any businessman or industrialist on the Board of Directors at all. It should be remembered that we would not suffer even if we did not have an industrialist on the Board of Directors because we may have an advisory committee and have an indus-

trialist there. But, even if it is agreed that an industrialist may be appointed on the Board of Directors, it would be desirable that the Director should not be a borrower. I do not see what Government gains by saying that he may also be a borrower except if there were a case, when no good industrialist can be obtained at all who was not a borrower at the same time and if it was considered necessary that there must be an industrialist on the Board of Directors. But, that is not the situation. There are many industrialists who are not borrowers, very good industrialists, I could name them but I do not want to mention them, who are equally big industrialists as the present ones but, who are not concerned with the Industrial Finance Corporation. They are not borrowers. Therefore, there can be no harm. I think it will be to the good of the Corporation and of the Government and also avoid future criticism if this suggestion of mine were accepted.

Now, what I suggest, Sir, is this. It is stated ‘that except as provided for under sub-section (2) of section 25 and section 30A,.....’ that is because under certain circumstances the Finance Corporation may itself have to appoint Directors, for example, when they take over any concern, they appoint Directors on that concern and that may be one of their own Directors ; or, under section 25(2) of the principal Act there is also provision that Directors may be appointed. “Where one of the conditions imposed is that a Director shall be appointed by the Corporation on the Board of Directors.....” when granting any loan. So, those things could be excluded naturally, but taking that into view, I think it is desirable—and I think the Government should agree with me that it is desirable—that a borrower industrialist should not be on the Board of Directors, any borrower industrialist or trader, should not be on the Board of Directors. Therefore, I wanted to insert the provision that a person who is a borrower should not also be a Director.

Sir, there is only one thing I want to say and I will sit down after that. The wording of my amendment may not be very satisfactory : I do not know, I am not a legal expert ; but, if the principle is accepted and if the wording is not agreed to, I will suggest to the Government to suggest any wording that they would like and I would be prepared to accept the same, if the principle I have suggested is agreed to by them.

SHRI C. G. K. REDDY (Mysore) : May I take one minute in supporting this amendment ?

The hon. Minister is aware that in almost every company, in the Articles of Association or the Memorandum it is usual for a clause to be inserted there that a Director who is interested in any contract or any work or anything connected with the company will be immediately disqualified from holding.....

SHRI C. P. PARIKH (Bombay) : No, no.

SHRI C. G. K. REDDY :.....that position in the company. My hon. friend, Mr. Parikh, says ' No, no '. But, as far as my experience goes and I have seen in almost every Memorandum and Articles of Associations of a company, it is said that a Director cannot be qualified to hold his position if he is interested in a company which carries on similar activity. May be, Sir, since I am so untrained in the business methods of this country, I think of something which is ideal and which should be there. My hon. friend, Mr. Parikh, knows better but, I do know this for a fact that in all good companies, for a very good reason, no Director can hold office if he is interested in another company which carries on similar business and, secondly, which is interested in this business. It is usual, but, it may be that in the companies with which some of my hon. friends are connected, it is not so and, that also, for very good reasons. But, it seems to me that it is necessary to preclude a Director who has interest

in the transaction between the Corporation and another company from holding office as otherwise he is bound to be even if he is the most conscientious man, more loyal to the Corporation than to his own concern,—even then, he must be, as a human being influenced by his interest in the borrower company.

Therefore, it appears to me to be a very good amendment which the Government ought to accept. But, then again, the trouble comes, Sir, that, as has usually been experienced in this Council, that after a great fight—and I see that the hon. Members are not very much ruffled with the fight that they had in the House of the People,—they come here and say, "even if we agree with the principle, we are unable to accept this amendment because we have got to go back again and face the House of the People and again come back and face the fire here. So, we agree with the principle, but, please don't press us to accept this amendment". That is not an attitude which should be expressed by the Government. If they feel, and I am sure, if they are honest to themselves, they must agree with me that it is undesirable, unhealthy to have a Director on the Board of the Corporation who has an interest in another borrower company which is going to take money or which has taken money from the Corporation, if they accept that principle they must accept this amendment and I hope they do so.

(The Deputy Minister for Finance stood up.)

PROF. G. RANGA : Wait a minute ; there are plenty of other speakers.

SHRI RAJAGOPAL NAIDU (Madras) : While supporting the amendment of my hon. friend Mr. Bimal Comar Ghose, I do not want to repeat what the two previous speakers had spoken about this, but, I wish to add only one point while supporting the amendment. It may arise that certain loans in which one of the Directors is interested would get barred and it might be that with his influence in the

[Shri Rajagopal Naidu.]

Board as one of the Directors, he would see that coercive action for the realisation of the money is not taken. So, Sir, from that point of view, I would suggest that no one who has got a financial interest in any other company should be a Director of the Corporation.

Prof. G. RANGA : Sir, I agree with the principle underlying this amendment. As my hon. friend, Mr. C. G. K. Reddy said, it may be that the Government, at this stage, may not be able to accept it and we may not be able to impose it on them. But, I am sure, they should be prepared to accept the principle behind the amendment. We have had very bitter experience in this direction in the past.

It is a well known fact that in Madras, during the regime of the past Ministry, strong complaints were made by responsible people, including the ex-Chief Minister and other ex-Ministers that some of the Ministers were able to get loans sanctioned to such of the industrial concerns in which they had direct or indirect interest. A committee was appointed by the High Command of their own political party to go into this matter. They disclosed the fact that certain things were done which, on the face of it, appear to be not fair, not right. At the same time, when they went into the details, they found there were some justifiable or excusable causes behind them. Nevertheless, they said that it would be best in the interests of public life here if the Ministers try to avoid all such complications.

Now, Sir, repeated charges were made in that House as well as in this House, that the Chairman of this Finance Corporation was related to those who are in the management of two concerns to which loans were advanced by this Finance Corporation. It is quite possible that the Finance Corporation was justified in giving these loans but, nevertheless, it gave room

to those who failed to obtain loans from the Finance Corporation to throw the allegation that possibly because this eminent gentleman could be said to have been interested in those concerns, his interests were given priority, before the interest of others. My hon. friend, the Deputy Minister was at pains to tell us and assure the House that there was no such preference at all : those concerns were really entitled to obtain these loans and, therefore, they were given. And this Chairman did not conduct himself in any bad way, and the other Directors really went into the whole matter in a dispassionate manner. They were not specially influenced by the Chairman and only did their duty in offering these loans. He might be entitled to hold those views and he might be justified also in the conclusion that he has reached. But, nevertheless, room has been provided for entertaining these suspicions. These suspicions have got around, and it takes a long time for the Government or for others who may be interested in the good conduct of our public workers in this country before they can dispel these suspicions and create public confidence again in this Corporation or in any such Corporation. Therefore, it is best in the interests of everybody that Government should go out of their way and, if need be, see to it that no such room for suspicion is given at all. It is not that all those concerns which have been refused accommodation with this Corporation were really entitled or better entitled than those institutions to which loans were given. It is quite possible that the Corporation was entirely correct in its procedure and in its conduct. But, the public have got to be assured about it, and they could be best assured by our having a provision like this in the body of the Act, if it is possible, or if that is not possible, at least in the rules that would be made under this Act by these two major authorities, namely the Government of India and the Reserve Bank of India. I find, Sir, in section 43 of the original Act, in sub-section (2), there is an item wherein it

is stated that the Government of India in consultation with the Reserve Bank of India can make rules regarding the conditions on which the Corporation may impose, in granting loans or advances. They can certainly take advantage of this provision and stipulate that no concern in which any one of the Directors, the Chairman and other Directors, is directly or indirectly interested, should be advanced any loans. And that if any such exceptional circumstances arises then the Government of India or the Reserve Bank or both of them, should make themselves specially responsible for going into the affairs of that particular concern, together with the competing concerns, which are also asking for a loan and then satisfy themselves that there is nothing wrong in advancing any loan to such concerns and then bring those cases to the notice of this House and the other House, so that there will be double guarantee. If they are willing to consider the possibility of making such a rule, at the earliest possible moment, they should tell us so. If, on the other hand, they feel that making such a rule under this particular provision would not be as satisfactory as making a special amendment of the Act itself then, if they would be willing to take the earliest possible opportunity of amending this Act in that direction, then I would certainly be satisfied. If, on the other hand, Government are not willing to consider this matter at all and give such consideration as the importance of the subject justifies, then I am afraid it would be the duty of this House, to the extent that it can assert itself, to say "No" to the Government in regard to this clause.

SHRI C. P. PARIKH : Mr. Chairman, Mr. Reddy has raised some point, and I would like to explain the position as it exists at present. He said that the Directors cannot enter into contracts. Under section 91, Directors can enter into contracts even though they are interested, but they have to bring the matter before the meeting of the Board of Directors. So, that question does not arise.

C. S. D.

SHRI C. G. K. REDDY : Can they take a loan ?

SHRI C. P. PARIKH : I will come to that. He cannot be the managing agent of a Company which is carrying on the same activity. That also is correct. That does not come into the picture here. With regard to loans, under section 86E of the Companies Act, no director can take any loan from any company, but banking companies are exempted from that. Now, this Corporation has a separate existence. There are separate laws which govern this Corporation.

With regard to the point made that no loans should be given to any Director by the Corporation, there is nothing to prevent a Director from having a loan when he is not voting on it and when he cannot vote on it and when other Directors sanction it. I may say here that the procedure which exists at present, and which has been explained so many times, in regard to these loans is this. When loans are given to any Director, they are specially scrutinised by the Ministry concerned and by the Finance Ministry ; it is only after they have scrutinised the case that such loans are passed. This procedure already exists. If the suggestion were somewhat on these lines, that the Ministry should have the final power to sanction such loans that would be something. But to say that no Director shall receive a loan from the Corporation would not be to the interest of the country from the point of view of the industrial development of the country. For, what is the position in regard to the loan which was given to the Chairman of the Board of Directors. That loan was sanctioned by the Finance Ministry after it had been scrutinised by the Board of Directors. Another point is this industry would not have developed in the country if that concern had not been helped.

SHRI B. C. GHOSE : He need not have been the Chairman. He could have taken the loan and developed the industry, but he need not have functioned as the Chairman.

SHRI C. P. PARIKH : I am explaining the point. It was necessary to have people who have experience and ability and understand the industrial problems. It is therefore that industrialists are associated with this. If you say that no man who is associated with any industry should be appointed Chairman, I think this body will not be able to function properly and will not be able to deal with applications for loans in the way in which they should be dealt with.

Sir, I have explained the position, and I repeat that the interests of the country are adequately safeguarded.

SHRI S. BOSE (Nominated) : Sir, I have heard this discussion with great interest. One thing strikes me, and I will place it before the House. Is the country after all denuded of businessmen to such an extent that only those persons who may be potential borrowers can be put up as Directors in such an organisation? We have heard of so many private companies run by Government officers—private companies dealing with the manufacture of so many things—and the names were read out and they have no scientific training for the running of those companies, but we felt that they were reliable men, tested men, and able Government officers and we have put them in charge of private companies. It is not that they were specialists or experts in that particular matter, but Government felt sure that in their hands the business would run satisfactorily.

Now, in regard to this Industrial Finance Corporation, which we have been discussing for such a long time, I feel that since it is a question really of managing the money in the best way in the interest of the country, we should really have some provision in the Act which will place the Corporation above suspicion. It may be that it is not really charitable to the Directors of the Corporation, if at the same time you allow this provision that the Directors could also borrow. It may be that by giving a particular

loan to certain industries in which some particular gentleman who happens to be a Director is interested we have really done a very good thing, but we have not been charitable to the particular person against whom so much criticism has been levelled. Why should we place our real and able businessmen in such a predicament? Is the country denuded of such people who may be really able and acute and may not have such interests in the Finance Corporation as to be borrowers of the Corporation? Is the country really without such people? I do not know. It is for the House to decide. But I feel that in view of the discussions that have taken place, Government should decide that a clause like this is not necessary in the Bill.

SHRI M. C. SHAH : I have replied in detail yesterday on this point. I am afraid I will have to repeat all those arguments again. Sir, I have already stated that in the Banking Companies Act there is a provision that if a Director wants to have a loan, then if the loan is a secured loan, there is no objection. But if the loan is rather an unsecured loan, then he is debarred.

SHRI B. C. GHOSE : We did not raise that point.

SHRI M. C. SHAH : I want to make it clear. Sir, I will read sub-section (2) of section 23 of the parent Act. It says :

“ No accommodation shall be given under sub-clauses (a) and (c), unless it is secured by a sufficient pledge, mortgage, hypothecation or assignment of Government or other securities, stocks, shares or secured debentures, bullion, movable or immovable property or other tangible assets in the manner prescribed by regulations.”

So, Sir, as I have already pointed out, the Banking Act was recently passed by Parliament in 1949 and therein it is provided that if a director wants to have an unsecured loan, he cannot take. But as far as the secured loans are concerned, there is no bar. We enquired into the working of the Industrial and Commercial Finance Corporation of Great Britain which is

always held up as an ideal here as well as in the House of the People.

SHRI C. G. K. REDDY : Not by us.

SHRI M. C. SHAH : Therein also, Sir, it is provided that a Director is not debarred. As a matter of fact, Sir, here there are certain elected Directors from the scheduled banks and from the co-operative societies. Now if they want to have a loan which is secured, then that is provided for in the Act as well as in the Regulations. That is clearly provided there in Regulation 37. It has been made clear that two loans were advanced to the concerns in which the Chairman was interested and a convention has already been established to consider the Finance Minister in such cases, I think, Sir, all possible safeguards have been taken and so, Sir, this is not at all necessary. This is almost a banking institution, if not strictly speaking, a bank.

SHRI C. G. K. REDDY : Then why don't you call it a bank and be done with it ?

SHRI M. C. SHAH : It is not a bank but really speaking, it is an institution like a bank which lends money to the industrial concerns. So, Sir, after a good deal of deliberation this was put there and the Finance Minister,—when this point was raised in the Provisional Parliament,—had made it quite clear that Regulation 37 is quite clear. Of course, there will always be misgivings and the Chairman is out of these Directors who are elected. You cannot ask a scheduled bank to elect a certain man. You cannot ask an insurance company to elect a certain man. You cannot ask a co-operative society to elect a certain man as a Director. Those are the Directors from among them. (*Interruption.*) I do not yield. The Chairman is to be nominated by Government and so as I have already stated, they always see a ghost where there is no ghost.

I, therefore, submit, Sir, that the amendment, as it stands, is quite correct.

SHRI RAJAGOPAL NAIDU : I have got one doubt, Sir. Can a defaulting Director continue to be a Director even in spite of his default

SHRI M. C. SHAH : My friend has probably not read this section 2. No Director is given a loan—an industrial concern is given a loan, a limited company is given a loan. Limited company is not a Director there. Where is the question of defaulting ? The question of defaulting does not arise at all.

PROF. G. RANGA : My dear friend, try to understand him a little more carefully. Maybe his expression has given some room for your huff. But the point is that that Director happens to be interested in another concern and that concern becomes a defaulter.

SHRI M. C. SHAH : Unless such an instance has been shown, I do not think that question arises.

SHRI C. G. K. REDDY : How can we show instances when he keeps everything secret ?

MR. CHAIRMAN : Order, order. Now I will put the amendment to clause 5 to the vote of the House. The question is :

That at page 2, after line 17, the following be inserted as new clause (aa) of section 12 of the principal Act:—

“(aa) except as provided for under sub-section (2) of section 25 and section 30A, is a director or managing agent of a company which has borrowed or received any other form of financial assistance from the Corporation; or”.

The House divided:

AYES—31.

Abdul Razak, Shri  
 Angre, Col. C. S. R.  
 Arman Ali, Munshi  
 Bose, Shri S.  
 Dwivedy, Shri S. N.  
 George, Shri K. C.  
 Ghose, Shri B. C.  
 Ghosh, Principal Devaprasad

Gour, Dr. R. B.  
 Gupta, Shri B.  
 Imbichibava, Shri E. K.  
 Kakkilaya, Shri B. V.  
 Kishen Chand, Shri  
 Mahanty, Shri S.  
 Manjuran, Shri M.  
 Mann, Lt-Col. J. S.  
 Mazumdar, Shri S. N.  
 Misra, Shri C. G.  
 Naidu, Shri Rajagopal  
 Narasimham, Shri K. L.  
 Narayana, Shri P. V.  
 Narayanappa, Shri K.  
 Ranawat, Shri M. S.  
 Ranga, Prof. G.  
 Rath, Shri B.  
 Raut, Shri R. B.  
 Reddy, Shri C. G. K.  
 Singh, Shri Sardar  
 Sinha, Shri M. P. N.  
 Sinha, Shri Rajendra Pratap  
 Sundarayya, Shri P.

## NOES—95

Abdul Shakoor, Molana  
 Abid Ali, Shri  
 Agarwal, Shri B. P.  
 Agarwala, Shri R. G.  
 Agnibhoj, Shri R. U.  
 Aizaz Rasul, Begam  
 Akhtar Husain, Shri  
 Alva, Shrimati Violet  
 Amolakh Chand, Shri  
 Anant Ram, Pandit  
 Anup Singh, Dr.  
 Beed, Shri I. B.  
 Bhatt, Shri N.  
 Bhuyan, Dr. S. K.  
 Bisht, Shri J. S.  
 Biswas, Shri C. C.  
 Borooah, Shri L.  
 Budh Singh, Sardar,  
 Chandravati Lakhanpal, Shrimati  
 Chauhan, Shri N. S.  
 Das, Shri Jagannath  
 Deogirikar, Shri T. R.  
 Dharam Das, Shri  
 Doshi, Shri L. H.  
 Dube, Shri B. R.  
 Dube, Pandit S.

Gupte, Shri B. M.  
 Hathi, Shri J. S. L.  
 Hemrom, Shri S. M.  
 Hensman, Shrimati Mona  
 Inait Ullah, Khwaja  
 Ismail Saheb, Janab M. Muhammad  
 Italia, Shri D. D.  
 Jafar Imam, Shri  
 Jain, Shri Shriyans Prasad  
 Jalali, Aga S. M.  
 Kapoor, Shri J. R.  
 Karayalar, Shri S. C.  
 Khan, Shri P. M.  
 Khan, Shri Samiullah  
 Kishori Ram, Shri  
 Lakhamshi, Shri Lavji  
 Lakshmi Menon, Shrimati  
 Leuva, Shri P. T.  
 Madhavan Nair, Shri K. P.  
 Majumdar, Shri S. C.  
 Mazhar Imam, Syed  
 Misra, Shri S. D.  
 Mitra, Dr. P. C.  
 Mookerji, Dr. Radha Kumud.  
 Mujumdar, Shri M. R.  
 Mukerjee, Shri B. K.  
 Nagoke, Jathedar U. S.  
 Narayanappa, Shri K.  
 Nihal Singh, Shri  
 Parikh, Shri C. P.  
 Pattabiraman, Shri T. S.  
 Pawar, Shri D. Y.  
 Pheruman, Sardar D. S.  
 Pillai, Shri C. N.  
 Prasad, Shri Bheron  
 Pushpalata Das, Shrimati  
 Pustake, Shri T. D.  
 Raghunath Singh, Dr.  
 Rajagopalan, Shri G.  
 Rao, Shri Krishna Moorthy  
 Reddy, Shri Govinda  
 Reddy, Shri K. C.  
 Reddy, Shri N. Sanjiva  
 Roufique, Shri M.  
 Saksena, Shri H. P.  
 Sambhu Prasad, Shri  
 Seeta Parmanand, Dr. Shrimati  
 Shah, Shri M. C.  
 Sharda Bhargava, Shrimati  
 Sharma, Shri B. B.  
 Shetty, Shri Basappa  
 Shojila Bala Das, Shrimati



Singh, Babu Gopinath  
Singh, Shri R.K.  
Sinha, Shri B.K.P.  
Sinha, Shri R.B.  
Sinha, Shri R.P.N.  
Sobhani, Shri O.  
Surendra Ram, Shri V.M.  
Swaran Singh, Sardar  
Tajamul Hussain, Shri  
Tamta, Shri R.P.  
Tankha, Pandit S.S.N.  
Tayyebulla, Maulana M.  
Thakur Das, Shri  
Thanhlira, Shri R.  
Vaidya, Shri Kanhaiyalal D.  
Variava, Dr. D.H.  
Zakir Hussain, Dr.

The motion was negatived.

MR. CHAIRMAN : The question is:

That clause 5 stand part of the Bill.

The motion was adopted.

Clause 5 was added to the Bill.

MR. CHAIRMAN: There is another small thing. As we have a large amount of legislative business pending before the Council, there will be a sitting of the Council on Saturday the 13th December 1952 for the transaction of official business, and if we go on at this rate, we may have to have night sessions also.

1 P.M.

The House 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 : The question is:

That clause 6 Stand part of the Bill.

There is one amendment in this clause.

SHRI B. C. GHOSE : Sir, I beg to move:

At page 2, for lines 23 to 26, the following be substituted:—

“13. Removal of Director from office.—(1) The Central Government—

(a) may at any time remove the Managing Director from office after giving him a reasonable opportunity of showing cause against the action proposed to be taken in regard to him ; but

(b) shall remove the Managing Director from office if the Board at a meeting specially convened for the purpose recommends the removal of the Managing Director by not less than two-thirds of the directors present and voting.”

If you will look, Sir, at the clause in the amending Bill, you will find that originally the Government had proposed that proviso to this clause. But that proviso has unfortunately been deleted in the Lower House. I should like to know from the hon. Minister the reason why this has been deleted. It would appear to me that while Government should have the power, if the necessity arises, to remove the Managing Director, there should, at the same time, be a provision that if the Board of Directors want to remove the Managing Director they are also empowered to do so. In the original clause it appeared that the Government could utilize or use the power of removing the Managing Director only if two-thirds of the Members of the Board of Directors present and voting had agreed to such a proposition and special meeting had been convened for the purpose. What I now propose is, I believe, an improvement on the original clause, because while it empowers the Government to remove the Managing Director, it also, under certain circumstances, gives power to the Board to remove the Managing Director. I should like to know from the hon. Minister if he feels that the Board should not have that power at all and that this power, if it is to be exercised, should be exercised only by the Government and, then, also only on the initiative of the Government and further that the Board will have no authority to take any initiative in the matter. If this

[Shri B. C. Ghose.]

is the stand of the Government, I should like to know the reasons behind that standpoint.

MR. DEPUTY CHAIRMAN : You have finished the speech?

SHRI B. C. GHOSE : Yes, Sir.

MR. DEPUTY CHAIRMAN : Clause 6 and the amendment are open for discussion.

SHRI M. C. SHAH : Sir, there was that proviso in the original amending Bill, that if the Government wanted to remove the Managing Director, that power should be exercised on the resolution of the Board of Directors. But such a resolution should be passed by a two-thirds majority. The Board has the power to discuss this and express an opinion, but the final authority on this matter rests with the Government and why should that power be restricted? Let the Government have the full power of removing him whenever the occasion arises after giving him reasonable opportunity. We agreed to that. That was desired by the entire House. And we agreed to delete the proviso. The proviso was introduced because we felt that there was difficulty in removing the person who was appointed, as in the section of appointment, it is provided that he shall hold office for four years. But the view, practically the unanimous view of the House, was that the proviso was unnecessary. So, we agreed to that and we have got the powers under the parent Act. This is a good procedure with regard to the removal of the Managing Director. So, that was the position. Now, with regard to the amendment proposed by my hon. friend, Shri Ghose, I may say that the Board has powers to pass a recommendatory resolution to remove the Managing Director. As a matter of fact, if the Board passes a resolution and sends it to the Government, naturally, Government will consider and some action will be taken. So, it is unnecessary to have this provision when the Government have all

the powers that are required. That is the only reason why I do not accept the amendment ; because, as the amending clause is worded, the Government have got all the powers to remove him after giving him a reasonable opportunity. If the Board thinks that the Managing Director has not acted diligently, honestly and efficiently and that he has to be removed, then they will move a resolution and the resolution will be given serious consideration by the Government. There are now four Directors nominated by the Government and two nominated by the Reserve Bank. Out of the 13, if we exclude the Managing Director and there remain 12 and out of them, four are directly appointed by the Government and two by the Reserve Bank. I think, therefore, it is unnecessary to amend the clause. As it stands at present, it gives ample powers to the Government and the Board. The Board can move the Government.

SHRI B. C. GHOSE: Under what section of the Act could the Board take the initiative for removing the Managing Director?

SHRI M. C. SHAH : The management is given to the Board and in the management, these powers are inherent. They can pass a resolution and send it to Government and the Government could act on it. If we accept your amendment, then, it becomes compulsory for the Government to act on a resolution which has been passed by two-thirds of the members of the Board of Directors.

SHRI B. C. GHOSE : But is not the hon. Minister aware that the Government have a majority in the Board of Directors? Sir, my only difficulty is this I would not press it if the hon. Minister could point out to me—as the Corporation is to be bound by the Act,—the section under which the Board could pass a resolution asking the Government to remove the Managing Director.

SHRI M. C. SHAH : I am afraid, such a specific power is not necessary when the entire management has been handed over to the Board of Directors,

this power is also inherent. It can pass a resolution and recommend his removal to the Government. Then, it will not be obligatory on the part of the Government to act on the resolution, unless they think it is necessary, whereas, this amendment will make it compulsory and Government will have to accept the resolution. I therefore think that this amendment is unnecessary.

MR. DEPUTY CHAIRMAN :  
I will put the amendment to the vote.  
The question is :

At page 2, for lines 23 to 26, the following be substituted:—

“13. Removal of Director from office.—  
(1) The Central Government—

(a) may at any time remove the Managing Director from office after giving him a reasonable opportunity of showing cause against the action proposed to be taken in regard to him ; but

(b) shall remove the Managing Director from office if the Board at a meeting specially convened for the purpose recommends the removal of the Managing Director by not less than two-thirds of the directors present and voting.”

The motion was negatived.

MR. DEPUTY CHAIRMAN :  
The question is :

That clause 6 stand part of the Bill. ■

The motion was adopted.

Clause 6 was added to the Bill.

MR. DEPUTY CHAIRMAN :  
The question is :

That clause 7 stand part of the Bill.

There is an amendment by Shri B. C. Ghose.

SHRI B. C. GHOSE : I move :

That at page 2, lines 43—45, for the words “ the Central Government may, after consideration of the recommendation of the Board, appoint another person to act in his place” the following be substituted:—

“the Deputy Managing Director shall act for him during his absence”.

In connection with an amendment that I moved previously, I had explained the reasons for this amendment.

I am not quite sure as to why it would be necessary to appoint another person as the Managing Director when the Managing Director is absent and when there is a casual vacancy, not a permanent vacancy. I should have thought that ordinarily the procedure would have been for the Deputy Managing Director to act for the time being for the Managing Director. Now we are having provision for another person. I should like clarification as to whether this person will enjoy the emoluments and other facilities that are made available to the Managing Director. It means there would be a Managing Director on leave, a Managing Director acting for him while the permanent one is on leave and there would also be at the same time a Deputy Managing Director. If that is the correct interpretation,—then what is the necessity of having so many persons? Is it the Government's intention that this person shall be appointed from among the Board of Directors or that outside men also may be appointed? Because that point has not been made clear. If an outsider can be appointed that would be very unusual and it would not be conducive to the working of this institution. Because the outsider working for a few months will not have the sense of responsibility and may do things which would not be in the interest of the Corporation. I would therefore like information on all these points.

MR. DEPUTY CHAIRMAN :  
Amendment moved:

That at page 2, lines 43—45, for the words “the Central Government may, after consideration of the recommendation of the Board, appoint another person to act in his place” the following be substituted:—

“the Deputy Managing Director shall act for him during his absence”.

Both the amendment and the clause are open for discussion.

SHRI S. C. KARAYALAR : Sir, we have already passed clause 3 which provides for the appointment of one Deputy Managing Director. If the present amendment is accepted

[Shri S. C. Karayalar.]

it would defeat the object of the amendment already accepted. Because the constitution of the Board provides for the appointment of a Deputy Managing Director in addition to the Managing Director. So the object of the clause which has already been incorporated will be defeated if we accept the amendment of Mr. Ghose.

Mr. DEPUTY CHAIRMAN : His amendment, is when the Managing Director is absent, the Deputy Managing Director will act for him.

SHRI S. C. KARAYALAR : If the Deputy Managing Director is acting in his place, then there will be no Deputy Managing Director. The strength of the Board will be reduced by one. The object of the clause which has already been accepted is to increase the number by one and it will be defeated if we accept this amendment. I therefore oppose the amendment.

SHRI B. C. GHOSE : That does not make sense.

SHRI P. SUNDARAYYA : I support this amendment. It is a reasonable amendment and will bring the various sections of the Bill into a proper order. They may appoint a Deputy Managing Director. Naturally when the Managing Director is absent, for some casual time, it naturally means the Deputy Managing Director must act in his place and not somebody else. Otherwise, there is no sense in the clause which we have passed that a Deputy Managing Director must be appointed. When the Managing Director is there naturally it is always his function and the Deputy will not actually function. Then what is the purpose of having a Deputy? The purpose would be only when the Managing Director is absent for certain periods, then with his experience the Deputy Managing Director can take his place. So we passed that amendment. Naturally when the Managing Director is absent, the fittest person in the Board of Directors must be the Deputy Managing Director. Instead of that the Government wants provision to appoint somebody else also. It is not proper. Therefore this amendment is quite correct. The

hon. Member on the opposite side said that it will lessen the number.

SHRI B. C. GHOSE : It will not lessen because the Deputy Managing Director has no right of vote.

SHRI P. SUNDARAYYA : Therefore I think Government must accept this amendment and I hope they will do so.

SHRI RAJAGOPAL NAIDU : So far as this amendment is concerned, I feel this must be accepted by Government because under clause 3 we find that when the Managing Director is unable to attend any meeting, the Deputy will attend it and will be entitled to vote at that meeting. So if the Managing Director is absent even temporarily, there is provision under clause 3, that the Deputy Managing Director can attend the meeting and will have a right to vote. Under the circumstances I feel there is absolutely no necessity for the inclusion of this new section 13A and any work that may be required to be done by the Managing Director can be done by the Deputy Managing Director.

SHRI M. C. SHAH : The appointment of the Managing Director is in the hands of the Government. If you look at the original Act, the appointment of the Managing Director is on the recommendation of the Board. Now even if there is a casual vacancy that means temporary filling in the post of the Managing Director, Government don't want to let go that power of appointment of the Managing Director. Therefore, here also it has been provided that on the recommendation of the Board that casual vacancy will be filled in. If the Board thinks that the Deputy Managing Director can act or is competent enough to act as the Managing Director—his responsibilities are very wide as I have already stated—and if the Board recommends that the Deputy should be appointed for the time being in the absence of the Managing Director, Government will appoint him. So Government reserves the power of the appointment of the Managing Director either permanently or even for a temporary period in their own hands. That is the only thing.

**SHRI B. C. GHOSE** : Firstly the Government would not agree to the Deputy Managing Director being appointed by the Corporation subject to the approval of the Government because if they had agreed then, now the hon. Minister could not have said that in the appointment of the Deputy Managing Director Government have no hand, because the Government would have had a hand then. But having done that, now they say that the Deputy Managing Director may not be sufficiently competent. Government don't want to keep that power of appointment of the Deputy Managing Director in their hands and they wanted to hand it over to the Corporation and therefore we opposed that amendment and proposed that he should be appointed with the sanction of the Government.

**SHRI M. C. SHAH** : Here the case is about the Managing Director and the appointment of the Managing Director is in the hands of the Government and we do not want to part with that power even for a while. That is the only reason.

**SHRI B. C. GHOSE** : If that reason satisfies the Congress Members, I have no objection.

**MR. DEPUTY CHAIRMAN** : Shall I put the amendment to vote?

**SHRI B. C. GHOSE** : Yes, Sir.

**MR. DEPUTY CHAIRMAN** : The question is :

That at page 2, lines 43—45, for the words "the Central Government may, after consideration of the recommendation of the Board, appoint another person to act in his place" the following be substituted:—

"the Deputy Managing Director shall act for him during his absence."

The motion was negatived.

**MR. DEPUTY CHAIRMAN** : The question is :

That clause 7 stand part of the Bill.

The motion was adopted.

Clause 7 was added to the Bill.

**MR. DEPUTY CHAIRMAN** : Then the question is :

That clause 8 stand part of the Bill.

There is an amendment by Mr. Ghose. Do you move it?

**SHRI B. C. GHOSE** : There is no sense in moving it, since the previous amendment has been rejected. If you allow it, I will move it.

**MR. DEPUTY CHAIRMAN** : Yes. I don't think I can allow that to be moved now. So the question is :

That clause 8 stand part of the Bill.

The motion was adopted.

Clause 8 was added to the Bill.

**MR. DEPUTY CHAIRMAN** : The question is :

That clause 9 stand part of the Bill.

There is an amendment by Mr. Ghose.

**SHRI B. C. GHOSE** : This amendment is only consequential to the amendment to clause 5. When even that reasonable amendment has not been accepted, there is no sense in moving this amendment now.

**MR. DEPUTY CHAIRMAN** : So he is not moving it.

The question is :

That clause 9 stand part of the Bill.

The motion was adopted.

Clause 9 was added to the Bill.

**MR. DEPUTY CHAIRMAN** : Then on clause 10 there are two amendments.

**SHRI S. C. KARAYALAR** : I am not moving my amendment, Sir.

**SHRI B. GUPTA** : Sir, I move :

That at page 3, line 10, after the words "State Cooperative Bank" the words "and before such deposits are made the consent of the Central Government shall be obtained" be inserted.

[Shri B. Gupta.]

Sir, all that we want by this amendment is that when deposits are going to be made, after this amending Bill is passed, with the Scheduled Banks and Cooperative Banks, the Parliament should be brought into the picture, through the Government giving consent to the matter. Therefore we have suggested by this amendment that before the money is so deposited, the consent of the Government should be obtained. We say this because banks are private concerns and their assets and liabilities are not often as they appear in their books. It may be necessary in some cases to make enquiries before allowing the Finance Corporation to put its money in such banks and other private institutions, or even public institutions of this nature. Therefore, I suggest that this amendment should be accepted. After all the hon. Minister can easily get the consent of the Central Government ; it is not the consent of the Opposition. So there is no reason why this amendment should not be accepted.

Sir, I move.

MR. DEPUTY CHAIRMAN : Amendment moved :

That at page 3, line 10, after the words "State Cooperative Bank" the words "and before such deposits are made the consent of the Central Government shall be obtained" be inserted.

SHRI M. C. SHAH : Sir, as the House is well aware, in all financial matters the Central Government consults the Reserve Bank. On financial matters the advisers of the Central Government are the Reserve Bank. So we have already provided here for consultation with the Reserve Bank and thus provided the safeguard that the hon. Member seeks by his amendment, in respect of the deposits to be made with Scheduled Banks. Certainly, we will be looking into the lists of banks that will be prepared by the Reserve Bank. When the Industrial Finance Corporation makes a proposal that their surplus money should be deposited in such banks, Government will

see, in consultation with the Reserve Bank, whether the bank is approved for this purpose.

MR. DEPUTY CHAIRMAN : Do you press your amendment ?

SHRI B. GUPTA : No, Sir.

The amendment was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN : The question is :

That clause 10 stand part of the Bill.

The motion was adopted.

Clause 10 was added to the Bill.

MR. DEPUTY CHAIRMAN : There is no amendment to clause 11.

The question is :

That clause 11 stand part of the Bill.

The motion was adopted.

Clause 11 was added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That clause 12 stand part of the Bill.

There are three amendments.

SHRI B. GUPTA : Sir, I move :

That at page 3, lines 33—35, the words "or, with its approval for the International Bank for Reconstruction and Development" be deleted; and in line 37, for the words "by either of them" the words "by it" be substituted.

MR. DEPUTY CHAIRMAN : You may move your other amendment also, amendment No. 17.

SHRI B. GUPTA : Yes, Sir, I move :

That at page 3, after line 40, the following be inserted :—

"(iii) after sub-section (2) the following sub-section shall be inserted, namely :—

"(3) No accommodation shall be given to the director or his nominees or to any concern with which he or his relations or his nominees may have any connection."

I would only speak on the first amendment that I just now moved, leaving

the other amendment to be spoken on by the other mover whose name appears here, Shri Kakkilaya.

In the amendment that is proposed by the Government it is said :

“acting as agent for the Central Government or with its approval, for the International Bank for Reconstruction and Development in the transaction of any business with an industrial concern in respect of loans or advances granted, or debentures subscribed, by either of them.”

Sir, if this proposed amendment is accepted, the position is going to be like this. The Corporation shall be acting, whenever necessary, as agent of the International Bank. I have demanded that this part of the amendment which brings in the International Bank be deleted. I would presently give my reasons for asking for this deletion.

Sir, for some time now, a kind of flirtation is going on between Indian big business and the American millionaires in the backyard of the World Bank. If they just carry on their flirtations, you may not have much objection ; but the Government should not endorse it. Shri Biren Mookerjee who is partner of a number of concerns in Bengal, together with some of the Government officers are now in the U. S. A. carrying on negotiations with the World Bank for a loan. The World Bank is not satisfied with its discussions and the negotiations with private parties. They want these loans to be guaranteed by the Government. The whole thing is so arranged that Government becomes the guarantor in respect of loans that would be obtained by the private parties. Now, Sir, I do not see any reason as to why this Industrial Finance Corporation should be tied up in this manner. Why should the Government stand guarantor in respect of such loans? They may oblige their friends in very many ways, but, why should the public exchequer be committed to it? The Americans are functioning under the cover of the World Bank and always try to involve

the Government, try to draw them into its clutches and this is one of the ways whereby they want to create conditions under which the Government would be responsible as a guarantor. Therefore, we do not want the Finance Corporation to be tied up as an agent. We know what kind of agent it will be. The Central Government is there and let them assume the responsibility. We will tell the Central Government as to what it should do. This institution should not be got involved in the manipulations of the World Bank. Therefore, I suggest that this amendment should be accepted. I ask : “Will the hon. Minister deny that this arrangement is being made precisely with a view to helping the section of the big private business enter into unholy negotiations with the World Bank?” That is what is being done right now. In the newspapers, reports are appearing that discussions are being carried on between some of our industrialists who have gone there, together with Mr. P. C. Bhattacharyya, who is one of the Joint Secretaries of the Finance Department and the World Bank—their bosses. We want to put a stop to this kind of affairs. Therefore, I think, Sir, it is not necessary for us to have this amendment here. The Act is bad enough ; let us not make it worse still and we hope that we can get on without this kind of agency from the World Bank. It is not necessary at all.

3 P.M.

I know, when I talk about the World Bank, he will say that we are making propaganda, we see wrong things when everything is fine. I would tell you, Sir, that in the past decades, I mean particularly in the Twenties, it was the American financial concerns that offered loans to countries like Germany and they saw to it that the Government became the guarantor with regard to those loans. Eventually the situation came to such a pass that the Governments became more or less tools in the hands of those financial concerns like Morgans and

[ Shri B. Gupta. ]

others. Now, of course, this is not done that way. Now, the World Bank has come into the picture and its parlour is always open for all kinds of unholy collusions. I think, honesty demands that we should not enter into that parlour and get on with this kind of flirtations. I hope the hon. Minister, old as he is—after all he looks a little bit of a pious person—should not give indulgence to such approaches and flirtations. He should accept my amendment in all fairness.

MR. DEPUTY CHAIRMAN : Mr. Ghose, are you moving your amendment?

SHRI B. C. GHOSE : Yes, Sir. I move:

At page 3, lines 34—35, after the words 'the International Bank for Reconstruction and Development' the following words be inserted:—

'or any other financial institution, domestic or foreign.'

Sir, I am almost sorry that I have moved this amendment because it is an amendment which I feel would assist the Government and, seeing their attitude here that however, good an amendment proposed may be it will not be accepted, one feels sorry for having proposed anything to assist that Government. There appears to be an idea that in this Parliament, the battle should take place in the lower House for the Government. If that battle has been won, then, it should be rubber-stamped here. However reasonable an amendment may be, that is not accepted because that may eventually create other difficulties viz., procedural difficulties. And the Government's attitude seems to be that, "if necessary, we shall bring in a fresh amending Bill", which will have to go through both the Houses rather than accept an amendment here and then go back to the House of the People.

Now, Sir, the purpose of this amendment is that if any loans have to be taken and if an agency has to be appointed, then, there will be difficulties. Government, or, the hon. Minister

may be aware that the U.N. Economic Committee and also the I.B.R.D. have recommended that an International Finance Corporation be set up. The purpose of that Corporation is to assist directly, industries in other countries to a much larger extent, to help the backward countries to a much larger extent than is possible under the I.B.R.D. or the I.M.F. But, what I wanted to say was that if the International Finance Corporation was established and if there was again a necessity for arranging loans through the International Finance Corporation, and, if Government guaranteed should be necessary, or the Government should be required to act as an agent, then, in that case, we may have to bring in a fresh amending Bill. The question is whether it would not therefore be better to have that provision also in view now and frame the Act in such a way that if that eventuality should arise that would also be covered by the amendment that we have brought forward now and are incorporating in the original Act. This is an important point and that is why I suggest that if loans are taken not only from the International Bank for Reconstruction and Development but also from any other financial institutions, either domestic or foreign, because, if you specifically name a particular institution, you circumscribe your activity by that particular provision and, therefore, if, in the future, it becomes necessary to take loans from other institutions that, probably, would not be covered by this Act. But, Sir, I am unhappy to see that this amendment will not be accepted and, therefore, the assistance that I try to offer will not be accepted by the Government.

MR. DEPUTY CHAIRMAN : Amendment moved :

At page 3, lines 33—35, the words "or, with its approval, for the International Bank for Reconstruction and Development" be deleted and in line 37, for the words "by either of them" the words "by it" be substituted.

Amendment moved :

At page 3, lines 34—35, after the words "the International Bank for Reconstruction



and Development" the following words be inserted:—

"or any other financial institution, domestic or foreign."—

Amendment moved :

At page 3, after line 40, the following be inserted :—

"(iii) after sub-section (2), the following sub-section shall be inserted, namely :—

"(3) No accommodation shall be given to the director or his nominees or to any concern with which he or his relations or his nominees may have any connection."

These amendments and the clause are for discussion. Mr. Kakkilaya.

SHRI B. V. KAKKILAYA (Madras): Sir, amendment No. 17, the last one, moved by Mr. Gupta, is a very simple amendment and it is absolutely innocent. It reads :

"No accommodation shall be given to the director or his nominees or to any concern with which he or his relations or his nominees may have any connection."

We have seen, in the course of the debate, several complaints coming from various quarters that the funds of the Industrial Finance Corporation have not been properly utilised for the development of small scale and medium scale industries. We have also heard several hon. Members speaking here of the Directors of those gentlemen at the head of the institution utilising these funds not in the proper way, but, to advance their own personal ends. So, in this connection, it is quite necessary that such things are not allowed to continue and that they are put an end to. Of course, the hon. Minister has given us several assurances: he has said that nepotism and favouritism will be put an end to if they are brought to his notice. It is very difficult for us, Members of this House, to bring any such things specifically to his notice, especially when we do not know who the loanes are, what are the dealings of the Finance Corporation in respect of giving accommodation etc. So, if the Government really means what it says, if it means

to really put an end to nepotism and favouritism, it should be easy for the hon. Minister to accept this amendment and to guarantee that such things will not be allowed in the future. If they really want to implement the assurance that they have given on the floor of this House, they must incorporate this amendment in the Bill itself and guarantee that by law such things will not be allowed to be done. Without making any more remarks, I request the hon. Minister to accept this amendment.

SHRI M. C. SHAH : Sir, I am glad that my colleague, Mr. Ghose, wants to help the Government, but unfortunately Government cannot avail itself of that help.

SHRI S. N. DWIVEDY (Orissa) : It does not require it.

SHRI M. C. SHAH : I do not say that. I always welcome any help that comes from that side. But Government has considered this question very carefully. We must also consider the capacity of the Industrial Finance Corporation. It is with reference to its capacity for the time being that Government wants to have this provision. It is not obligatory or compulsory on the Industrial Finance Corporation to act as the agent of the International Bank or of the Central Government. Now, as we know, a certain section of this House is against loans from the International Bank or against loans from the Anglo-American bloc or whatever that may be called. The position, however, is that the private sector wants to have some loans from foreign countries, and particularly from the World Bank. As a matter of fact, if you refer to the Five Year Plan, in Chapter XXIX—industrial sector—they have estimated that nearly Rs. 707 crores will be required for the public and the private sectors. And with regard to resources, there too they have provided for about Rs. 100 crores, if I remember aright, from foreign sources. Now, if the World Bank is in a position to give loans to the private sector on very favourable terms, as I said yesterday,

[ Shri M. C. Shah. ]

there is nothing wrong in having those loans. And when these industrial concerns negotiate for a loan directly and the International Bank now wants the Industrial Finance Corporation to act as their agents, there is no guarantee by the Government in that case, and they have only to see whether the moneys advanced to those industrial concerns are spent on the projects for which they are meant. So there is nothing wrong in acting as the agent of the International Bank, and that too with the approval of the Central Government. And if the Central Government, when it advances loans to certain industrial concerns, also wants that the Industrial Finance Corporation should act as the Government's agents, there is no harm in that. It is because they have the technical staff that this proposal has been made; and the technical staff is proposed to be increased, and therefore, with all the facilities at their disposal the Industrial Finance Corporation may be in a better position to check all these things.

About the World Bank loan, much has been said, and every now and then we hear the same arguments and to reply to them will be something like repetition, so I do not think it is necessary.

As regards my friend Mr. Ghose's amendment, I have already said that about their capacity the Corporation is the best judge, so we do not think it is possible to have any domestic financial institutions to grant loans to certain industrial concerns and the Industrial Finance Corporation to get commission. It is not even a distant possibility, so we are not prepared to accept the amendment.

With regard to the question of loans not being granted to the Directors, this question has been discussed this very morning and I do not think this amendment can be in order because we can have amendments to the amendments that have been proposed and this is a new amendment to the parent Act. Even apart from that, as I have

said, this matter has been discussed at length this very morning and I am sorry Government cannot accept that amendment too.

(Prof. G. Ranga rose.)

MR. DEPUTY CHAIRMAN : Not a speech? The hon. Minister has replied.

PROF. G. RANGA : It does not matter. I can speak now.

MR. DEPUTY CHAIRMAN : No, not after the Minister has replied.

PROF. G. RANGA : There is no such ban.

MR. DEPUTY CHAIRMAN : I cannot allow it.

The question is :

At page 3, lines 33—35, the words "or with its approval, for the International Bank for Reconstruction and Development" be deleted and in line 37, for the words "by either of them" the words "by it" be substituted.

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

At page 3, lines 34—35, after the words "the International Bank for Reconstruction and Development" the following words be inserted :—

"or any other financial institution, domestic or foreign".

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

At page 3, after line 40, the following be inserted :—

"(iii) after sub-section (2), the following sub-section shall be inserted, namely :—

'(3) No accommodation shall be given to the director or his nominees or to any concern with which he or his relations or his nominees may have any connection'."

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

That clause 12 do stand part of the Bill.

PROF. G. RANGA : I want to speak on this clause.

MR. DEPUTY CHAIRMAN : Both the clause and the amendments have been discussed.

PROF. G. RANGA : That does not matter.

MR. DEPUTY CHAIRMAN : I cannot allow a speech now.

PROF. G. RANGA : I do not understand this procedure. When the clause is put to the House, the House has an opportunity of discussing it.

MR. DEPUTY CHAIRMAN : The hon. Member came after that opportunity had been given to hon. Members and after the Minister had replied.

PROF. G. RANGA : Did he reply to the clause as a whole? I thought he was replying to the amendments.

MR. DEPUTY CHAIRMAN : Both the clause and the amendments. The hon. Member came after the Minister had replied.

The question is :

That clause 12 do stand part of the Bill.

The motion was adopted.

Clause 12 was added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That clause 13 do stand part of the Bill.

There are four amendments.

SHRI B. C. GHOSE: Sir, I move:

At page 4, line 3, for the words "one crore" the words "fifty lakhs" be substituted.

At page 4, line 4, for the words "one crore" the words "fifty lakhs" be substituted.

At page 4, line 8, after the words "interest" the following be inserted :—

"or when such loans and advances are granted or debentures subscribed under clause (e) of sub-section (1) of section 23 or section 27 of the Act."

Sir, the position under the present Act is that loans can be granted up to a maximum amount of Rs. 50 lakhs or 10 per cent. of the share capital. Government in the amending Bill want to raise that limit to one crore and delete the provision about percentage of share capital.

I had, Sir, already spoken when this Bill was taken into consideration that it would not be in the interest of industrial development generally to raise that limit. I said, Sir, 'generally', because as you will have noticed that there are certain exceptions provided in the amending Bill even if the limit of 50 lakhs is accepted. The share capital of the Bank, as you know, Sir, is 5 crores. Total funds today would be, as the hon. Minister stated, something like 15 or 16 crores.

SHRI M. C. SHAH : It is 10·8 crores.

SHRI B. C. GHOSE : And the loans sanctioned is 14 crores. That does not sound to be reasonable.

SHRI M. C. SHAH : Sanctioned loan is 14·3 crores—rather 15 crores, 22 lakhs and 70 thousands. From that, one crore and 45 lakhs, either reduced or not granted or not availed of, is to be deducted. So it will come to about 13 crores 77 lakhs and 70 thousands. That will be the sanctioned loan. Out of that 7·96 crores have been given up to the 1st November 1952.

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

SHRI M. C. SHAH : The total resources today are 10·8 crores and we are going to have borrowings.

SHRI B. C. GHOSE : That is what I said that with the resources of 10 crores we have already sanctioned loans to the extent of 14 crores.

SHRI C. G. K. REDDY : There is nothing strange.

SHRI B. C. GHOSE : The total resource of the Bank is 10·8 crores

[Shri B. C. Ghose.]

and the share capital is 5 crores approximately and if we have the maximum limit at one crore, then it would appear to me that the maximum is rather too high. I can well appreciate that there may be cases where it may be necessary in the national interest to offer loans over 50 lakhs of rupees. But I should like to suggest, Sir, that that is provided in the exceptions or the provisos to the clause that we are now discussing. For clause 13 says:

“Even the maximum limit of one crore of rupees shall not apply to any such arrangement when any loans, advances or debentures are, on the recommendation of the Corporation, guaranteed by the Central Government as to the repayment of the principal and the payment of the interest.”

So the position, if the amendment is passed, will be that the maximum limit will be one crore. If there is Government guarantee, it may even be more than a crore. For an institution of this sort with such inadequate resources, I do not think, Sir, it would be in the national interest to undertake financing of these ventures which may require very large capital excepting in very special cases—maybe one or two. But if according to my suggestion the limit is maintained at 50 lakhs and if the Government want to finance any venture requiring more than 50 lakhs up to any amount, I suggest, Sir, that it would be also possible under the amendment which I have suggested because if the Government would only guarantee the loan, then even under my amendment, they could give to that industry or venture any amount that they like. And I have also excluded, as the hon. Minister may realise, that that limit of 50 lakhs would not apply when such loans and advances are granted or debentures subscribed under clause (e) of section 23 of the Act. Now clause (e) of section 23 reads as follows:

“Granting loans or advances to, or subscribing to debentures of industrial concerns, repayable within a period not exceeding twenty-five years from the date on which they are granted or subscribed to, as the case may be;”

And we are having under section 27 loans from abroad, which also might be given to certain industries and which may be in excess of 50 lakhs of rupees or even one crore. Now such loans even under the amendment that I have proposed, will be excluded and loans exceeding 50 lakhs may be given to such industries. But having those exceptions in mind, I feel that it would be salutary to limit the maximum to 50 lakhs, because then what the Government want will be satisfied. There may be cases—exceptional cases—where larger amounts may be necessary. But then the Government either should guarantee such loans or if the loan is given from advances taken from abroad, then they would also be excluded from the limitation that I have just now proposed. Therefore, there should be no difficulty about that. But with the resources of the Corporation the 50 lakh limit would appear to be quite reasonable. And, therefore, I suggest that the hon. Minister might, in a fit of forgetfulness, try to accept this amendment.

SHRI B. RATH : Sir, I beg to move:

That at page 4, for lines 4 to 8, the following be substituted :—

“Provided that any loan exceeding fifty lakhs of rupees may be granted only on a resolution by the Houses of Parliament.”

Sir, I do not claim that this is a simple amendment or a modest amendment to a very simple Bill. I claim that the sentiments that have been expressed in this House yesterday are fully reflected in this amendment. And, as we have seen during the discussions yesterday, the hon. Minister, while replying, was forced to defend his position of course in an unusual manner saying—that one man cannot influence the whole country or the Directors, to accept what he says. But, Sir, the three hon. Members who fortunately or unfortunately represent a particular interest, who might have been shown some favour by the Industrial Bank or who might in future open accounts with the Industrial Finance Corporation, have

come to the defence of the Industrial Finance Corporation.

Sir, now the Government want to raise the maximum limit that was there that not more than 50 lakhs of rupees should be granted to any industrial concern. Last time when the original Bill was discussed in the year 1948, an amendment was moved fixing the ceiling at 50 lakhs of rupees and that amendment was moved by the present Minister for Commerce and Industry. Now the Government wants to remove that ceiling. Does the Government want to remove this ceiling because they want it? Do they want to remove this ceiling because they feel that the industries, unless helped to the extent of one crore, cannot develop? That is not the reason. The Government has admitted that it is not they, nor their party members, nor the industrialists who came to the great assistance of the Government, who have suggested to the Government that it should be increased. But it is a particular thing that has led them to remove this ceiling. They have categorically said in the Statement of Objects and Reasons:—

“The following amendments have been considered necessary with a view to strengthening the financial position of the Corporation and to widening its scope as suggested by the International Bank for Reconstruction and Development.”

Therefore, remember it that it is the International Bank for Reconstruction and Development which has suggested that these amendments must be made and the amendments are before the House because the International Bank for Reconstruction and Development wants them. They have clearly admitted in the first paragraph that it is only after the negotiations with the International Bank and the terms of the agreement the hon. Minister is not prepared to lay before the House. After that agreement was reached, the International Bank for Reconstruction and Development has suggested that the Government must amend the Act in certain particular ways.

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The second item in the dictates of the International Bank for Reconstruction and Development is amendment to section 24 to raise the maximum limit of loans to any industrial concern and to empower the Corporation to grant loans for any concern if such amounts are guaranteed by Government. I want to know from the hon. Minister on whose command he is working.....

SHRI M. C. SHAH : The people of India.

SHRI B. RATH : ....the country's command or the command of the International Bank for Reconstruction and Development.

SHRI M. C. SHAH : The country's command.

SHRI B. RATH : I think he has belied his own statement. What is stated in the Statement of Objects and Reasons leads us to another conclusion. That is why I suggest that it is not in the interests of the country that this section is being amended, nor of any particular section of the country, but because the International Bank has asked for it. I believe our friend, Mr. Ranga, who is all colourful, will come to my assistance, because for him the interests of the country are more than any foreign interests as he professes. Is the decision whether a particular thing is in the interests of the country or not to be made by the International Bank or by Mr. Ranga and the friends who are sitting in this House? Let him come out.

Another reason why I submit that this amendment should be accepted is that the House must be consulted before any amount of Rs. 50 lakhs is granted to any individual firm. Sir, all the statements that have been made by the hon. Minister yesterday with respect to the very notorious firm in Orissa about which so much has been discussed are not divorced from untruths. I am not going to say what is truth or untruth, because many things happen which we do not

[Shri B. Rath.]  
know. We are not in a position to know them, but I must submit that the statement made by the hon. Minister was either not correct or he did not know the whole position.

SHRI M. C. SHAH : On what point? I am prepared to substantiate every word of what I have stated.

SHRI B. RATH : The statement is not mine, nor of the Members of the Opposition, nor of the Government of Orissa. It is a statement of Mr. B. Patnaik, who was a partner of Messrs. B Patnaik & Co., Managing Agents of Orissa Textile Mills.

AN HON. MEMBER : Is he still there?

SHRI B. RATH : He is a partner, but he is not a Managing Agent. He had to substitute another in his place before he could stand for elections on Congress ticket. Whatever it may be, this statement has been made. The statement was given and published on 1-9-52 in the newspaper "Samaj" of Orissa, which is the newspaper of the Servants of People Society of which the Railway Minister is a very influential member. The present editor of this paper is a Member of this august Parliament, a Congress M.P., and the editor before him is now the Finance Minister of the State. Not only that, this paper boasts that it is the only Congress paper in the State and that all the other papers which are being run in the State are not *bona fide* Congress papers. In that the whole statement has been published. Mr. Patnaik says to the Press Reporters in the Press Conference—the Press Conference was called by him—I will read it in Oriya:

"Esamparkre se koithile je millre sadheranlokonko tanka o orissa sorakaramko thrisloko urdo tonkaro ongo rchichi abong iha chada milti sampoorno Bhara-tar Reserve Bank tere bandako maddha rohichi."

MR. DEPUTY CHAIRMAN : You must give a translation of it.

SHRI B. RATH : For the benefit of members who did not understand, he said, that besides the share capital of the public, the mill had got Rs 40 lakhs from the Industrial Finance Corporation of the Government of India and Rs. 30 lakhs as share capital from the Government of Orissa and besides that, that the mill had been fully mortgaged to the Reserve Bank of India. The last part of the statement is that it is fully mortgaged.

SHRI T. S. PATTABIRAMAN (Madras) : To the Reserve Bank of India?

SHRI B. RATH : Yes, to the Reserve Bank of India.

SHRI T. S. PATTABIRAMAN : Is the Reserve Bank of India undertaking mortgages?

SHRI B. RATH : That is the statement of Mr. Patnaik. I am reading his statement published in the newspaper. It is not an opposition paper.

SHRI M. GOVINDA REDDY : You have said so.

SHRI B. RATH : "Sampoorno Bandhakarochoi" (*in Oriya*) meaning fully mortgaged.

AN HON. MEMBER: It is not worth quoting.

SHRI B. RATH : Sir, all that I have to say is that we do not know whether it has been mortgaged or not. Possibly, it was done with some subsidiary bank.

SHRI T. S. PATTABIRAMAN : Or by some other person?

SHRI B. RATH : Maybe, we do not know. We want to know the truth about it, because he is a partner of the Managing Agents of the Orissa Textile Mills, and the name of the Managing Agents are Messrs. Patnaik & Co.

SHRI R. M. DESHMUKH (Madhya Pradesh) : Is he a Managing Agent now ?

SHRI S. N. DWIVEDY: For the sake of the election he had to resign.

SHRI B. RATH : He has joined again, and on behalf of the firm he has made the statement. When these people resign and when they come back, we do not know.

SHRI T. S. PATTABIRAMAN : Like the Communist Members.

SHRI B. RATH : I do not accuse the hon. Minister of indulging in lies or untruths, but I submit that he has not been furnished with full information. We know many pieces of information which, even if they had been wrong, would have been verified, had such cases come before Parliament for the sanctioning of money. In the higher circles of business, we know that many a thing happens. The higher up in the industrial and business circles we go, the greater are the cases of corruption which one cannot find in the smaller rungs of industry.

Now, Sir, if such cases come before the Parliament, the Parliament could have discussed about them. This is a case where one purchasing agent of this textile company took away Rs. 60,000 and vanished.

SHRI B. C. GHOSE: Vanished, where? Into the Ministry?

MR. DEPUTY CHAIRMAN : You speak about the amendment.

SHRI B. RATH : Sir, I was saying that if such cases had come up before the House, at least the House would have been in a position to know as to how many big bosses in industry are going to get the money. The House could have considered these cases and could have considered whether it is good to sanction such loans. Particularly, I submit, that in the Industrial Finance Corporation Report, Appendix, we find that although loans

amounting up to ten lakhs have been granted to 53 applicants, the total granted is only 2 crores. And if you see the whole list, we find that loans exceeding 40 lakhs—but not exceeding 50 lakhs because it was the ceiling—have been granted to eight persons. The total amount that is granted is, 3,93,00,000. So, we find that all the applications on the higher ranks have not been favoured, but the amount that is granted to them is much more and in these circumstances we are not for increasing the amount to one crore. As such, there must be a control by the Parliament when such loans are sanctioned.

Sir, with these remarks—knowing fully well the fate of this amendment—I at least expect that the House will voice its opinion as to whether they want that both the Houses of Parliament should have some control over the sanctioning of the heavy loans that are going to be made by the Government. Even the ceiling of one crore is going to be surpassed. Whether we are going to accept such a position, or whether the Houses should have some supervisory or controlling powers over the huge grants is what I expect to know from this House. I know the attitude of the hon. Minister, because he is completely under the thumb of the International Bank who has suggested to him to take this position.

MR. DEPUTY CHAIRMAN : Amendment moved:

At page 4, line 3 for the words "one crore" the words "fifty lakhs" be substituted.

At page 4, line 4 for the words "one crore" the words "fifty lakhs" be substituted.

At page 4, for lines 4 to 8, the following be substituted:—

"Provided that any loan exceeding fifty lakhs of rupees may be granted only on a resolution by the Houses of Parliament."

At page 4, line 8 after the word "interest" the following be inserted:—

"or when such loans and advances are granted or debentures subscribed under clause (e) of sub-section (1) of section 23 or section 27 of the Act".

All these amendments and the clause are for discussion.

PROF. G. RANGA : Mr. Deputy Chairman, the sponsors of these amendments are indeed greatly suspicious of the Government to have thought of these amendments. Secondly, they think that in view of the fact that because in the past the Finance Corporation has not used its powers properly, it should not be allowed to lend more than 50 lakhs of rupees to any one concern. Therefore, the present suggestion of the Government that this loaning capacity should run up to one crore of rupees is wrong and therefore they make these suggestions. I am not able to agree with these friends. One of the reasons is that this Bill has been welcomed and by those of us who have welcomed this Bill, it is thought necessary to give exactly this power of loaning up to one crore of rupees to such of the concerns as really deserve or are really in need of them.

I can understand my friends fearing that if we were to raise this maximum up to one crore, there would not be sufficient money at the disposal of the Corporation to lend to smaller concerns. With regard to this Mr. Kunzru has already drawn the attention of our friends to what the then Finance Minister had said, that this Corporation was specially intended to serve the interests of the bigger industrial concerns and that at the same time he hoped that the State Governments would go forward with their proposals for the establishment of their own Finance Corporations to aid and assist middling and small industrial concerns, but unfortunately most of the States have not discharged their duty in this regard. The Planning Commission of course now hopes, may be piously, that these State Governments would go ahead in this direction. We don't know when they would be able to fulfil their hopes and our hopes also. So until then it stands to reason that this Finance Corporation should also be expected to have sufficient funds to place at the disposal of these middling and small scale industrial concerns. I concede that. But that is no reason why we should oppose this proposal that the maximum limit

should be fixed at 1 crore. What we should ask the Government as well as the industrial capitalists in the country, the Cooperative Banks and other Banks today, is to place more and more funds at the disposal of this Corporation so that it would have sufficient funds to help all the different types of our own industrial concerns.

Coming to the next point, I was thinking of joining issue with my friend, the Deputy Leader of the Communist Party here, for his attack on the Government for its anxiety to draw strength and support from the International Bank, but then the procedural rules came in my way.

SHRI B. GUPTA : Take the chance now.

PROF. G. RANGA : Now my hon. friend gives me even a better opportunity of answering their points of view and at the same time saying something in regard to this amendment. It is no good disguising the fact that there is a fundamental difference in the approach being made by the Communist Party as represented by our friends here and those of us belonging to Government and not belonging to Government in regard to this matter.

SHRI B. GUPTA : Wonderful.

PROF. G. RANGA : It is certainly wonderful in this country that there should be gentlemen like these, holding responsible positions as Members of Parliament, coming here and making propositions that this country should achieve its own industrial and economic development without any assistance from outside and if assistance were to come—not from any individual country but not even from an International Bank. Even then they are prepared to object to it seeing all kinds of troubles in it and then they are not prepared to offer an alternative suggestion as to what the Government can do to draw from the rest of the world, the capital resources that this country is badly in need of today.



If it is argued that the economic development of our country need not progress at all, need not go as rapidly as we want, as rapidly as our friends themselves desire—and that must be the position according to the criticism of the National Planning Commission and its report saying that it does not devote as much of the resources available to us for the industrial development as it should—then certainly we want resources when our own domestic resources are not enough, and therefore we must be prepared to borrow from outside. If there is anybody there outside who is good enough to place it at our disposal freely, I would have no objection to it in order to help our people.

But there is nobody like that. We find there are people outside who are prepared to lend us this money and there is no reason why this country should be unwilling to accept such loans. This is nothing new in the history of this country. It is nothing new in the history of other countries either. Even the countries by which my hon. friends are prepared to swear, even Soviet Russia has done it in the past. It did borrow money. What is more, at the end of the war, Soviet Russia was also willing to go into these international organisations. That is how they concluded their treaty too, when these great nations got together just before the hostilities ended all over the world. But then, for their own reasons they quarrelled among themselves. The Anglo-American countries on the one side and Russia and her satellites on the other, quarrelled among themselves for their own reasons and began to say they were not prepared to go into the same international organisations. But.....

SHRI M. C. SHAH: Czechoslovakia is there.

PROF. G. RANGA : I am coming to that. Now, among all the international organisations that have come into existence at the end of the war, the United Nations Organisation is one and we know that Soviet Russia is still in it. Why not go out of

Why not go out, if, to be a member of an International Organisation is such a sin? Till the other day Russia was in the U.N.E.S.C.O. Why was it there? I am not sure whether Soviet Russia is still a member of the I.L.O. or not. But a number of Communist controlled countries are there as members of the I.L.O. How is that? Similarly, Soviet Russia would have been there in the International Bank if it had suited her purpose. In that case our friends here would have rushed here and sung the praises of the Soviet and the World Bank. Because it does not suit her to be a member of the International Bank, it does not mean that this country, pledged to parliamentary democracy, should not take help from the Bank. And just because we happen to be a member of the Bank, they seem to see all sorts of dangers and they ask us not to borrow money from the Bank. Sir, I for one, would make no apologies. On the other hand, I am prepared to be on the offensive with all the strength that I can command and tell them that we want more and more money from the International Bank. Indeed, my complaint against the International Bank is that it is not able to spare larger funds for us. Indeed it has not even fulfilled the main object for which it was established, because in the beginning, when it was established, the Bank was expected to spare very much more of its funds than it has been doing. That is why I have been asking and pressing people in this country as well as abroad, to see that the International Bank is persuaded to spare more of its funds for the development of undeveloped countries and India happens to be one. Just because we have been able to get a bit of money from the International Bank, these friends see all sorts of terrors in it. Why? The fact is, they do not want our country to be developed.

SHRI P. SUNDARAYYA : Nonsense.

PROF. G. RANGA : If they want to see the economic development of our country, if they want the financial

[Prof. G. Ranga.]  
development of our country, if they want the progress of the masses of our country.....

SHRI K. L. NARASIMHAM (Madras) : Then become the agents of the World Bank.

PROF. G. RANGA : They should be prepared to give up their s'ibboleths and their slavery to some other ideology.

SHRI P. SUNDARAYYA : Give up your slavery.

MR. DEPUTY CHAIRMAN : Order, order.

PROF. G. RANGA : My slavery has been to parliamentary democracy. If these friends here had been sincere in their desire for the progress of the country they should have joined hands with us, embraced us and asked the International Bank to discharge its duties much more efficiently.

SHRI B. RATH : Become white caps ?

PROF. G. RANGA : Having removed the cobwebs—not from the minds of my hon. friends, for their minds are not here—cobwebs which they have tried to create in the minds of others here, I would come to the main point. The International Bank lends its money in two main ways. It lends money directly to a Government to help it to develop its own various industrial and financial concerns. Secondly, it lends its money to private enterprises also. I should have had no objection, if only our State here had been as efficient as it should have been and as it could have been, as the Government in England, for the matter of that. I would have liked much more money to be borrowed by our own Government for financing its own industrial concerns. I should have liked our own Government to have started many more industrial concerns. But most unfortunately our Government has not developed what is known as the economic

civil service which we have been asking for.

SHRI S. N. DWIVEDY : It is in a decaying condition.

PROF. G. RANGA : They have not fulfilled their assurance and started training centres in order to train the personnel and placed them at the disposal of our various industrial concerns managed by the State so that the State-managed industrial concerns may be run efficiently in this country. That is my complaint about them. When we want development, not only on the State sector but also on the private industrial sector, we must be prepared to give help, some help, to the topmost industrial concerns to borrow money from the International Bank. The International Bank cannot come here and function by itself ; it would be even more objectionable to some of my friends and it would be objectionable to us too to allow them to come and function directly. This Bill, Sir, seeks the best thing possible, that is, to allow the International Bank to come and operate for the proper utilisation of its funds and for the safeguarding of those interests involved in these funds and for giving it the satisfaction that its funds are being put to the best possible use in the economic development of this country. This Bill seeks to give power to the Industrial Finance Corporation to act as its agent in order to see that all these various scandals that our friends have been retailing—whether they are really scandals or not, I do not know, yet, I am prepared to take them as our friends had put them here—in order to see that these scandals do not recur, in order to see that the money that is placed at the disposal of some of our own industrial concerns are put to the best possible purpose, to see that they are being utilised for industrial purposes and not for commercial or speculative purposes or, for lining the pockets of some of the Managing Agents. For that purpose, there must be an agency and that agency is the Industrial Finance Corporation.

MR. DEPUTY CHAIRMAN : Order, order, Mr. Ranga. The amendment is only that loans exceeding 50 lakhs may be granted.....

PROF. G. RANGA : There is Mr. Rath's amendment. I am leading up to that, Sir.

MR. DEPUTY CHAIRMAN : His amendment is only to the Industrial Finance Corporation. Reference to the International Bank is only incidental. Please confine your remarks to the amendment.

PROF. G. RANGA : Excuse me, Sir ; it is not like that. I do not wish to take the time.....

SHRI S. MAHANTY : May we follow the example that has been set up by Prof. Ranga?

MR. DEPUTY CHAIRMAN : Order, order.

PROF. G. RANGA : Here is an amendment that before Government gives its consent for any of the.....

MR. DEPUTY CHAIRMAN : His amendment is that no.....

PROF. G. RANGA : Sir, it is here, provided that before giving such consent, the Central Government by a Resolution.....

MR. DEPUTY CHAIRMAN : Not from the World Bank. Only whenever the Industrial Finance Corporation gives loans.....

*(Interruption from hon. Members.)*

Order, order. Whenever the Industrial Finance Corporation gives loans exceeding Rs. 50 lakhs, that should be by a Resolution of Parliament. Of course, Mr. Rath referred to the International Bank making it a reason that this amendment has been adopted at their instance. So, your reference to International Bank would be relevant only incidentally. So, please confine your remarks to the amendment.

PROF. G. RANGA : I accept your guidance, Sir. Coming to this, he wants the consent of both these Houses. If he had suggested that whenever Government gives this consent, it should place the facts on the Table of the House, it would have been easier for me also to agree with him.

*(Interruption.)*

But, when he says that the consent of both these Houses should be obtained before Government gives its consent.....

SHRI B. GUPTA : You will be a party to the consent.

PROF. G. RANGA : .....it would mean such a lot of delay.....

*(Interruption.)*

MR. DEPUTY CHAIRMAN : Order, order.

PROF. G. RANGA : .....that the very purpose would be defeated. If, on the other hand, they say that whenever they give consent, they should place such facts on the Table of the House, then, it would be open for such of us as are willing to raise any objection to the consent that had already been given, to make a motion in this House in a suitable manner and if we consider it to be wrong, we can condemn the Government.

4 P.M.

But if we were to make this a condition precedent, think of the procedure of both the Houses—moving a resolution there, moving a resolution here, in order to obtain the consent of the Houses—and it will take such a long time. And in the meanwhile, what happens? Industrial development will be delayed, and the purpose for which the Government wishes to give this consent might be, if not wholly, at least partially defeated. Therefore, it is not possible for those of us to agree to this, who are really keen on agreeing with our friends in seeing to it that such scandals as have been reported to have taken place do not take place in future

[Prof. G. Ranga.]

Therefore, I would like to suggest to my friends that we should hold ourselves in patience and expect the Government to so change or alter their own rules that they make under this Act, the object we have in view. I have indicated the relevant section in the morning. They can give proper notice to this House as to the rules that they have made. That is the only way in which we can help towards the proper utilisation of these funds and towards the proper functioning of this Finance Corporation, and also help towards an expeditious discharge of their duties by them.

SHRI S. MAHANTY (Orissa) : Sir, this amendment is in plain English. By "this" I refer to amendment No. 20. Sir, there is a phrase in English, "talking through one's hat". I wonder how there could be people who talk through their caps. The issue is sought to be clouded by bringing in the bogey of the Communists. I am not a Communist, nor am I very proud of their association.

MR. DEPUTY CHAIRMAN : That is mutual.

SHRI S. MAHANTY : I did not think that the Chair would interrupt.

Sir, the fact is that we are now going to get a loan from the International Bank. I have no quarrel with that. But it is an amazing proposition that we take a loan from foreign countries, and again we dole out that loan to firms with foreign associations here in India. Yesterday I had not the privilege of listening to the speech of the hon. the Deputy Minister. This morning I saw in the paper that a foreign firm has also been granted a loan through this Industrial Finance Corporation. This is an amazing proposition.

SHRI M. C. SHAH : Which foreign firm?

SHRI S. MAHANTY : I do not know.

SHRI M. C. SHAH : There are so many things appearing in the press. Do you think they are all correct? If the hon. Member gives me the name, I will immediately tell him whether it is correct. I have got the list with me, if the hon. Member would give me the name of the firm.

SHRI S. MAHANTY : Let me continue.

Sir, what do we seek by this amendment? By this amendment we seek to provide that whenever the Corporation gives a loan which exceeds Rs. 50 lakhs, it should be discussed in both the Houses. Look at their audacity. Here is a creature of this sovereign Indian Parliament—the Industrial Finance Corporation. And when Parliament says that its creature should obey its dictates, what does that creature say? It creates a furore. It brings forth so many arguments. I wonder why one should object when we say that whenever a loan exceeding Rs. 50 lakhs is given it should be discussed in Parliament.

MR. DEPUTY CHAIRMAN : He gave the reasons.

SHRI S. MAHANTY : I am sorry to refer once again to the Orissa Textile Mills. I am grateful.....

MR. DEPUTY CHAIRMAN : It is not necessary. Sufficient has been said about it.

SHRI S. MAHANTY : It is incidental.

MR. DEPUTY CHAIRMAN : Sufficient has been said.

SHRI S. MAHANTY : I am trying to put forward the argument that when we give loans to shady firms like Orissa Textiles, it is in the fitness of things that such matters should be debated in the House. Otherwise you have no right, moral, legal or political, to commit the Indian taxpayer to this extent. You should remember that the Indian taxpayers have to pay through their nose, because you have

guaranteed the dividends. The Orissa Textile Mills, Sir, is giving very handsome dividends. But I would like to ask one question as to why it is not paying up its instalments of the loan. The Chief Minister of Orissa has been saying that all the properties have been mortgaged to the Industrial Finance Corporation. Yet we are given to understand here that the properties of the mills are mortgaged with the Corporation. So, what this amendment suggests, Sir, is that whenever loans exceeding 50 lakhs are to be given to such firms having associations with white caps and everything black within it has to be sanctioned by the Parliament. In the fitness of things, could we not discuss these things in this House, Sir? It is the inviolable right of the Parliament to discuss these things. You can pass this measure by your majority vote, but remember the people outside are watching all these things. Sir, with these words, I fully support this amendment.

**SHRI B. GUPTA :** Sir, it was not my intention to speak on this particular amendment but after having heard the learned Professor here, who in season and out of season, pours out his.....

**MR. DEPUTY CHAIRMAN :** I am sure you are speaking on the amendments.

**SHRI B. GUPTA :** Yes, Sir. So it is a simple amendment. I do not believe in arguing with people who belong to the Government and at the same time do not belong to the Government more than I believe in people who love and yet do not love. Now Sir, this is a simple amendment. What does it say? It only says, "If you grant a loan exceeding 50 lakhs of rupees, you come to the Parliament and have the matter discussed." Come to the Parliament where not only the Communists are there to express their views, but people like our learned Professor Ranga are also there. What is the harm in it? Why is he fighting shy of Parliament when he is talking so much that he is a great democrat? All the time he is

saying, "We can do this or that, function this way or that way". I find that the learned Professor is so much chased by the Communist bogey that he runs out of Parliament. I do not know how long he will take to find a place in the Finance Corporation, but I would ask the Government to save your time, to save arguments and spare this argumentation by taking him there, on the Government side where he really belongs. I find there are plenty of seats going vacant there. He need not then assume this pose of running with the hare and hunting with the hound. It would not pay him now. However, I would ask my hon. friend the Finance Minister to accept this amendment, because this amendment brings the matter before Parliament.

Now Prof. Ranga mentioned about certain things. We, Sir, find in the "Economic Weekly" stated :

"Negotiations with the World Bank for a loan of Rs. 50 crores to the company under the Government guarantee are now in the final stages."

Further it appears to be the object of the Government to issue big loans exceeding Rs. 1 crore to certain companies. And these companies are at the same time going in for loans from the World Bank. There is a communion of hearts between the financiers in the World Bank and the financiers in India just as there is a communion of hearts between the American agents and Prof. Ranga ; I must say that agents are necessary in this system.

**SHRI T. S. PATTABIRAMAN :** For Moscow also.

**SHRI B. GUPTA :** We want that all matters should come up before Parliament whenever a loan exceeding Rs. 1 crore is to be given. I do not know whether Prof. Ranga is thinking of the American millionaires and billionaires. Probably there has been slight infection that way, but I am not going into that. In a country like ours, a poor country, one crore is not a small amount.

**AN HON. MEMBER :** Rs. 50 lakhs.

SHRI B. GUPTA : Our amendment was that. Sir, Rs. 50 lakhs is not a small amount for a poor country. There are few industries which can draw such huge loans. The Finance Corporation as it is constituted today—and as we see its financial capacity in the foreseeable future—is not going to be a millionaire or billionaire institution. It cannot throw about huge amounts like this. These loans, when they are granted, should be granted with the greatest amount of discretion. I have suggested in this amendment that this discretion should be a collective discretion, the discretion of Parliament which would keep its eyes open. This is supposed to be the guardian of the people. You can make your speeches against the Communists with a view to satisfying your anti-Communist feelings or Mr. Chester Bowles or somebody else, but it does not help us at all. I want that Parliament should assume responsibility whenever huge amounts are granted as loans because we want to see that the money is given properly, goes to the proper quarters for the purpose of achieving the object in view. All these things we can discuss here. I hope, Sir, that though the hon. Professor's mind has been completely brutalised by a sense of anti-Communism, he would have still enough sense to realise that this is a proposition which is in full conformity with the democratic spirit, which measures up to the standards of democratic ideas and justice. And therefore, Sir, I hope the Congress Ministers who after all are in high positions, not being frustrated as the learned Professor here is, would be in readiness to accept my amendment.

PROF. G. RANGA : Mr. Deputy Chairman, Sir, on a point of personal explanation, let me say that I am not anybody's agent, neither of the gentlemen there nor the gentlemen here, nor of America or any other country. I am the agent of my own country, of my own people. Secondly, my hon. friend is new to democratic practices. Being a lawyer, I thought he won't be entirely new. I did not want to keep out Parliament at all out of this

matter. I said that instead of proceeding on these lines, let us have a simpler procedure which would anyhow bring these matters to the notice of this House so that it can raise a discussion if it so wishes.

SHRI P. SUNDARAYYA : There was no time to bring in another amendment.

SHRI T. S. PATTABIRAMAN : I will speak only about the amendment. Sir, this amending Bill has been very clear about the objectives of the amendments that have been proposed. For that a number of amendments have been proposed by my red friends. One of the amendments is that.....

AN HON. MEMBER : What are red friends, Sir?

SHRI P. SUNDARAYYA : Not white.

SHRI T. S. PATTABIRAMAN : They cannot be white.

MR. DEPUTY CHAIRMAN : Order, order.

SHRI T. S. PATTABIRAMAN : There is no purity in them ; so they cannot be white.

Sir, the object of the amendment is that we shall be able to get larger amounts from the International Bank, if required so, for the development of the industries of this country. Speaking on former occasions, the Members of the Opposition Benches, the Communists and their comrades in arms, have spoken and criticised this Government for not having started big industries, basic industries, key industries that are absolutely necessary for the development of this country.

Sir, on the one hand, they have been harping on the theme that this is not followed up with the nationalization policy of heavy industries, and on the other hand, here is our learned friend, Mr. B. C. Ghose who says that this is a poor country and asks us : "Why do you want one crore ; why

do you want two crores ; can you not get along with five or ten rupees?" That is their argument. I do not know whether my hon. friends believe that big industries like Iron and Steel can be run and established with very small capital. The capital required for these industries will be thousands of crores of rupees. Sir, the hon. Communist Members cannot understand it. They cannot understand the difficulty. They have no information on this matter.

SHRI P. SUNDARAYYA : Sir, he is.....

MR. DEPUTY CHAIRMAN : Order, order.

SHRI T. S. PATTABIRAMAN : Sir, I know Mr. Sundarayya. Let him answer. I can stand up to him. I have been in the Party.....

AN HON. MEMBER : Yes, yes, all of you can stand up to him.

MR. DEPUTY CHAIRMAN : Order, order.

SHRI P. SUNDARAYYA : He has never been in the Communist Party.

SHRI T. S. PATTABIRAMAN : Sir, the Communists have sponsored these amendments against the best interests of the country. They do not want the big industries to be flourishing in this country. I ask them to read the history of Soviet Russia. They might not have read it. I have read it thoroughly. Let them look at the policy adopted by Russia during the period before 1932, and see what was the policy of that modern architect of Soviet Russia. I would request especially my hon. friend, Mr. B. Gupta and his friends, who are never tired of saying that the American agents are here, to study the progress achieved there. We are not anybody's agents. We are not the agents of America. Will they say that Lenin was an American agent when he accepted American aid? Of course, my friend can appreciate only Lenin. They do not feel that this is their motherland. They are prepared.....

SHRI P. SUNDARAYYA : Sir, it is nonsense that he says. We have got our country and it is nonsense to say we have no motherland.

MR. DEPUTY CHAIRMAN : Order, order. Please confine your remarks to the amendment.

SHRI T. S. PATTABIRAMAN : Sir, these people are giving me provocation.

MR. DEPUTY CHAIRMAN : You need not retaliate to their arguments.

SHRI K. L. NARASIMHAM : Sir, on a point of order. Here, references to Lenin and Stalin have been made. We are now discussing the amendment moved by the hon. Member and when that Member argues the cases he brings in irrelevant matters and gives room for unnecessary discussion. Will you allow that to continue?

MR. DEPUTY CHAIRMAN : There is no point of order. When hon. Members on this side bring in some arguments which are not pertinent in a simple Bill of this kind, it naturally creates retaliation. If hon. Members take recourse to such speeches, it provokes the other side. I hope that both sides will avoid this and confine themselves strictly to this amendment.

SHRI T. S. PATTABIRAMAN : Sir, if we see the history of many nations, we will find that they depended on the help of foreign countries. Today the International Monetary Bank does not belong to one particular country. It belongs to a world organization. And it is only in the fitness of things that India has agreed to receive help from that organization. Germany has been able to rebuild her economic position from the help rendered by the Monetary Fund. And today, if Russia is considered to be one of the greatest nations of the world, it is because of the technical and monetary help given to them by America and U. K. That truth can

[Shri T. S. Pattabiraman.] never be ignored. Taking that example emanating from that country, if Pandit Nehru does the same thing here for rebuilding our national economy, there is no reason why anybody should view it with suspicion.

MR. DEPUTY CHAIRMAN : I may remind you that the International Monetary Fund has no connection here.

SHRI T. S. PATTABIRAMAN : Mr. Rath has referred to it.

MR. DEPUTY CHAIRMAN : The amendment at present is that the limit of Rs. 50,000 be raised to 1 crore—whether that is necessary or not.

SHRI T. S. PATTABIRAMAN : I am submitting that the procedure will be that if there is going to be big industries to be started, they apply to the Industrial Finance Corporation. Then it makes a recommendation and through that the International Monetary Fund grants loans and the Government of India grants it. So, it will give an impetus, for us to start big industries which will be of vital importance to this country. So I say, don't restrict the amount that we are going to get from abroad because we are in a position to get large amounts from outside and we must make use of this opportunity to build the economy of this country and build the industries of our country so that the general living conditions of the people can go up and our people may be above want. My submission therefore is, when an outside agency is prepared to give us large amounts, we should take as much as possible and we shall invest them in the industries that will develop our resources and our wealth in the country. So I submit that the amendment that has been moved by my friend Mr. Rath cannot serve the purpose for which this country stands viz., the large-scale industrialisation of the country. So I say, if the amendment is to be accepted, it will retard the industrial

progress specially of great industries in this country and so I oppose the amendment.

As regards the other amendment that any loan exceeding fifty lakhs of rupees may be granted only on a resolution by the Houses of Parliament, I submit that it is against all canons of banking and currency. Today we see that there are allegations—I am not prepared to go into their merits or demerits—that political considerations influenced the grant of loans to particular concerns. If this amendment is to be accepted it will exactly deepen the evil that has been complained of by the hon. Members in this House. For example, it is a well known fact that Parliament reflects the political opinion of the country. If a resolution recommending particular loans comes before the Council or before the sessions of Parliament, then it will be considered in a political angle only and the financial or industrial interests of the country will not be taken into consideration. So the industrial concerns and especially the loans that are to be granted for industrial development of the country should become subject matters of political controversy. It is good in principle that the industrial concerns, banking institutions etc., must be placed above political controversy so that the country may prosper. So from the angle of the canons of banking it is highly objectionable that such an amendment should be accepted. Under the circumstances, I oppose the amendment.

SHRI KISHEN CHAND (Hyderabad) : Sir I want to say only one sentence. All loans which will be guaranteed by the Central Government will be a charge on the Consolidated Funds of India and as per Constitution the Central Government cannot give guarantee for any loan without taking permission or sanction of the Parliament. I wish to point out here that the Central Government is guaranteeing the share, capital and bonds of the Industrial Finance Corporation and because it is doing so, this Bill has come before this House of Parliament. Without the sanction of



Parliament, Government cannot create any charge on the Consolidated Fund of India. If the hon. Minister removes this clause, that the loan will be guaranteed by the Central Government when he raises the limit from Rs. 50 lakhs to Rs. 1 crore then probably there will be no objection from the Opposition on the constitutional basis; but when the loan is guaranteed by the Central Government, from the constitutional aspect, I submit, that it cannot be guaranteed without the sanction of Parliament. This is what I have to submit in support of the amendment.

SHRI M. C. SHAH : Sir, this is a very simple matter which need not have generated all the heat that it has generated in the House. As I have stated even in the beginning of my speech, as well as in my reply, it is not at the command of the International Bank that the Government has brought up this amending Bill. The Industrial Finance Corporation wanted to have foreign exchange borrowings. Section 27 provided that. But as I have stated, the guarantee of the Government of India was necessary and that was the main purpose for this amendment. And when we brought in this Bill, we also took the opportunity to widen the scope of the activities of the Corporation and so we have introduced shipping also. At present, under the parent Act, shipping concerns cannot be given loans. As I have already explained shipping concerns require a good sum. One ship costs as much as Rs. 60 lakhs of rupees and if we have to give loans as aid for the building of four or five ships, then naturally the amount would go to Rs. 1 crore or even more. Then there is the machine tool industry, engineering concerns and all these things which require a lot of money. So we have raised the limit to Rs. 1 crore from Rs. 50 lakhs. If the paid-up capital of this Corporation was Rs. 10 crores it would have automatically come to Rs. 1 crore, and as a matter of fact, there is no bar. Instead of that, we have stated that the Rs. 50 lakhs limit may be raised to Rs.

1 crore. So there can be no objection to that. There may be some exceptional cases where perhaps we may require Rs. 1 crore and 25 lakhs and naturally if there is no provision, it cannot be had. We are going to have these foreign currency borrowings from the International Bank and some industrial concern may require Rs. 1 crore 25 lakhs. So we have provided that for such borrowings of over Rs. 1 crore the guarantee of the Government on the recommendation of the Corporation should be there. Now, my hon. friend, Shri Ghose, had raised the point that we have slender resources. I have explained that we have got the power to raise funds to the extent of Rs. 25 crores. We have taken only Rs. 5.8 crores as bonds because we have to slowly give these sums when required. We have got the power and we can, when required, go to the market and issue bonds and get as much capital as we like, to the extent of Rs. 25 crores. We have also provided in this amending Bill that we can go to the Reserve Bank and get Rs. 3 crores. Up to Rs. 3 crores we can get by giving our bonds. And when necessary, we may sell these bonds in the market at a favourable opportunity, within 18 months. We can also get money as short-loans for 90 days. That we have provided for. So in all we can get Rs. 25 crores and also another Rs. 5 crores, or Rs. 30 crores.

Then there was one point raised by my hon. friend Mr. Rath about the Orissa Textile Mills. He said that the whole thing was mortgaged to the Reserve Bank or something like that. I have got here their printed report and it is dated the 31st March, 1951. It has the Orissa Textile Mills, Ltd., balance sheet, and.....

SHRI KISHEN CHAND : Is it 1951 or 1952?

SHRI M. C. SHAH : It is for March 1951. I have got for 31st March 1952. I only wanted to show that the misgivings or the misinformation that my friend

[Shri M. C. Shah.]

Mr. Rath may have got is capable of explanation by just referring to this.

SHRI S. MAHANTY : Will he kindly lay it on the Table, Sir?

SHRI M. C. SHAH : How can I lay it? It is a public document.

SHRI S. MAHANTY : On a point of order, Sir.

MR. DEPUTY CHAIRMAN : You can read the relevant portions. He will read out the relevant portions.

SHRI M. C. SHAH : If you want, I will place it on the Table of the House. There is nothing secret.

SHRI S. MAHANTY : Thank you, Sir.

SHRI M. C. SHAH : This is a public document. I will not read out about the capital, or.....

MR. DEPUTY CHAIRMAN : The hon. Minister may read only the relevant portions.

SHRI M. C. SHAH : Loans and debentures from Industrial Finance Corporation of India, bearing interest at 5% .....

MR. DEPUTY CHAIRMAN : I think the only thing he wants to know is whether it was mortgaged to the Reserve Bank.

SHRI M. C. SHAH : I am only reading four items to show that the information he has got is absolutely false. He said that the whole company was mortgaged to the Imperial Bank or to the Reserve Bank.

MR. DEPUTY CHAIRMAN : Reserve Bank.

SHRI M. C. SHAH : I am not sure whether it is the Imperial Bank or the Reserve Bank. I had stated yesterday that the Industrial Finance

Corporation has got the first charge on all the block assets and that is what is stated here. Loan from the Industrial Finance Corporation of India bearing interest at  $5\frac{1}{2}\%$  per annum secured: that is the first mortgage of the Company's fixed assets, Rs. 50 lakhs. Then, comes the Orissa Government's loan, under the State Aid to Industries Act, 1923, bearing interest at  $3\frac{1}{2}\%$ , secured: this is the second mortgage of the Company's fixed assets and now, perhaps, my hon. friend may not be knowing and I am informing him that there are certain raw materials, like cotton and also cloth on which the banks always give advances. Perhaps that information may be there with him but, he mixed all these things and asked how the Industrial Finance Corporation or the Orissa Government gave this aid. How can they take this as the first or second mortgage. I have got information for 1952 also.

I think, Sir, the matter is very clear and it can be seen. Mr. Patnaik, or whoever he may be might have said anything but, there is the report which is, under the Indian Companies' Act, to be sent to the Registrar of Companies. So, Sir, I do not want to proceed further and, with regard to the agreement, I have already said that the terms are not yet finalised.

SHRI B. RATH : You said in the Statement of Objects and Reasons that they were finalised.

SHRI M. C. SHAH : Government will always be prepared to give the terms of the agreement, because there is nothing secret in it. It is a public document.

SHRI P. SUNDARAYYA : Sir, here it is said that the agreement has been concluded.

SHRI M. C. SHAH : That is concluded, but, I mean the agreements are to be signed. As I have said, there is provisional agreement about interest and, if this Bill is passed, the final agreement can be reached. I have said that this Bill has been brought

forward for that very purpose. So, it is very clear that this is absolutely necessary and it is a thing which does not require much argument or much heat.

SHRI B. RATH : Sir, I want to put one question.

MR. DEPUTY CHAIRMAN : Are you withdrawing it? I am putting the amendment to the vote.

SHRI B. RATH : Sir, whether I am withdrawing or not will depend on the answer.

MR. DEPUTY CHAIRMAN : Mr. Ghose, shall I put your amendment to the vote?

SHRI B. C. GHOSE : Yes, Sir.

MR. DEPUTY CHAIRMAN : The question is :

At page 4, line 3, for the words "one crore" the words "fifty lakhs" be substituted.

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

At page 4, line 4, for the words "one crore" the words "fifty lakhs" be substituted.

The motion was negatived.

MR. DEPUTY CHAIRMAN : No. 20. Does the hon. Member Mr. Rath press it?

SHRI B. RATH : Before I decide whether to press it or not, I have a question to ask.

MR. DEPUTY CHAIRMAN : The hon. Minister has replied to the debate, and to all the arguments advanced by the hon. Member.

SHRI B. RATH : May I make a submission at this stage even? I can ask for clarification. The rules permit it, and I seek your permission to ask for certain clarification. The Minister in his reply has consistently said that the Government of India has

found it necessary to amend the Act, in spite of the fact that it is mentioned in the Statement of Objects and Reasons that as suggested by the International Bank these amendments are being carried out. So, which is true? I want to know from him whether the Statement of Objects and Reasons is correct or whether his own statement here is correct.

MR. DEPUTY CHAIRMAN : The Statement of Objects and Reasons is before the House.

SHRI B. RATH : But he denies it.

MR. DEPUTY CHAIRMAN : The question is :

At page 4, for lines 4 to 8, the following be substituted:—

"Provided that any loan exceeding fifty lakhs of rupees may be granted only on a resolution by the Houses of Parliament."

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

At page 4, line 8, after the word "interest" the following be inserted:—

"or when such loans and advances are granted or debentures subscribed under clause (e) of sub-section (1) of section 23 or section 27 of the Act."

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

That clause 13 do stand part of the Bill.

The motion was adopted.

Clause 13 was added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That clauses 14 and 15 do stand part of the Bill.

There are no amendments to these clauses.

The motion was adopted.

Clauses 14 and 15 were added to the Bill.

MR. DEPUTY CHAIRMAN :  
The question is :

That clause 16 do stand part of the Bill.

There are three amendments, by Messrs. Rath, Bhupesh Gupta and S. N. Mazumdar. There has been debate on the subject of these amendments. The hon. Members can move the amendments. I hope there will not be long speeches.

SHRI S. N. MAZUMDAR (West Bengal) : Sir, I move:

At page 4, after line 27, the following proviso be added to sub-section (1) of the proposed section 27:—

“Provided that before giving such consent the Central Government, by a resolution, shall obtain the approval of both Houses of Parliament.”

Sir, I have seen the fate of the amendments which have been moved before, and I also know that this amendment will not be accepted by my hon. friend the Deputy Minister. Still I am going to speak, because I owe a duty to the public.

I think there cannot be any objection to accepting this amendment. Even my hon. friend Prof. Ranga should have no reason to object to this amendment. This amendment does not object to receiving foreign loans; it only says that before receiving such a loan, the consent of both Houses of Parliament should be taken. Why? It is undeniable that foreign loans do influence the foreign policy and the home policy of Governments. There are strings involved—invisible or visible. I am not using harsh words. I shall try to make it acceptable at least to the conscience of my friends on the other side, and so I do not want to use harsh words. Government may think that in the conditions laid down by the International Bank there are no strings at all, but it is possible that the House may think otherwise, that there are strings attached which should not be accepted or against which a protest should be registered. There may be conditions which the Government may not think are invisible strings but the

House may think them to be invisible strings. Therefore, Sir, the House should have an opportunity of discussing these loans instead of being faced with an accomplished fact. As for instance I shall suggest, Sir, one example. During the last session, we debated the amendment to the Companies laws. There also this opinion was voiced in this House that when our neighbour Iran was engaged in the life and death struggle, to drive foreign imperialism from its shores, the Government of India was busy finding a heaven for foreign imperialism on our shores, and concluded an agreement with the Standard Vacuum Oil Company regarding the oil refineries and also they gave some assurances in modifying the policy previously pursued by the Government in relation to these foreign concerns or foreign companies. And then after that agreement was concluded, the amendment to the law was brought here. The House was faced with a *fait accompli*. At that time, I think, this side at least was unanimous in criticising this state of affairs. And I do not like to dilate upon the character of the International Bank for Reconstruction and Development. But, Sir, for these reasons, I say that the consent of the House should be taken before obtaining such loans. With these words, Sir, I have given my remarks.

SHRI B. GUPTA : Sir, I beg to move:

That at page 4, at the end of line 30, the words “and shall supervise the utilisation of all such loans” be added.

Sir, here is a provision in the amending Bill that the Government will guarantee our loans under certain sub-clause.

Now, Sir, my amendment invests the Government with the powers of supervision with regard to the utilisation of the loans that have been obtained under Government guarantees. Hon. Members like Prof. Ranga will have noted that the proposal here is to invest the Government with the power of supervision. Sir, why do I suggest this? When you guarantee a

loan, you become a guarantor and enter into certain liabilities and when it is a question of the Government, the public exchequer is committed to certain liabilities. Now, in such cases it is very necessary when funds are advanced to industrial concerns that the Government should have certain powers with regard to the superintendence of the business and the affairs of that particular concern which might get the loan. The present practice is that the Government should guarantee some cases, but after that, it would have nothing to do whatsoever with that particular concern. This, I think, Sir, is very very harmful, especially when it is known that some of the industrial concerns at any rate are not playing fair—are not playing the game well. Therefore, Sir, what we demand here by this amendment is that the Government should retain some kind of control because it is very essential after the loans have been granted, to see how these loans are utilised.

Sir, I will just give you one example if I may. The hon. Minister said that loans are granted for technical or for some machine building industries and things like that. Sir, if you will go into the figures of production of machine tools in our country, you will find that the machine tool production in our country has declined year by year. In a country like India where we are very very deficient with regard to the production of machine tools, there should be every attempt to ensure that this production goes up.

Now, Sir, the loans have been advanced, maybe, to certain concerns which had done something or other, but you find that there is a decline in the production of machine tools. I want that in such cases, whenever you make over a loan, you must ensure that production goes up, that the funds are utilised not for meeting the exigencies of working capital, but for increasing the installed capacity, for increasing production and meeting the needs of the workers who take a very vital part in production. In all these matters, it is very necessary for the Government to come into the

picture. Otherwise, it may be that the Government or this institution would be investing in a bank under liquidation. It may look successful in the first year when the loan is granted. But it may happen that the funds have been so mis-used, or so indiscreetly or unwisely or anti-nationally used that the concern will get into liquidation soon, or at any rate would not be in a position to further the objectives for which the loan was granted. So I say, let the Central Government and its Ministers have some control. I cannot understand why the hon. Minister should not assume a certain measure of control. You should imbibe some self-confidence. After all, they are in very high positions from where they can control everything. I do not understand their refusal. After all life has proved,—experience has shown—that these industrialists have been hitting below the belt, have not been playing fair, they do not function in the manner in which they should function. So, it is the bounden duty of any responsible Government, any Government worth its salt, that they should assume a certain measure of control and responsibility. Therefore, my amendment suggests that they should follow the loan. When the loan goes to the house of the Birlas, let at least a Deputy Minister follow the loan. We have got plenty of them, Deputy Ministers and Parliamentary Secretaries. You can have more of them. They are going unemployed,—some of them. Let them have some functions to fulfil. Let them develop their knowledge of administration. That way they will learn how to manage public affairs rather than come here and try to answer questions in a futile manner. My suggestion will help them, help industry and will help in safeguarding the loans. Last but not least, it will help them—I suppose—to increase the number of Deputy Ministers and Parliamentary Secretaries. Let them have a little bit of training. This would be helpful. Therefore, the hon. Minister here in charge of the Bill, who is a Deputy—many Deputy Ministers are still queueing up here—will,

[Shri B. Gupta.]

I hope, accept my amendment.

MR. DEPUTY CHAIRMAN : Are you moving the other amendment? It is almost similar.

SHRI B. GUPTA : Sir, I beg to move:

That at page 4, after line 34, the following proviso be added to sub-section (3) of the proposed section 27:—

“Provided that the Central Government shall have the power of superintendence and direction as to the utilisation of such loans granted hereunder.”

Now, Sir, in the amending Bill there is a provision which says:

“All loans and advances to industrial concerns out of foreign currency borrowed under sub-section (1) shall be granted in Indian currency and shall be repayable by such concerns in the Indian currency.”

It is clear that loans will be raised for which the Government of India will enter into certain commitments. We are mortgaging ourselves to foreign countries. Our position is that of the mortgager and the position of the foreign country is that of the mortgagee. Now, Sir, we should be a little more wise about it. Bankruptcy in politics need not lead to bankruptcy in business also. Therefore, I can tell my hon. friends—and there are very very able and successful businessmen among them—that we should get some amount of control with regard to the supervision and the utilisation of the loans. Foreign moneys will be forthcoming; foreign loans will be coming in and we should be particularly careful with those. That should not be left in the hands of the industrialists or profiteers or big financiers to be used as they like. We know that these transactions mean something in the life of the people. They involve the entire country. We have seen how country after country in the world's history has gone down on account of such foreign loans.

MR. DEPUTY CHAIRMAN :  
rder, order.

SHRI B. GUPTA : On account of irresponsible people handling the finances of the country.

MR. DEPUTY CHAIRMAN : The two amendments are almost identical. You have made your speech on the first and are again going with the same argument.

SHRI B. GUPTA : No, Sir, I cannot help. Anyway, I hope that since the amendments are identical, the attitude of the Government will also be identical. I know, Sir, I am speaking against regimented votes on that side and I cannot break that conscript vote. But at the bottom of their hearts, they should have some interest for the country so that they could realise the importance of this and at least understand our points. We want to give them a little power in this particular matter. But with regard to money and funds, we have also to be cautious. The hon. Minister, after all, he is fond of power—otherwise, he would not be sitting there laughing—will he assume this power of control?

SHRI M. C. SHAH : Sir, I have nothing to say

MR. DEPUTY CHAIRMAN : You do not accept any amendment?

SHRI M. C. SHAH : Sir, Government have full powers to control. These things are not to be provided in the Act.

MR. DEPUTY CHAIRMAN : Mr. Gupta, you want me to put it to vote?

SHRI B. GUPTA : Yes.

MR. DEPUTY CHAIRMAN :  
The question is :

At page 4, after line 27, the following provision be added to sub-section (1) of the proposed section 27:—

“Provided that before giving such consent the Central Government, by a resolution shall obtain the approval of both Houses of Parliament.”

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

At page 4, at the end of line 30, the words "and shall supervise the utilisation of all such loans" be added.

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

At page 4, after line 34, the following proviso be added to sub-section (3) of the proposed section 27:—

"Provided that the Central Government shall have the power of superintendence and direction as to the utilisation of such loans granted hereunder".

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

That clause 16 stand part of the Bill.

The motion was adopted.

Clause 16 was added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That clauses 17, 18 and 19 stand part of the Bill.

There are no amendments to these clauses.

The motion was adopted.

Clauses 17, 18 and 19 were added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

Clause 20 stand part of the Bill.

There are four amendments to this clause.

SHRI K. C. GEORGE (Travancore-Cochin) : Sir, I beg to move:

At page 6, after line 3, the following proviso be inserted:—

"Provided that not less than one-third of the directors so appointed shall be elected in this behalf by the workers and employees of the industrial concern whose management is taken over by the Corporation."

Sir, the object of this amendment is to see that the loan granted by the Corporation is utilized to the best interests of the industries and of the country.

I don't think anybody would object if I say that the employees and workers are one of the most important factors in the production. My amendment is based on clause 19 which says:

"Where an industrial concern, in breach of any agreement, makes any default in repayment of any loan or advance or any instalment thereof or otherwise fails to comply with the terms of its agreement with the Corporation or etc."

or in any other manner fails to conduct the business in a proper manner, the Corporation under this Bill has the power to take over the industry to itself.

In such cases clause 20 says:

"When the management of an industrial concern is taken over by the Corporation, the Corporation may, by order notified in the Official Gazette, appoint as many persons as it thinks fit to be the directors of that industrial concern."

What I request by this amendment is that one-third of these directors should be from the employees, elected by the employees and workers. I would make it very clear that I don't mean by this that the concern should go to the hands of the workers. What I mean is when the concern has almost collapsed, then only the Corporation takes it up. The workers being one of the most important factors, it is certainly to the interest of the industry and the concern that the workers be given an important voice. Not the whole power but a fair voice in the direction of the concern. So nobody need be anxious that the whole business is being nationalised or it will be a proletariat dictatorship. That is far from my intention in moving this amendment. What I mean is if the opinion of the workers is taken into consideration, the management will be able to do their business in a better manner. So I hope the hon. Minister will not have any objection to accepting this amendment.

SHRI B. C. GHOSE : He always has.

SHRI K. C. GEORGE : Nobody denies the fact that the workers play an important part in the firm's production.

MR. DEPUTY CHAIRMAN : Mr. Karayalar—are you moving amendment No. 26?

SHRI S. C. KARAYALAR : My amendment relates to sub-clause 2 of the new clause proposed to be inserted. My object is only to draw attention to the fact that this clause is not related...

MR. DEPUTY CHAIRMAN : Are you moving the amendment?

SHRI S. C. KARAYALAR : Yes Sir, I beg to move :

That at page 6, lines 4—5 for the words "The power to appoint directors under this section includes the power to", the words "The Corporation may" be substituted.

The clause as drafted in the Bill is in the nature of an explanation. It is really not an explanation. It is an enacting clause by which power is taken to appoint a Managing Agent apart from the power to appoint Directors. The clause as drafted and put in implies that the power to appoint Directors ordinarily would include the power to appoint an individual as Managing Agent also.

5 P M.

The first is the power to appoint Directors. That does not necessarily include the power to appoint Managing Agents. The two are of different characters. While I have no objection to power being reserved to the Corporation to appoint Managing Agents, I suggest that the wording may be put in a different form so that it may comply with the legislative form. As it is, it is not really in the legislative form, hence the proposed amendment of mine. With my amendment, it would read:

"The Corporation may appoint any individual, firm or company to be the Managing Agent of the industrial concern, on such terms and conditions as the Corporation may think fit."

I have no objection to the contents of the clause being retained, I only suggest that its form may be modified so that it may be in proper legislative form. Otherwise, it is liable to be misinterpreted. The power to appoint Directors does not necessarily include the power to appoint any individual, firm or company to be the Managing Agent. As it is, it is liable to be misinterpreted and lawyers may interpret it in different ways. Therefore, to make it quite clear, I have suggested this change in form.

MR. DEPUTY CHAIRMAN : It is five of clock. But if the House is willing, I would like to finish the second reading today. There are only two or three more clauses and if the House is willing to sit for another half an hour or so, we can finish them also.

PROF. G. RANGA : And the third reading will be taken up tomorrow morning?

MR. DEPUTY CHAIRMAN : No, we have the Food Debate tomorrow. The third reading will be on Saturday.

SHRI KISHEN CHAND : Then why not have this also on Saturday?

MR. DEPUTY CHAIRMAN : No, we can finish the few remaining clauses also, if the House has no objection to sitting a few minutes more.

SHRI RAJAGOPAL NAIDU : But Sir, some hon. Members who had tabled amendments have already left the House, thinking that it would adjourn at 5 o' clock.

MR. DEPUTY CHAIRMAN : If hon. Members leave before the House adjourns, I am not responsible for it. We can sit for another ten minutes or so.

SHRI RAJAGOPAL NAIDU : All right, Sir.

SHRI D. D. ITALIA (Hyderabad) : What about our conveyances?



Yesterday we had to walk back, we got no conveyance.

MR. DEPUTY CHAIRMAN : Hon. Members will have to make a little sacrifice. But I understand arrangements for the conveyance will be made.

SHRI D. D. ITALIA : Thank you, very much.

SHRI E. K. IMBICHIBAVA : (Madras): Sir, I move:

That at page 6, after line 7, the following proviso be inserted:—

“Provided that all such notified orders together with the names of new Directors and the terms and conditions of their appointment shall be laid before both Houses of Parliament.”

MR. DEPUTY CHAIRMAN : Amendments moved :

That at page 6, after line 3, the following proviso be inserted:—

“Provided that not less than one-third of the Directors so appointed shall be elected in this behalf by the workers and employees of the industrial concern whose management is taken over by the Corporation.”

That at page 6, lines 4—5, for the words “The power to appoint Directors under this section includes the power to”, the words “The Corporation may” be substituted.

SHRI B. C. GHOSE : Sir, I have to.....

MR. DEPUTY CHAIRMAN : I will put the other amendment also and then allow you to move. Amendment moved:

That at page 6, after line 7, the following proviso be inserted:—

“ Provided that all such notified orders together with the names of new Directors and the terms and conditions of their appointment shall be laid before both Houses of Parliament.”

And then there is another amendment—No. 28—by Shri B. C. Ghose.

SHRI B. C. GHOSE : Sir, I move that:

At page 6, line 14, for the words “or any Director” the words “or Managing Director or any other Director” be substituted.

Sir, I am afraid Government may be forced to accept this amendment because, Sir, I do not understand the reason why there should be a differential treatment in regard to clause 30B and sub-sections (1) and (2) of 30D. This has been amended presumably in the Lower House by the addition of the words ‘Managing Director or any other Director’. If you look, Sir, to sub-sections (1) and (2) of 30D, you will find in both the places the words ‘Managing Agent, Managing Director or any other Director’ whereas you find in sub-section (b) of 30B only ‘Managing Agent or any Director’. I should like to know from the hon. Minister the reason why ‘Managing Director’ has also not been included in this.

MR. DEPUTY CHAIRMAN : Amendment moved:

At page 6, line 14, for the words “ or any Director” the words “ or Managing Director or any other Director” be substituted.

All these four amendments and the clause are open for discussion.

SHRI M. C. SHAH : Sir, Government cannot accept any of the amendments. About this ‘any Director’ it was rather moved by my hon. friend, Mr. Guha, in the Lower House. We had consulted our Legal Department and they said that it ought to be ‘any Director and the Managing Director’ is not necessary. First he is a Director and then he is the Managing Director and, so, in the Director, the Managing Director is included. About the other points made, I have already informed the House that we have taken these clauses from one enactment, the Sholapur Spinning and Weaving Company (Emergency Provision) Act, 1950 and we had consulted our Legal Department who have framed this.

MR. DEPUTY CHAIRMAN : Mr. Gupta, do you want me to put your amendment to the vote?

SHRI B. C. GHOSE : If a Director includes Managing Director, why have you made specific mention of Managing Director in 30D? I am afraid that

[Shri B. C. Ghose.]  
if you have specifically mentioned that in 30D, and it is not mentioned in 30B, it may be construed that the Managing Director will not be included. If you had not made specific mention, I should have understood that it would not have been necessary; but, once, in the same Bill, in one place you make a specific mention of the Managing Director and in the other place you do not, it will be construed that in 30B the Managing Director is not included.

SHRI M. C. SHAH: We had consulted our Legal Department.

MR. DEPUTY CHAIRMAN: He is not prepared to accept it.

Mr. George, do you want me to put the amendment to the vote?

SHRI K. C. GEORGE: Yes, Sir.

MR. DEPUTY CHAIRMAN: The question is:

At page 6, after line 3, the following proviso be inserted:—

“Provided that not less than one-third of the Directors so appointed shall be elected in this behalf by the workers and employees of the industrial concern whose management is taken over by the Corporation.”

The motion was negatived.

MR. DEPUTY CHAIRMAN: Mr. Chattanatha Karayalar, do you want to press your amendment?

SHRI S. C. KARAYALAR: I do not want to press my amendment, Sir.

MR. DEPUTY CHAIRMAN: Has he the leave of the House to withdraw his amendment?

HON. MEMBERS: Yes.

MR. DEPUTY CHAIRMAN: The amendment is withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

At page 6, after line 7, the following proviso be inserted:—

“Provided that all such notified orders together with the names of new Directors and the terms and conditions of their appointment shall be laid before both Houses of Parliament.”

The motion was negatived.

MR. DEPUTY CHAIRMAN: Mr. Ghose, do you want me to put the amendment to the vote?

SHRI B. C. GHOSE: Put it to the vote, Sir.

MR. DEPUTY CHAIRMAN: The question is:

At page 6, line 14, for the words “or any Director” the words “or Managing Director or any other Director” be substituted.

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

That clause 20 do stand part of the Bill.  
The motion was adopted.

Clause 20 was added to the Bill.

MR. DEPUTY CHAIRMAN: The question is:

That clause 21 do stand part of the Bill.  
There are no amendments.

The motion was adopted.

Clause 21 was added to the Bill.

MR. DEPUTY CHAIRMAN: The question is:

That clause 22 do stand part of the Bill.  
There is an amendment by Shri B. C. Ghose.

SHRI B. C. GHOSE: Sir, my friends are advising me not to move it, because it will not be accepted. At the same time it is necessary to point out certain lacunae in the Bill. I move:

At page 7, line 49 for the word “exceeds” the words “amounts to” be substituted.

I believe the Government's intention is that the special reserve fund should be created to which all dividends would be credited till the amount comes to Rs. 50 lakhs. When that exceeds Rs. 50 lakhs, then to what extent will it be allowed to go? One crore? Two crores? Five crores? It says:

"All dividends accruing on the shares of the Corporation held by the Central Government and the Reserve Bank shall, instead of being paid to them, be credited to a special reserve fund until the aggregate of the sums so credited exceeds fifty lakhs of rupees."

But there is no limit up to which it will go. It may go up to five crores. Is there any wording in this Section which says that when it has amounted to Rs. 50 lakhs, no further dividend need be credited to the reserve fund? Otherwise I believe the Government would suffer a loss, because any amount of money might have to be credited to the fund.

SHRI M. C. SHAH : It means that we want to create a special reserve fund, and to have upto Rs. 50 lakhs in it. After we have reached that, then the dividends to the Reserve Bank as well as to the Government of India will be paid.

SHRI B. C. GHOSE : I appeal to you, Sir : do you think the wording is clear? We are considering a Bill here.

SHRI M. C. SHAH : There will be two reserve funds—an ordinary reserve fund and a special reserve fund.

SHRI B. C. GHOSE : I have understood that. The Government says that their intention is to create a reserve fund which will total up to Rs. 50 lakhs, and only when it has reached Rs. 50 lakhs will the dividends be payable to the Central Government and the Reserve Bank. If that is the Government's intention, is the wording satisfactory?

SHRI M. C. SHAH : I think the wording is very clear.

SHRI B. C. GHOSE : How is it clear?

MR. DEPUTY CHAIRMAN : The word "exceeds" means, something more than Rs. 50 lakhs. That means, it may go up to any amount. The hon. Member wants to limit it.

SHRI M. C. SHAH : Rs. 50 lakhs is the limit.

SHRI B. C. GHOSE : The word is "exceeds".

SHRI M. C. SHAH : The moment the limit of Rs. 50 lakhs is reached, if there is even one rupee in excess of that, that one rupee will go towards the payment of dividend to the Reserve Bank and the Government of India.

SHRI B. C. GHOSE : If that is the Government's intention, I submit to you, Sir, that that is not being made clear by the wording. It should not be "exceeds". We want that the money should not still continue to be credited to the special reserve fund, but it should go to the Reserve Bank and the Government. Therefore, the wording should be "amounts to". If the intention is there, even then if we cannot do anything in the face of something which is palpably not reasonable, then what is the sense in our going through all these Bills with any care. I should therefore like to appeal to you to see if you are satisfied. If you are satisfied, I have no objection. I submit that the language is not clear. I request you to hold over this clause, because we cannot finish today, and legal advice may be taken.

SHRI M. C. SHAH : If I may be allowed to intervene Sir, legal advice was taken. In the original amending Bill as it stood, the intention was that in the ordinary reserve fund and the special reserve fund the aggregate amount should come to Rs. 50 lakhs. Then there was an amendment, which was accepted by the Government.

SHRI B. C. GHOSE : We are not concerned with that.

SHRI M. C. SHAH : It was sent to the Law Ministry, and this amendment

[Shri M. C. Shah.]  
was suggested by the Law Ministry themselves. The word "until" makes it clear.

MR. DEPUTY CHAIRMAN :  
The word "until" makes it clear. I will put the amendment. The question is:

At page 7, line 49, for the word "exceeds" the words "amounts to" be substituted.

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is:

That clause 22 do stand part of the Bill.

The motion was adopted.

Clause 22 was added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That clause 23 do stand part of the Bill.

There is no amendment.

The motion was adopted.

Clause 23 was added to the Bill.

MR. DEPUTY CHAIRMAN : The question is:

That clause 24 do stand part of the Bill.

SHRI B. GUPTA : Sir, I beg to move:

That at page 8, line 40, after the word "Parliament" the following be inserted:—

"during its session immediately following the receipt of the audit report by the Central Government."

Sir, in the amending Bill it has been provided that this report should be laid before the Houses of Parliament. Now, Sir, I have put in the following words:

"the receipt of the audit report by the Central Government."

Sir, you will have noted here that the Industrial Finance Corporation's Fourth Annual Report is dated the 30th June 1952. Now, Sir, at that time the Parliament was in session. Even then

this Report was not made available to the Parliament. And it appeared that the report was very very important. Now, Sir, if we had that Report say in June, July or August, we could have gone into this matter much more carefully. In our respective States we could have made inquiries with regard to the various industries in this report, so that we could have come here with more facts. This thing we could not do during the discussion here. The Government take their own time and that does not help us at all. Now, Sir, that is why I say that I want to keep it as a saving clause, so that the Government takes immediate steps to place the audit report before the Houses of Parliament. I would not like the whole matter to be left to the Government or to allow it to choose its own time as to when it should be laid before the House. After all the hon. Minister has not accepted any amendment. I do not think, he will have any objection in accepting this amendment. Even if he accepts it, it would make no material difference to the whole affair. But I think it would not hurt him to accept this simple amendment. Only he will have the sense of duty to place the matter immediately after the Parliament meets.

SHRI M. C. SHAH: It would have given me great pleasure to accept the amendment if it was found to be necessary. If we accept this amendment, it shows that the Government is negligent of its duties. When it is enjoined in the Act that on the receipt of that report, it shall be laid before the Houses of Parliament, it is to be presumed that the Government will immediately place it before both the Houses of Parliament.

MR. DEPUTY CHAIRMAN : The question is:

That at page 8, line 40, after the word "Parliament" the following be inserted:—

"during its session immediately following the receipt of the audit report by the Central Government."

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is :

That clause 24 stand part of the Bill.

The motion was adopted.

Clause 24 was added to the Bill.

MR. DEPUTY CHAIRMAN : There is an amendment to clause 25.

\*SHRI B. C. GHOSE : I am not moving it.

MR. DEPUTY CHAIRMAN : There are no amendments to clauses 25, 26, 27, 28, 29, 30 and 31. The question is :

That clauses 25, 26, 27, 28, 29, 30 and 31 stand part of the Bill.

The motion was adopted.

Clauses 25, 26, 27, 28, 29, 30 and 31 were added to the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That clause 1, the enacting formula and the title stand part of the Bill.

The motion was adopted.

Clause 1, the enacting formula and the title were added to the Bill.

SHRI M. C. SHAH : Sir, I move that the Bill be passed.

5-20 P.M.

MR. DEPUTY CHAIRMAN : The motion is :

That the Bill be passed.

Mr. Sundarayya, You can begin on Saturday morning.

The House now stands adjourned till 10-45 A.M. tomorrow.

The Council then adjourned till a quarter to eleven of the clock on Friday, the 12th December 1952.