

Thursday, 16th August, 1951



PARLIAMENTARY DEBATES

(Part I—Questions and Answers)

OFFICIAL REPORT

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1951

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THE
PARLIAMENTARY DEBATES
(Part I—Questions and Answers)
OFFICIAL REPORT

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PARLIAMENT OF INDIA

Thursday, 16th August, 1951.

*The House met at Half Past Eight
of the Clock.*

[MR. DEPUTY-SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

SURPLUS STORES FOR DISPOSAL

*245. **Shri Raj Kanwar:** Will the Minister of Works, Production and Supply be pleased to state the latest position of surplus stores including American Surplus still left for disposal and how it compares with the position of such stores as on 31st July 1950?

The Minister of Works, Production and Supply (Shri Gadgil): The book value of surplus stores including American surpluses awaiting disposal as on 31st July 1951 was Rs. 52.02 crores. The corresponding figure on 31st July 1950 was Rs. 77.40 crores.

Shri Raj Kanwar: What was the book value of the surplus stores taken over at the time of the creation of the organisation and what is the book value at present?

Shri Gadgil: I require notice. But to give a rough idea, it was about 150 crores. I may also mention that the reply I have given does not give an adequate idea as to the progress of disposal, because every month new declarations are made by the Defence Ministry. During this period the book value of the surplus stores declared was 17.80 crores. If that is taken into consideration the actual book value of the surplus disposed of would come to Rs. 46.44 crores.

Shri Raj Kanwar: After what length of time is the surplus stores organisation likely to be wound up?

Shri Gadgil: It is too much for me to reply. It depends upon the pro-
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gress which the Defence Ministry can make with respect to its declaration.

Shri Raj Kanwar: Have any economies been effected in this organisation in recent times?

Shri Gadgil: I did not know that this particular question would crop up as it has been answered twice before. A great deal of economy has been effected in the expenditure of this department.

Shri Raj Kanwar: How far has the work of this organisation progressed according to schedule?

Shri Gadgil: The Estimates Committee made certain recommendations and they have been substantially carried out.

Mr. Deputy-Speaker: May I suggest for the consideration of hon. Members that before questions are put they must exhaust all other sources of information. I know as a matter of fact that the Estimates Committee went into this matter and the information asked for in the last three or four supplementary questions has been answered in detail in the Estimates Committee report and the Committee also have suggested what ought to be done. There is no good taking up the time of the House except on matters where no such information is available either in the library, statistical publications or administrative reports of government.

Shri R. Velayudhan: How long will it take.....

Mr. Deputy-Speaker: The hon. Member ought not to jump up before being called and put his question. Mr. Sidhva.

Shri R. Velayudhan: I had already stood up, Sir.

Mr. Deputy-Speaker: Maybe, but the Chair must call him.

Shri Sidhva: Have any regional offices been completely closed down?

Shri Gadgil: I think some offices have been closed down but some have got to function, as the stores are spread all over the country.

Shri R. Velayudhan: How long will it take Government for the disposal of non-military stores and may I know whether any sorting has been made as between military and non-military goods for disposal?

Shri Gadgil: As soon as surpluses are declared by the Defence Ministry it is communicated to the other Ministries of the Central Government and when priority indentors do not want anything, then it is put up to auction. Military stores when declared and released as surplus are normally not taken back by the Defence Ministry. The rest is civil stores.

Shri Hussain Imam: The Minister stated the book value of the articles as they are but did not say the cash value received.

Shri Gadgil: The question related only to book value.

Shri Hussain Imam: Can he give me the cash value?

Shri T. N. Singh: Is it a fact that owing to a Government circular the disposal of surplus goods can take place only after all other departments have stated their requirements with respect to particular goods? Is it a fact that because of this large accumulations have occurred and that due to passage of time we are incurring more loss on the disposals?

Shri Gadgil: To some extent it is true. Two years ago the Government issued a directive that no stores should be put up to auction unless there was a certificate from the Rehabilitation Ministry that they did not want it. That necessarily caused some delay. But now a new procedure has been evolved, which has secured a considerable reduction in time.

INDIANS IN ANGLO-IRANIAN OIL COMPANY

*247. **Shri Sidhva:** Will the Prime Minister be pleased to state:

(a) the number of Indians, employed by the Anglo-Iranian Oil Company who have left Iran for India since the dispute between the Company and Government of Iran;

(b) whether all the Indian employees are receiving their salaries regularly; and

(c) how many out of the number of persons who have arrived in India, are the family members of the Indian employees or employees themselves of the Company?

The Deputy Minister of External Affairs (Dr. Keskar): (a) to (c). The hon. Member's attention is invited to my reply to the Starred Question No. 15 on the 7th August, 1951.

Shri Sidhva: If he has the information, will the Deputy Minister state what was the total number of Indians employed there before the trouble arose between the Anglo-Iranian Oil Company and the Government of Iran?

Dr. Keskar: In my answer on the previous occasion a very full and detailed statement was placed before the House. Nevertheless I may inform my hon. friend that the strength of Indians employed there before the trouble was about 900.

सेठ गोविन्द दास : क्या जब यह झगड़े ईरान में शुरू हुए उस वक़्त भारतीय कार्य-कर्ताओं ने वहाँ पर जो नई व्यवस्था हुई थी उस में काम करने से इन्कार किया था ?

[**Seth Govind Das:** Did the Indian workers refuse to work under the new set-up that came in the wake of the trouble in Iran?]

डा० केसकर : मैं इस बात का जवाब दे चुका हूँ, फिर भी मैं आनरेबल मेम्बर को बतलाना चाहता हूँ कि ज्यादातर भारतीय नौकर जो वहाँ थे उन्होंने नई कम्पनी को यह बतला दिया कि चूँकि हम पुरानी कम्पनी के साथ कंट्रैक्ट पर काम कर रहे हैं, हम आर्गेमैटिकली उनकी सर्विस में नहीं आ सकते और जब तक कंट्रैक्ट के बारे में कोई व्यवस्था न की जायगी तब तक वह उनकी नौकरी नहीं कर सकते।

[**Dr. Keskar:** I have already replied to that question. However, for the information of the hon. Member I may tell him that most of the Indian employees intimated to the new company that since they were working with the old company on a contract basis, they could not automatically come under the service of the new one and that until a contract was negotiated with them they could not serve under them.]

सेठ गोविन्द दास : फिर क्या उस कंट्रैक्ट के बारे में कोई नई व्यवस्था हुई ?

[Seth Govind Das: Was then any arrangement made for a new contract?]

डा० केशकर : अभी तक तो पुराना सिलसिला चल रहा है ।

[Dr. Keskar: So far the old arrangement is continuing.]

Shri Kamath: Among the few Indians who have come to India have any expressed a desire to go back to Abadan or any other part of Iran?

Dr. Keskar: I am not aware. It is quite possible that if conditions are as they appear some of them might like to go back but up till now none of them have expressed a specific desire to go back.

Shri Sidhva: The Deputy Minister said that he had given an exhaustive reply last time. As regards parts (b) and (c) I believe the answers were not in the statement. Even if there were, would he kindly let me know whether the salaries of the employees have been paid?

Dr. Keskar: I would request my hon. friend to read that reply carefully. I stated therein that those who were on contract with the company were receiving their salaries but the company had arranged it in this way: People who have been employed for a long time and who are due to get leave have been put on leave and those who are entitled to half pay have been put on half pay leave. They themselves are not sure how things are going to develop.

Mr. Deputy-Speaker: Questions to be answered by the Commerce and Industry Ministry will stand over for another day, preferably, Saturday.

REHABILITATION IN ANDAMANS

255 Shri S. C. Samanta: Will the Minister of Rehabilitation be pleased to state:

(a) the number of displaced persons sent to the Andaman Islands up to the 30th June, 1951;

(b) how many families consisting of how many persons have been rehabilitated there up to date and how many persons have come back;

(c) how many displaced families are proposed to be sent there during 1951-52; and

(d) whether Government sent any official or non-official delegation to the Andamans to enquire into the possibilities of the islands being extensively used for rehabilitation purposes?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) and (b). 357 families were sent of which 214 agriculturist families have been settled on land, and 7 non-agriculturist families as artisans; 53 families have been repatriated to the main land and the settlement of the remaining 83 non-agriculturist families is in progress. Information regarding the exact number of persons these families comprise is not available.

(c) For the present 150 displaced agriculturist families and 6 displaced families of fishermen are proposed to be sent to the Andamans during 1951-52.

(d) Yes. Two exploratory parties of displaced persons, one from Punjab and the other from West Bengal were sent to Andamans. A team of official experts was sent later in January, 1949.

Shri S. C. Samanta: May I know whether any primary or secondary school has been established there for the children of these displaced persons?

Shri A. P. Jain: I do not know whether any new school has been set up, but I presume that that State already maintains some schools and provides educational facilities.

Shri S. C. Samanta: Have all the displaced persons' families been housed? Is there any planning for the housing scheme?

Shri A. P. Jain: Of course there is a system for the housing. Excepting for these last 83 families, the rest have been housed and probably these have also been housed by now.

Shri S. C. Samanta: May I know if agricultural operations there are being carried on a cooperative basis?

Shri A. P. Jain: I do not think they are being carried on a cooperative basis.

Shri A. C. Guha: May I know how many batches have been sent and what is the interval between two batches?

Shri A. P. Jain: The details are as follows:

127	families	on	17-3-49
72	"		31-3-49
30	"	in Feb.	1949
35	"		April 1950
54	"		May and June 1950
49	"	on	31-1-51
34	"		23-3-51
3	"	were created by splitting up these families later on.	

Shri A. C. Guha: Have the Government got any plan of accelerating the sending of batches, so that more batches may go quickly?

Shri A. P. Jain: It is all a question of clearing land and then providing facilities for settlement. The Andamans have a primitive economy and elephants and other things which are required for clearing the land are limited in number. While it may be possible to send more families somewhat quickly, it is not possible to speed up the rehabilitation at a very high pace.

सेठ गोविन्द दास : अंडमन में कितनी आबादी बस सकती है इसकी कोई योजना सरकार के पास है, और यदि है तो भारतवर्ष की कितनी आबादी वहाँ बस जायगी इस विषय में कोई योजना बनाई गई है ?

[**Seth Govind Das:** How many people can be settled in the Andamans? Do the Government have any plan in that regard and, if so, has any scheme been prepared to see what number of India's population can be settled there?]

श्री ए. पी. जैन: इसकी कई योजनाएँ बनाई गईं और अन्वयाज्ञा किया गया, लेकिन अंडमन ऐसी जगह है जिस के बारे में जो गवर्नमेंट के विशेषज्ञ हैं उनको कोई बहुत अधिक जानकारी नहीं है। अभी एक योजना बनाई गई थी जिस में तीन सौ वर्ग मील जंगल साफ़ कर के तीस बरस में एक लाख पचास हजार आश्रमी बसाने थे। जब उस पर गौर किया गया तो यह देखा गया कि यह योजना अच्छी तरह से नहीं चल सकेगी।

उस के बाद फ़ारेस्ट डिपार्टमेंट ने एक योजना बनाई जिस में पांच वर्ष के अन्दर बीस हजार एकड़ ज़मीन साफ़ कर के ४६ परिवारों को बसाना था। जो योजना फ़ारेस्ट डिपार्टमेंट ने बनाई थी उस में हाल में कुछ रद्दीबदल की गई है जबकि ऐग्रीकल्चर मिनिस्ट्री के एक बड़े अफ़सर वहाँ गये और उन्होंने तमाम चीज़ों को खुद देखा। अब उसके मुताबिक़ काम किया जायगा।

[**Shri A. P. Jain:** Several plans were prepared and estimates made, but the Andamans is a place of which the Government experts do not possess any good knowledge. Recently, a plan was prepared which envisaged settling of 1,50,000 persons in thirty years after clearing 300 sq. miles of forests. But on consideration it was found that it would not work successfully. Then a plan was prepared by the Forest Department envisaging settlement of 46 families after clearing 20,000 acres of land. A high official of the Ministry of Agriculture went there and saw things for himself. Some changes have accordingly been made in the plan of the Forest Department. Work would now be carried out accordingly.]

Shri Sondhi: How many of these families have returned back?

Shri A. P. Jain: I have already mentioned that 53 families have returned back.

Shri Kamath: Do the Andaman and Nicobar Islands which are a Part 'D' State come within the scope of the Planning Commission?

The Prime Minister (Shri Jawaharlal Nehru): All I can say is that they have been considered by the Planning Commission. I do not exactly know what their proposals are, but they have given their consideration.

Dr. Deshmukh: The hon. Minister stated that some Agricultural Officer visited the Islands. May I request him to place a copy of his report on the Table?

Shri A. P. Jain: I will look into the report and see if I can place it on the Table.

SINDRI FERTILISER FACTORY (ESTIMATE)

*256. **Shri Kamath:** Will the Minister of Works, Production and Supply be pleased to state:

(a) whether an estimate for the Sindri Fertiliser Factory has been prepared;

(b) if so, whether it will be laid before Parliament; and

(c) whether the managerial set-up of the factory has been finalised?

The Minister of Works, Production and Supply (Shri Gadgil): (a) and (b). Yes, Sir. I lay on the Table of the House a copy of the estimate. [See Appendix II, annexure No. 21].

(c) The factory is at present managed by a General Manager, who works directly under the Government but has wide delegated powers. The question of setting up a Board of management is under consideration.

Shri Kamath: When is this factory expected to go into production?

Shri Gadgil: I am glad that this question has been asked. 97 per cent. is complete. The production of ammonia has started and the first consignment of fertilizer will be available from the 2nd week of September. Formal inauguration of this factory will be some time in the third week of October, probably on the New Year's Day according to the Hindu calendar.

Shri Kamath: Is there any truth in the recent press report that a large stock of gypsum deteriorated owing to bad storage?

Shri Gadgil: That is absolutely incorrect. A question was asked three days ago and a reply was given. Probably it was an unstarred question and was not orally answered. But I can assure my hon. friend that not one grain has deteriorated, nor has one grain been lost.

Pandit Kunzru: Is it a fact that an attempt was made to form a Board some time ago but the Board could not be formed because Government wanted that the Board should be guided in all matters by the Government without disclosing the fact?

Shri Gadgil: That is not a correct statement of the position. The whole question of the organisational set-up is under consideration. The proposal originally made by the Government, it was found out, was not according to the Constitution inasmuch as this particular item being in the State List the Attorney-General advised that

there should be a special enactment so that the Central Government can undertake production in the various industrial fields. Necessary amendments will be moved to the Industries Control Bill.

Pandit Kunzru: Was the difficulty that I have mentioned one of the difficulties in the formation of the Board?

Shri Gadgil: This difficulty is one of the difficulties.

Dr. Deshmukh: The hon. Minister referred to the Industries Control Bill. May I know if the Bill is dead or alive?

Shri Gadgil: It is very much alive and will kick soon.

Shri Shiva Rao: With reference to part (c) of the question, has my hon. friend any proposal before him for the appointment of a Financial Adviser to this factory with a much higher status and greater powers than those enjoyed by the Accountant who is now in charge of the finances of the factory?

Shri Gadgil: That will be an indispensable part of the arrangement.

Shri Shiva Rao: Has my hon. friend any proposal before him for the establishment of a cement factory in Sindri for the utilisation of waste products from gypsum after the fertilisers have been manufactured?

Shri Gadgil: That is under consideration; we have found that tons of waste material will be available for the manufacture of cement and we are therefore discussing this question. If it is completed the whole project becomes much more economical and profit-giving.

Shri Sondhi: By what time could we expect the proposal of the management board to be finalised?

Shri Gadgil: As soon as this hon. House passes the Bill to which reference was made by me.

Shri R. K. Chaudhuri: May I know how far the manufacture has affected imports from outside countries, and also as to who actually distribute the production—the Agriculture Ministry or the hon. Minister's Ministry?

Shri Gadgil: When the factory goes into full production we will be manufacturing four-fifths of the total quantity at present imported from abroad. As regards the distribution aspect, this factory will hand over the production to the Ministry of Agriculture.

Shri A. C. Guha: May I know if there is a Technical Adviser in addition to the General Manager and, if so, what are his functions and duties?

Shri Gadgil: A Technical Adviser is a technical adviser, but if my hon. friend wants details I want notice.

Shri Hussain Imam: Will the hon. Minister state if the sum of Rs. 26 crores mentioned in his statement is final or whether there are contingent liabilities still outstanding outside this list?

Shri Gadgil: They are final as far as one can make them.

Shri Sidhva: May I know what will be the capital cost of the proposed cement factory that is going to be installed?

Shri Gadgil: As I said, the whole thing is under examination.

Shri Sondhi: The hon. Minister has stated that till the factory goes into full production the distribution will not be given to anybody.

Mr. Deputy-Speaker: It will be handed over to the Agriculture Ministry.

Shri Sondhi: That is afterwards. I want to know what he is going to do till production is complete because there is a time-lag of fifteen months between now and the date of full production. How will distribution be made during that period?

Shri Gadgil: The reference to full production was with reference to quantity. As soon as the factory starts giving fertilizers the whole output will be handed over to the Ministry of Food and Agriculture.

COMPENSATION TO DISPLACED PERSONS

*260. **Sardar Hukam Singh:** Will the Minister of Rehabilitation be pleased to state:

(a) whether Government have finalised their proposals to compensate partially the displaced persons for their losses in property left in the West Pakistan out of the property left in India by Muslims;

(b) if so, what are those proposals; and

(c) how is the evacuee property intended to be utilized in meeting those losses?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) to (c). A scheme for recompensing displaced persons can be finalised only after the claims of displaced persons and evacuee property in India have been

valued. This process, as known to hon. Members, is still going on.

Sardar Hukam Singh: Is the hon. Minister in a position to give a rough idea of the time that would be required for verifying these claims and in evaluating the property?

Shri A. P. Jain: I have stated times without number in the House that I am making every effort to expedite the assessment of the claims. Our speed has been going up at a fast rate but it is difficult for me to pin myself down to any time-scale.

I.N.A. MEN

*261. **Dr. M. V. Gangadharra Siva:** Will the Minister of Labour be pleased to state:

(a) the number of Indian National Army men who have received employment through the Labour Employment Exchange so far; and

(b) the number of I.N.A. men who have been given the benefit of Government's Post War Resettlement Schemes?

The Minister of Labour (Shri Jagjivan Ram): (a) and (b). The Employment Exchanges do not maintain separate records for the various categories of ex-servicemen assisted by them. No discrimination is made between I.N.A. or other ex-servicemen in respect of placing for employment by the Employment Exchanges or in respect of other post-war resettlement schemes sponsored by the Central Government.

EXPENDITURE ON EMBASSIES

*262. **Dr. M. V. Gangadharra Siva:** Will the Prime Minister be pleased to state what is the total sum spent by the Government of India on the staff of the various Indian Embassies abroad during the year ended 31st March, 1951?

The Deputy Minister of External Affairs (Dr. Keskar): The actual expenditure figures for the year 1950-51 are not available as the accounts for that year have not yet been closed. The total anticipated expenditure on the pay and allowances of the staff employed in Indian Missions abroad for the year ended the 31st March, 1951 (including Information Services) based on the final grants for 1950-51, is Rs. 1,63,96,500.

श्री गोबिन्द दास : क्या माननीय मंत्री जी को यह बात मालूम है कि हमारे अनेक दूतावासों का खर्च जहाँ वे दूतावास हैं उन देशों की अवस्था के अनुसार इतना कम है

कि वहाँ पर उन दूतावासों को अपना काम चलाना मुश्किल हो रहा है, और क्या इस सम्बन्ध में सरकार कोई विचार कर रही है कि क्या किया जाय ?

[Seth Govind Das: Is the hon. Minister aware that the expenditure incurred on a number of our Embassies abroad is so meagre in relation to the conditions obtaining in the country concerned that it is becoming difficult for them to carry on their work? Are the Government considering what should be done in the matter?]

डा० केशकर : गवर्नमेंट इस बात को अच्छी तरह महसूस करती है कि कई जगहों में जहाँ हमारे एम्बेसीज और लिगेशन्स हैं और जहाँ हमें और खर्च करना चाहिये वहाँ हम उतना खर्च नहीं कर रहे हैं। इस बारे में जब हमारी आर्थिक हालत सुधर जायगी और यह माननीय पार्लियामेंट गवर्नमेंट को मंजूरी देगी तब वहाँ का खर्च और बढ़ाया जायगा।

[Dr. Keskar: The Government fully realize that they have not been spending on their Embassies and Legations at several places as much as they should. However, when our financial position improves and Parliament approves, the expenditure would be increased.]

MAINTENANCE ALLOWANCE

*264. Shri Raj Kanwar: Will the Minister of Rehabilitation be pleased to state:

(a) the number of applications for maintenance allowance now pending; and

(b) whether any final date has been fixed by the Ministry for the disposal of all such applications and if so, what this date is?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) A statement is laid on the Table of the House. [See Appendix II, annexure No. 22].

(b) No final date for the disposal of the pending applications has been fixed; but the authorities have been reminded to expedite their submission.

Shri Raj Kanwar: May I know whether the grant of maintenance allowance to certain categories of displaced persons is a continuous and never-end-

ing process or is it intended to be completed within a measurable distance of time? If it is to be completed within a measurable distance of time, do Government propose to fix a target date for the completion of the work?

Shri A. P. Jain: The process is not a never-ending process. The last date for the submission of applications was 30th November, 1950. However, the time for receiving applications was extended later on to 31st May, 1951. Even after that date applications have been received in hard cases and as and when applications are received then alone can they be disposed of. I make bold to say that these applications have been disposed of very expeditiously; most of the applications that are now pending, at least so far as Delhi goes, have been received either in the month of May or June or July.

Shri Raj Kanwar: Can the Government give any probable date by which these applications will be disposed of?

Shri A. P. Jain: We are disposing of these applications, but if more are received they will have to be disposed of at a later date. So there cannot be any target date unless we choose to totally stop the receiving of other applications.

Shri J. R. Kapoor: May I know whether these allowances are paid monthly or quarterly or at any other intervals, and whether they are paid directly or through the State Governments or through the District Magistrates?

Shri A. P. Jain: The allowances are paid through the State Governments and they are in most cases being paid monthly; in some cases, for instance in Delhi, where the number of recipients is very large it has not been found possible to pay them every month and so they are paid every alternate month for two months.

Shri J. R. Kapoor: Is the Government aware of the fact that in some places, particularly in Agra, in the case of displaced persons their allowances have not been paid for several months past and, if so, what steps do Government propose to take to see that these allowances are regularly paid?

Shri A. P. Jain: I am prepared to receive the information from the hon. Member and I will look into the case.

گیانی جی - ایس - مسافر : کتنی
تعداد ایسے لوگوں کی ہو گی جن کے لئے
مینٹیننس الؤنس اب تک منظور ہو
چکا ہے ؟

[Giani G. S. Musafir: What is the number of persons for whom maintenance allowance has been sanctioned so far?]

श्री ए० पी० जैन : १५२२७ आदमियों को मेन्टिनन्स अलाउंस मंजूर हो चुका है।
६२८० दिल्ली के हैं और ८९४७ बाहर के हैं।

[Shri A. P. Jain: So far 15,227 persons have been sanctioned maintenance allowance of whom 6,280 belong to Delhi and 8,947 to other places.]

گیانی جی - ایس - مسافر : کتنی
رقم ہر مہینے دی جاتی ہے ؟

[Giani G. S. Musafir: What is the amount given out every month?]

श्री ए० पी० जैन : प्रति मास
३,१०,३४७ रुपया दिया जाता है।

[Shri A. P. Jain: Rs. 3,10,347 are given out every month.]

लाला अचिंत राम : क्या माननीय
मंत्री जी कृपा कर के बतलायेंगे कि एक ऐसी
दरखास्त को डिस्पोज आफ करने में एवरेज
में कितना वक़्त लगता है ?

[Lala Achint Ram: Will the hon. Minister please tell what is the average time taken in disposing of one such application?]

श्री ए० पी० जैन : मैं ने इस का कोई
हिंसाब नहीं रखा है।

[Shri A. P. Jain: I have no such estimate with me.]

Shri Kamath: I heard the hon. Minister say 31st of April. Is it according to any new or revised calendar? Or did he mean 31st of March or 1st of April?

Shri A. C. Guha: Has there been any recent change in the scale of maintenance allowance and if so what is the change?

Shri A. P. Jain: There has been a big change in the scales of maintenance allowance. Formerly the maintenance allowance up to Rs. 30 was equal to the actual income which the person used to derive in Pakistan; from Rs. 31 to Rs. 100 of income in Pakistan it used to be 35 per cent. of the actual income in Pakistan, subject to a minimum of Rs. 30; from Rs. 101 to Rs. 250 of income in Pakistan it used to be 20 per cent. of the income in Pakistan, subject to a minimum of Rs. 35; above Rs. 250 it was Rs. 50.

Now the minimum is Rs. 10; that is for those who had left an income of Re. 1 to Rs. 10 the monthly allowance is Rs. 10. The scale goes on until instead of the maximum of Rs. 50 it is now Rs. 100. If the hon. Member wants I can supply him a list of the various grades of maintenance allowance.

SALT

*266. Shri A. C. Guha: Will the Minister of Works, Production and Supply be pleased to state:

(a) whether Government are aware that the quality of Indian salt sold in the market is far from satisfactory;

(b) whether the Indian Standards Institution has laid down any qualitative standard for Indian salt; and

(c) if so, what steps Government have taken to enforce the qualitative standard of Indian salt?

The Minister of Works, Production and Supply (Shri Gadgil): (a) Yes; in some parts of the country.

(b) Yes; 96 per cent. sodium chloride content has been laid down for edible salt.

(c) A statement showing the steps taken by Government is laid on the Table of the House.

Statement

The following steps have been taken by Government to enforce proper standards of quality regarding edible salt:—

(i) A minimum of 92 per cent. sodium chloride content has been prescribed for salt for edible purposes.

(ii) Salt containing less than 92 per cent. sodium chloride is not allowed to be marketed for human consumption.

(iii) It is proposed to raise the standard compulsorily by stages, within three years, to that prescribed by the Indian Standards Institution.

(iv) The manufacturers have been advised to take necessary steps to raise the quality of salt produced by them, in order that they may achieve the standard fixed by the Indian Standards Institution as quickly as possible.

Shri A. C. Guha: Have Government examined the salt at present supplied at Delhi and other places with a view to finding out how far it falls short of the standard?

Shri Gadgil: We have prescribed a minimum of 92 per cent. sodium chloride content in the salt used for edible purposes. Salt containing less than 92 per cent. sodium chloride is not allowed to be marketed for human consumption.

Shri A. C. Guha: Am I to understand that the salt at present supplied in Delhi and other places contains 92 per cent. sodium chloride?

Shri Gadgil: I think so.

Mr. Deputy-Speaker: That question has already been answered. He has said that it is below the standard in some parts of the country.

Shri A. C. Guha: He said that they are insisting on these standards. I want to know whether they have examined the salt supplied in Delhi with a view to finding out whether it conforms to the standard.

Mr. Deputy-Speaker: If it comes to the standard, what is the need of examining it. There is no point in putting such questions.

Shri Hussain Imam: He wants to know whether it has been examined with a view to finding out how far it falls below the standard.

Shri R. Velayudhan: Is there any proposal for decontrol of salt?

Shri Gadgil: I am prepared to answer that question if, you, Sir, consider it relevant.

Mr. Deputy-Speaker: I leave it to the hon. Minister; for my part I do not consider it to be relevant.

Shri R. Velayudhan: It is important.

Mr. Deputy-Speaker: Many other things are important.

SOCIAL WELFARE SCHEMES

*268. **Shri Jnani Ram:** Will the Prime Minister be pleased to state:

(a) whether it is a fact that the Planning Commission's Panel of Social

Welfare is preparing a scheme for co-ordinating all the private and State organised Social Welfare Organisations; and

(b) if so, the organisations and individuals who were consulted in the schemes?

The Prime Minister (Shri Jawaharlal Nehru): (a) At a meeting held in June, 1951, the Planning Commission's Panel on Social Welfare considered the question of coordination of social welfare work and made some suggestions on the subject.

(b) The members of the Panel include representatives of the Servants of India Society, the Indian Red Cross Society, the Rama Krishna Mission, the Sarv Sewa Sangh, the Gandhi Memorial Fund, the Kasturba Gandhi Memorial Fund, the Indian Conference of Social Work, the Indian National Trade Union Congress, the Hind Mazdoor Sabha, the Sarvabhoom Sadhu Mandal, and the Sarvodaya Organisation of the Government of Bombay.

Shri Jnani Ram: Was this list considered to be exhaustive, Sir?

Shri Jawaharlal Nehru: There is no question of the list being exhaustive. These are the persons who were represented at the meeting. If others come up and wish to join the list could be added to.

LABOUR DISPUTE IN TALCHER COALFIELD

*270. **Shri D. S. Seth:** Will the Minister of Labour be pleased to state:

(a) the final decision given by the Chief Labour Commissioner regarding the dispute about arrears between the Management of Talcher Coalfield and the labourers;

(b) whether the Company concerned carried out the award of the Chief Labour Commissioner; and

(c) if not, the stage at which the matter now rests?

The Minister of Labour (Shri Jagjivan Ram): (a) No such decision was given by the Chief Labour Commissioner.

(b) No award was given by the Chief Labour Commissioner nor is he competent to give one.

(c) Does not arise.

ABDUCTED WOMEN

*271. **Giani G. S. Musafir:** Will the Prime Minister be pleased to state:

(a) how many Muslim abducted women and children the Search Service Organisation of the Government

of India has recovered and sent to Pakistan upto May, 1951;

(b) how many Hindu and Sikh women and children have been recovered in West Pakistan and sent to India during this period;

(c) whether it is a fact that this Organisation recovered 277 Muslim women and children in May, 1951 and while only 27 Hindu and Sikh children have been recovered from Pakistan; and

(d) if the reply to part (c) above be in the affirmative, the reasons therefor?

The Minister of States, Transport and Railways (Shri Gopaldaswami):
(a) 14,728;

(b) 7,528;

(c) In India, 227 (not 277) Muslim abducted women and children were recovered in May, 1951 as against 27 Hindu and Sikh abducted persons recovered in Pakistan during the same period.

(d) The figures of recoveries on the two sides vary from month to month for various reasons, such as organisational efficiency, intensity of official and non-official efforts and effectiveness of the recovery machinery. It is not possible to trace the disparity in figures of any particular period to any one of these.

Dr. Deshmukh: May I know, Sir, if there are any estimates in each of the cases mentioned in (a) and (b), that is to say Muslim abducted women and children in India and the Hindu and Sikh women and children abducted in West Pakistan?

Shri Gopaldaswami: There are estimates, Sir.

Shri Hussain Imam: What is the number of recovered women who have been returned to Pakistan and how many are kept in India?

Shri Gopaldaswami: All but a very few—I think it is not more than about two hundred or two hundred and fifty—have been returned to Pakistan.

Dr. Deshmukh: May I know if any effort is being made to make more correct estimates and if so what it is?

Shri Gopaldaswami: Efforts have been made, Sir, and we have prepared lists of persons to be recovered. But I cannot say whether they are exhaustive lists.

Dr. Deshmukh: What is the approximate number then?

Shri Gopaldaswami: In Pakistan?

Dr. Deshmukh: Yes.

Shri Gopaldaswami: In Pakistan I believe the estimate of persons to be recovered still is somewhere about 6,000 or 7,000.

Shri Syamnandan Sahaya: Will Government be pleased to state if among the recovered women, there are some whose relations are still in India and whether they have been returned to their relations in India?

Shri Gopaldaswami: I take it the hon. Member is referring to Muslim women?

Shri Symanandan Sahaya: Yes.

Shri Gopaldaswami: In some cases there are in India relations of such abducted Muslim women and they have been returned to their relations in India.

Shri Deshbandhu Gupta: May I know, with regard to the answer given to part (c) of the question, whether Government have any reason to infer that Pakistan has slackened its efforts in the recovery work?

Shri Gopaldaswami: The figure for the particular month will give that superficial impression, but taking the six months ending 30th June last, I think the figures are not so disappointing. About 450 and odd cases were recovered during the six months.

Shrimati Ammu Swaminadhan: May I ask the hon. Minister if, when these recovered women are sent back either to India or Pakistan, there is any reluctance on the part of these women to go back either to India or to Pakistan, because they have been staying and have already got a family with the people they are living?

Shri Gopaldaswami: There have been a few stray cases of that sort, but the overwhelming majority of people recovered do wish to go back to their relations.

Shri Chattopadhyay: Can the hon. Minister give an idea as to how much has so far been spent by the Search Service Organisation?

Shri Gopaldaswami: I would like to have notice of that question.

Shri Kamath: May I know why this particular subject relating to displaced persons is allotted not to the Minister for Rehabilitation but to the Minister for Transport, Railways and States? I wonder whether the Prime Minister can throw any light on it.

The Prime Minister (Shri Jawaharlal Nehru): The subject has very little to

do with rehabilitation. It has to do with External Affairs because it means dealing with Pakistan. It is really in charge of External Affairs. But from a very long time past my hon. colleague the Minister for Railways has been in charge of it, through External Affairs.

Shri R. K. Chaudhuri: Has he any expert knowledge of this matter, Sir?

Shri Gopalaswami: Not about the abductions but about the recovery of abducted persons!

DISPLACED PERSONS FROM OCCUPIED KASHMIR

*272. **Giani G. S. Musafir:** Will the Minister of Rehabilitation be pleased to state:

(a) the number of Hindu and Sikh displaced persons who have come to the Punjab from the occupied areas of Kashmir during the quarter ended on the 30th June, 1951;

(b) what arrangements have been made for their rehabilitation; and

(c) whether they get all the facilities that Hindu and Sikh displaced persons from Pakistan enjoy in India?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) 933.

(b) Kashmiri displaced persons received from Pakistan are first admitted in Amritsar Transit Camp. From there they are sent to relief camp Yol except those who at their own request are sent to places of their choice in Jammu and Kashmir State. The displaced persons sent to Yol camp will be rehabilitated in Jammu and Kashmir State along with other inmates of Yol camp when Jammu and Kashmir Government are able to offer land and other facilities. The question of their rehabilitation is under active consideration of Jammu and Kashmir Government.

(c) Rehabilitation of displaced persons in Jammu and Kashmir is the responsibility of Jammu and Kashmir State Government and they follow standards according to their needs and resources.

گھائی جی - ایس - مسافر : کیا
مانڈیہ ملتری بتا سکیں گے کہ اکو پانچ
کشمیر میں اس وقت کتنے ہندو اور
سکھ باقی ہیں جن کو نکالنا باقی
ہے ؟

[Giani G. S. Musafir: Will the hon. Minister please tell the number of

Hindus and Sikhs left in the occupied areas of Kashmir who have yet to be evacuated?]

श्री ए० पी० जैन : इस प्रश्न का न
तो मुझ से अधिक सम्बन्ध है न मुझ को इस
का पता है ।

[Shri A. P. Jain: This question does not quite relate to me, nor do I have any such information.]

लाला अचितराम : क्या माननीय कृपा
कर के बतलायेंगे कि जम्मू और कश्मीर की
गवर्नमेंट इन डिस्प्लेस्ड लोगों के लिए कब
तक जमीन मुहैया कर देगी ताकि वह
रिहैबिलिटेड हो सकें ?

[Lala Achint Ram: Will the hon. Minister please state what time will it take for the Jammu and Kashmir Government to arrange for land for these displaced persons in order that they may be rehabilitated?]

श्री ए० पी० जैन : कोशिश की जा
रही है, मगर अभी में नहीं कह सकता कि
किस तारीख तक वह जमीन मुहैया कर
देगी ।

[Shri A. P. Jain: Efforts are being made, but I cannot say by what time they would be able to offer them lands.]

گھائی جی - ایس - مسافر : میں
مانڈیہ ملتری سے ایک سوال ضرور
دریافت کرنا چاہتا ہوں کہ جموں اور
کشمیر میں جو لوگ آئے ہیں ان میں
کچھ ایسے لوگ بھی ہیں جو باہر کے
رہنے والے ہیں یعنی ویسٹ پنجاب
کے - ان کے لئے بھی کوئی انتظام اس
طرح کا کیا جا رہا ہے جیسا باقی
دفعہ جہز کے لئے کیا جاتا ہے - کیا
گورنمنٹ کوئی ایسا انتظام کر رہی ہے ؟

[Giani G. S. Musafir: I should very much like to ask a question from the hon. Minister. Of the persons who have come to Jammu and Kashmir, some belong to outside places, viz., West Punjab. Have any arrangements

been made for them also as for the rest of the refugees?]

श्री ए० पी० जैन : जितने पुरूषार्थी अकुपाइड कश्मीर से आ रहे हैं उन सब के साथ एक सा व्यवहार किया जाता है। पहले उन को अमृतसर ट्रांजिट कैम्प में रखा जाता है, फिर योल भेज दिये जाते हैं, अगर कोई अपने घर जाना चाहता है तो उस को वहाँ भेज दिया जाता है।

[Shri A. P. Jain: All refugees coming from occupied Kashmir are treated alike. First they are admitted in Amritsar transit camp. Then they are sent to Yol camp. Those who want to go home are sent to their homes.]

PURCHASE OF JEEPS

*276. Shri T. N. Singh: Will the Minister of Works, Production and Supply be pleased to state:

(a) whether it is a fact that Government have made large purchases of re-conditioned jeep engines from an Indian firm; and

(b) whether these re-conditioned engines are incomplete and in unsatisfactory condition, with many parts missing?

The Minister of Works, Production and Supply (Shri Gadgil): (a) An order for 34 re-conditioned jeep engines at an approximate cost of Rs. 20,000 was placed by Government with an Indian firm.

(b) No. 14 have been delivered so far in good condition.

Shri T. N. Singh: May I know whether it is a fact that a large number of jeep engines reconditioned and re-assembled have been acquired by the Defence Ministry through my hon. friend's Ministry?

Shri Gadgil: As I have stated in the answer, the Defence Ministry placed an order for 34 re-conditioned jeep engines, and at the suggestion of the same Ministry that order was placed with the Indian firm. Out of these thirty-four, fourteen have been inspected by the Defence Ministry and they were found acceptable and complete in all respects including clutch assembly, ply wheel and all units relating to the engines. These engines were fully serviceable and there were no deficiencies in them.

Shri T. N. Singh: Is it not a fact that besides the particular firm to

which the hon. Minister has referred, there is another Indian firm who are the agents for such supplies and that they have supplied over 2,000 engines to the Defence Ministry?

Shri Gadgil: I have no idea about it, but, as I have stated, the demand was placed with this Ministry and at the suggestion of the Defence Ministry this order was placed with this particular Indian firm because it had the spare parts necessary for these engines and no other company had them.

Shri T. N. Singh: Is it not a fact that for the supply of jeep engines and jeep cars there is a particular firm in India which alone is the agent for such supplies from America?

Shri Gadgil: I do not know about it. But in regard to this particular matter this Indian firm had the spare parts which were necessary for these engines, and perforce the order had to be placed with it.

Shri Soodhi: What is the name of this firm?

Shri Gadgil: Messrs. Allen Berry and Company Limited.

Dr. Deshmukh: May I know how many jeeps were sold to this company from the Disposals Department?

Shri Gadgil: I require notice because it must have done three years ago.

Shri T. N. Singh: Since the name of the firm has been mentioned, may I know whether it is a fact that Messrs. Mahindra and Mahindra have supplied thousands of jeep engines to the Defence Ministry?

Shri Gadgil: I have no idea; I will make enquiries.

Shri Kamath: May I know on what date this order was placed and when the delivery of these fourteen or thirty-four jeep engines was made?

Shri Gadgil: The order was placed early in 1949 and part delivery was made in the year 1950-51.

Shri T. N. Singh: Sir, this question was addressed by me to the Defence Ministry. It has been transferred to the Ministry of Works, Production and Supply with the result that the information that I wanted is not available.

Shri Gadgil: The question came to me for answer and I have answered it. If the hon. Member puts another question and insists on it being answered by the Defence Ministry it will be answered.

Shri Sondhi: Is it not a fact that this firm of Allen Berry and Co. was given very large disposal goods consisting of jeeps and parts in 1946-47 and now we had to buy the same stuff for our own purposes at a very exorbitant price?

Shri Gadgil: I do not know when and to what extent the firm received the disposal goods. But so far as the price factor is concerned the special concessional price of each engine is 650†—that is part of the contract—against 3,300 ex-Bombay for a new engine.

An Hon. Member: 250 what? Rupees?

Shri Gadgil: Yes, Rs. 650.†

Shri R. K. Chaudhuri: May I know if the firm Allen Berry is a foreign firm as the name indicates or whether it is an Indian firm, if so which?

Shri Gadgil: The name undoubtedly is foreign, but the ownership is Indian.

Shri Hussain Imam: May I request the hon. Minister to explain why it is that an order placed in 1949 and not completed to date is not being repudiated or is not being enforced?

Shri Gadgil: As I have already stated I am merely an agent to arrange bargains. The Defence Ministry asked me to buy 34 engines and then suggested this Company's name. I put the order through. More than that I do not know.

Mr. Deputy-Speaker: Order, order. I will not allow any more questions.

Shri Syamnandan Sahaya: I am not asking a question. I am addressing it to you. The hon. Minister stated that the cost of an engine is Rs. 250. Is it a toy engine or what?

Mr. Deputy-Speaker: Certain hon. Members evidently read these questions at home but other hon. Members go on thinking while supplementary questions are being put by others and think of putting questions themselves, so much so they feel that they are obstructed when at the end of ten minutes their questions are not allowed. I would therefore request hon. Members to come prepared and be ready to stand up quickly instead of asking me to allow more time. We have taken sufficient time over this question.

Shri Sondhi: Supposing we find that on 50 per cent. of the questions the Minister in charge or his deputy is absent, what are we to do? 50 per cent. of the questions today relate to the Ministry of Commerce and Industry. But none of them is here.

Mr. Deputy-Speaker: It so happened that the hon. Commerce Minister could not be here nor his deputy. I must have issued notices to hon. Members that they need not have come prepared. I shall advise the Secretariat hereafter to give notice sufficiently in advance to hon. Members. Next question.

Dr. Deshmukh: In view of the clarification made and the difficulty expressed, more supplementaries should be allowed.

Mr. Deputy-Speaker: Next question.

ENTRY OF INDIANS INTO NEPAL

*277. **Shri S. N. Das:** (a) Will the Prime Minister be pleased to state whether Indians are now free to go to any part of the territory of Nepal without passports?

(b) If not, has there been any negotiation on the question of free entry of Indians into Nepal?

(c) If so, how does the matter stand?

The Deputy Minister of External Affairs (Dr. Keskar): (a) No. Passports are required.

(b) No.

(c) Does not arise.

Shri S. N. Das: May I know whether the Government is aware that Indians going to Khatmandu, capital of Nepal are asked to take permits at Birganj?

Dr. Keskar: Yes, Sir.

Shri S. N. Das: May I know whether the Government is taking steps to remove the restrictions imposed on passengers going from India to Khatmandu?

Dr. Keskar: Yes, Sir. I might inform my hon. friend that in the treaty of peace and friendship between India and Nepal there is a clause of reciprocity by which the citizens of both areas will have the same advantages and privileges that they get in other countries. After the passing of the treaty all the clauses would have been implemented. Unfortunately the disturbances have broken out in Nepal and conditions have not yet stabilized but I will assure my hon. friend that very soon the difficulties to which he has made mention will be removed.

Shri S. N. Das: May I know how long would it take to come to this decision?

Dr. Keskar: Very soon.

Prof. S. L. Saksena: Is it not a fact that Nepal nationals can come to India freely?

Dr. Keskar: Yes, Sir.

†Substituted by the Minister of Works, Production and Supply for the original figure "250"—E.P.P.

Prof. S. L. Saksena: May I know why Indians are not permitted to go there freely.

Dr. Keskar: I just mentioned that things that were existing before were due to custom and agreements that were in existence before the treaty. After the treaty we have had no time to implement the treaty fully due to the disturbances that arose in Nepal but such a clause is there and it will be implemented. It is also, I think, desirable for Government to implement it and I am sure that as soon as possible, it will be put into action.

Prof. S. L. Saksena: In view of the very close relations between India and Nepal, is it not possible to have no passports and allow free entry on both sides?

Dr. Keskar: Reciprocity means the same thing and because the Nepalese come free to India.

Prof. S. L. Saksena: When do you think Indians will be able to go there freely?

Dr. Keskar: It is very difficult to anticipate, but as I said conditions are returning to normal in Khatmandu very soon and I hope that this will also be implemented very soon.

Mr. Deputy-Speaker: Next question.

LIGNITE MINERAL

*278A. **Shri Amolakh Chand:** Will the Minister of Works, Production and Supply be pleased to state:

(a) the progress made by the American experts in the search of Lignite mineral in the South Arcot district till the 30th June, 1951;

(b) the amount spent thereon;

(c) whether the expenditure is met from the sum allotted for the Point Four Programme; and

(d) the other minerals to be explored or exploited under the Point Four Programme mentioned above?

The Minister of Works, Production and Supply (Shri Gadgil): (a) A senior U.S. Bureau of Mines official undertook a preliminary survey of the lignite deposits in South Arcot District in January, 1951; his recommendation for the Constitution of a Committee of 4 Engineers of whom one should be an American Mining Engineer, under the Point Four Programme to continue the investigations has been accepted by the Government of India and the Government of Madras. The selection of this Mining Engineer is engaging the

attention of the Government of the United States of America.

(b) and (c). Do not arise.

(d) Examination of certain areas containing manganese deposits in the Madhya Pradesh and of the Zawar lead Zinc mines in Rajasthan is being undertaken by the Geological Survey of India in collaboration with a Geologist obtained under the Point Four Programme. The Geological Survey of India have no project which will be run exclusively by American experts under Point Four Programme.

Shri Amolakh Chand: May I know the number of American and Indians conducting the operations?

Shri Gadgil: As I have already stated there will be a Committee of four Engineers and one of them will be a Mining Engineer from the U.S.A. As to how many persons will be Indians when work starts is a matter of further detail.

Mr. Deputy-Speaker: Next question.

LOANS TO DISPLACED FAMILIES IN BIHAR

*281. **Dr. Ram Subhag Singh:** (a) Will the Minister of Rehabilitation be pleased to state the number of displaced families in the State of Bihar to whom agricultural loans have been given?

(b) What is the amount of loan given to each displaced family?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) 121.

(b) An average of Rs. 1,200 per family.

Shri R. K. Chaudhuri: Is it a fact, Sir, that a large number of persons taking agricultural loan from that province have since been displaced from that province and have gone to Bengal. I should also like to know what policy the Government is going to adopt to recover the loans in such cases?

Shri A. P. Jain: I do not think that persons who have received agricultural loans in Bihar have gone to Bengal.

Mr. Deputy-Speaker: Next question.

FLATS FOR MEMBERS OF PARLIAMENT

*284. **Shri Dwivedi:** Will the Minister of Works, Production and Supply be pleased to state:

(a) the number of flats constructed or under construction for M.P.s;

(b) the cost of building, furnishing, electrification and other equipments etc., per flat under construction for Members of Parliament;

(c) whether any decision has been made with regard to rent per month per flat;

(d) if so, the rate of rent, etc.;

(e) when the flats are likely to be available for residential purposes for Members of Parliament; and

(f) whether garages are attached to these flats?

The Deputy Minister of Works, Production and Supply (Shri Buragohain): (a) The number of flats constructed or under construction for M.Ps. is 252; 148 on North Avenue and 104 on South Avenue in New Delhi.

(b) A statement is laid on the Table of the House. [See Appendix II, annexure No. 23.]

(c) The monthly rent has provisionally been worked out and is subject to revision with retrospective effect on the basis of actual completion costs.

(d) A statement is laid on the Table of the House. [See Appendix II, annexure No. 23.]

(e) Twelve flats have been completed and allotted to M.Ps. 100 flats will be ready by November, 1951 and the balance by the end of December, 1951.

(f) 52 garages are also under construction for these flats.

Shri Dwivedi: May I know if the allotments to certain Members of Parliament are also under consideration?

Shri Buragohain: The allotment of 12 flats have already been made to Members of Parliament.

Shri R. K. Chaudhuri: Will allotments be made by lottery or any preference will be given to Assam?

Shri Buragohain: The allotments are made on the advice of the House Committee of Parliament.

Dr. Deshmukh: Are any flats expected to be ready in the course of this year?

Shri Buragohain: Yes, Sir. I think that about 50 flats are structurally complete but they have to be finished and furnished.

Shri Dwivedi: May I know, the allotments are being made on a permanent basis or sessional basis?

Shri Buragohain: There is no concessional basis. So far, it has been decided to have two sets of rents, one for the session and another for the non-session period.

Shri Dwivedi: What is the difference?

Shri Buragohain: That will be found in the statement that I have placed on the Table of the House.

Shri Sidhva: Give us an idea.

Shri Buragohain: For 'A' type houses rent under F.R. 45-A is Rs. 68 and under F.R. 45-B Rs. 170. The rent for furniture under F.R. 45-A for A flats is Rs. 37 and under 45-B is Rs. 49. For B Type of flats Rs. 80 under F.R. 45-A and Rs. 200 under 45-B. Rent under F.R. 45-B will be charged in non-session period.

Shri Sidhva: Inclusive of furniture?

Shri Buragohain: Furniture for B type flats is Rs. 46 under F.R. 45-A and Rs. 62 under F.R. 45-B. For a C type flat Rs. 93 under F.R. 45-A and Rs. 233 under F.R. 45-B and Rs. 50 for furniture under F.R. 45-A and Rs. 67 under F.R. 45-B.

WRITTEN ANSWERS TO QUESTIONS

COLLIERY LABOUR

*269. **Pandit Munishwar Datt Upadhyay:** Will the Minister of Labour be pleased to state:

(a) what is the total number of labourers employed in coal mines;

(b) what is the housing accommodation so far provided for colliery labour;

(c) whether there is any subsidy scheme for the provision of housing accommodation; and

(d) how are the employers availing of this scheme?

The Minister of Labour (Shri Jagjivan Ram): (a) 3,35,897.

(b) In addition to the accommodation provided by colliery managements, 1,798 houses have so far been constructed by the Coal Mines Labour Welfare Fund and 355 houses are under construction.

(c) Yes.

(d) Applications for construction of 193 houses have been received so far, under the subsidy scheme, from ten collieries.

STAFF CARS

*283. **Babu Gopinath Singh:** Will the Minister of Works, Production and Supply be pleased to state:

(a) the number of staff cars which are at present in use in his Ministry and attached offices located in Delhi;

(b) whether these cars are used only for journeys in connection with Government work within the State of Delhi or these are also used for journeys outside Delhi; and

(c) if it is the latter, the place or places visited during the period from 1st January, 1951 to 30th June, 1951 and the circumstances in which it was found necessary to perform the journeys outside Delhi in staff cars instead of by rail?

The Minister of Works, Production and Supply (Shri Gadgil): (a) Six.

(b) Normally the cars are used for journeys within the State of Delhi. In very exceptional and rare cases, however, they are used for journeys outside Delhi with the approval of the competent authority, viz, the Secretary of the Ministry.

(c) During the period 1st January, 1951 to 30th June, 1951 the staff car was used twice for journeys outside Delhi. The journeys were to Simla and Someshwar and in both cases the journey by car instead of by rail was in the public interest.

SHRI GORWALA'S REPORT

50. Shri Kamath: Will the Prime Minister be pleased to refer to the answer given to starred question No. 2261 asked on 15-3-51 regarding Shri Gorwala's Report and state:

(a) whether the report has been submitted;

(b) its main recommendations; and

(c) whether a copy thereof will be laid on the Table of the House?

The Prime Minister (Shri Jawaharlal Nehru): (a) Yes.

(b) and (c). Copies of the report have been placed in the Library and have also been supplied to Members of Parliament.

Dhotis AND Sarees

51. Shri Kamath: Will the Minister of Commerce and Industry be pleased to state:

(a) whether any States are still scarce in dhotis and sarees, and if so, which; and

(b) when the scarcity is expected to be relieved?

The Minister of Commerce and Industry (Shri Mahtab): (a) and (b). No scarcity as such of dhotis and sarees has been reported by any of the States but some of them have asked for increased allotments of

specific categories of these varieties. There has been delay in movement of cotton textiles due to heavy movement of imported foodgrains and cloth allocated in May 1951 is still on its way to many of the consuming centres. As soon as these reach the States, and are distributed there should be sufficient supply.

COAL TRANSPORT ADVISORY COMMITTEE

52. Shri A. C. Guha: (a) Will the Minister of Works, Production and Supply be pleased to state whether there is a Coal Transport Advisory Committee?

(b) If so, when and how has it been composed and how often does it meet?

(c) What are its functions, as distinct from those of the Coal Advisory Committee?

The Minister of Works, Production and Supply (Shri Gadgil): (a) Yes, Sir.

(b) The Coal Transport Advisory Committee was constituted in January, 1948 and is composed of the following members with a non-official Chairman.

Chairman—Shri Biren Mookerjee.

Members—1. Chairman, Calcutta Port Commissioner and/or his representative.

2. Coal Commissioner to the Government of India and/or his representative.

3. General Manager, E.I. Railway and/or his representative.

4. General Manager, B. N. Railway and/or his representative.

5-6. Two representatives of Shipping Companies.

7-9. Three representatives of Colliery Owners—One each from the I.M.A., I.M.F. and I.C.O.A.

10-13. Four representatives of Labour—one each from the All-India Railwaymen's Federation, All India Trade Union Congress, the Indian National Trade Union Congress and the Bihar Khan Mazdoor Federation.

14-17. Four representatives of consumers one each from the India Chamber of Commerce, The Bengal Chamber of Commerce, the Bengal National Chamber of Commerce and the Coal Consumers Association of India.

The meetings of the Committee are normally held quarterly, but for special reasons the Chairman or the Coal Commissioner can have the meetings convened earlier.

(c) The Coal Advisory Committee discusses problems relating to the coal industry in general, while the Coal Transport Advisory Committee reviews the coal transport position on the E.I. Railway and B.N. Railway and at the Calcutta Docks, with particular reference to reasons for shortfall in loadings, short allotment of wagons, cancellation of wagon indents, limitations and restrictions imposed by Railways, pilot capacities, etc.

**DISPLACED PERSONS IN BIHAR
AND ORISSA**

53. Shri A. C. Guha: Will the Minister of Rehabilitation be pleased to state:

(a) the number of East Bengal displaced persons at present in Bihar and Orissa camps;

(b) the number of East Bengal displaced persons already rehabilitated in Bihar and Orissa; and

(c) whether in view of a large number of desertions of displaced persons from Bihar and Orissa camps, Government have any revised scheme for rehabilitating the displaced persons in Bihar and Orissa?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) Bihar—6,832.

Orissa—1,196.

(b) Bihar—7,686.

Orissa—9,843.

(c) During the course of his visit to the Rehabilitation Minister suggested certain modifications of schemes which have been carried out.

**RENT FROM EVACUEE PROPERTY
IN INDIA**

54. Shri Kamath: Will the Minister of Rehabilitation be pleased to refer to the answer given to my Starred

Question No. 4736 asked on the 31st May, 1951 regarding rental income from evacuee properties and state:

(a) whether it is a fact that certain persons in Pakistan have been regularly receiving from Government rental income from evacuee property left behind by them in India;

(b) if so, who and how much each has received annually; and

(c) the reasons why rental income is being paid to them?

The Minister of State for Rehabilitation (Shri A. P. Jain): (a) No.

(b) Does not arise.

(c) Does not arise.

**INDIA'S DEMAND IN RETURN FOR
SUPPLY OF RICE TO CEYLON**

55. Shri Kamath: Will the Prime Minister be pleased to state:

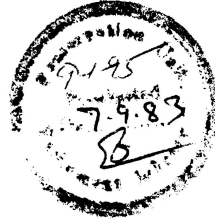
(a) whether the attention of Government has been drawn to the statement made recently by the Ceylon Prime Minister to the effect that India demanded citizenship rights for all Indians in Ceylon in return for the supply of rice; and

(b) whether the aforesaid charge brought by the Ceylon Government against India is correct?

The Deputy Minister of External Affairs (Dr. Keskar): (a) Yes.

(b) No. It was promptly reported by our High Commissioner. The Ceylon Prime Minister later is reported to have explained that his reference was to talks with officials of the Government of India soon after the outbreak of the last war. There is no reference to this in our old records.

Thursday, 16th August, 1951



PARLIAMENTARY DEBATES

(Part II—Proceedings other than Questions and Answers)

OFFICIAL REPORT

VOLUME XIV, 1951

(6th August, 1951 to 29th August, 1951)

Fourth Session

of the

PARLIAMENT OF INDIA

1951

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PARLIAMENT OF INDIA

Thursday, 16th August, 1951.

*The House met at Half Past Eight
of the Clock.*

[MR. DEPUTY-SPEAKER in the Chair]

QUESTIONS AND ANSWERS

(See Part I)

9-30 A.M.

**INDIAN EXPLOSIVES (AMEND-
MENT) BILL**

The Deputy Minister of Works, Production and Supply (Shri Buragohain): I beg to move for leave to introduce a Bill further to amend the Indian Explosives Act, 1884.

Mr. Deputy-Speaker: I would like to say that hon. Ministers have certainly the right to ask another hon. Minister to move a particular Bill. But, when a Bill stands in the name of an hon. Minister, if another hon. Minister moves, he must say, "On behalf of so and so, I move". Otherwise, the proceedings will be incomplete.

The Minister of Works, Production and Supply (Shri Gadgil): If that is the desire, Sir, I am quite willing to do so. But, as the Chair is aware, some division has got to be done with respect to the work in the Ministry. Some work has been given to the hon. Deputy Minister. If the Chair insists, I am quite willing to move.

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): There is no question of the Chair insisting; that is only a proper procedure suggested by the Chair. There is no question of division of work. It is a formal procedure, which is perfectly correct.

Mr. Deputy-Speaker: The hon. Minister has perhaps misunderstood me. I have not said that the hon. Minister
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ought not to divide the work between himself and his Deputy Minister. When in the Order Paper a motion stands in the name of an hon. Minister, to make the proceedings complete and to avoid all misunderstanding, any other hon. Minister who takes upon himself the responsibility to make that motion, must say, "I move on behalf of so and so". That is all I have suggested. It is only a formal thing.

The House will now proceed with the further consideration of the following motion moved by the hon. Shri C. Rajagopalachari on the 13th August, 1951:

"That the Bill to confer on the President.....

श्री भट्ट : माननीय उपाध्यक्षजी, वह
बिल अभी इंट्रोड्यूस नहीं हुआ है ।

[Shri Bhatt (Bombay): Sir, that Bill has not yet been introduced.]

Mr. Deputy-Speaker: Unfortunately, in the midst of our discussions, I forgot to follow the usual procedure. The Deputy Minister has moved the motion.

The question is :

"That leave be granted to introduce a Bill further to amend the Indian Explosives Act, 1888."

The motion was adopted.

Shri Buragohain: I introduce the Bill.

**PUNJAB STATE LEGISLATURE
(DELEGATION OF POWERS)
BILL—contd.**

Mr. Deputy-Speaker: The House will now proceed with the further consideration of the following motion moved by the hon. Shri C. Rajagopalachari on the 13th August, 1951 :

"That the Bill to confer on the President the power of the Punjab State Legislature to make laws and

[Mr. Deputy-Speaker]

to authorise him to delegate such power to any other authority, be taken into consideration."

The Minister of Home Affairs (Shri Rajagopalachari): I wish to ask the House to permit me to put it off till tomorrow because, in view of the discussion that was held, Government is trying to see how far they can adjust the Bill to suit the wishes of the House.

Mr. Deputy-Speaker: The Bill will stand over.

Shri Kamath (Madhya Pradesh): I am sorry to have to state, I am constrained to say that this session bids fair to go down in history as having been remarkable for legislation by fits and starts. The House will remember that the first Bill on the very first day, Parliament Prevention of Disqualification Bill that was taken up, was held over. The second one, relating to Ancient and Historical Monuments introduced by the hon. Minister, Maulana Abul Kalam Azad that was discussed in part, was held over. Then, the Resolution on the Convention for the Suppression of Prostitution and other matters that was partly discussed again, was held over. Now, again, the Punjab Bill has been discussed in part and is being held over. I think it is not quite proper or fair to the House that so many should be part discussed and held over. This is the first Session when this is happening. I would request the hon. Home Minister to let the House know why it is being held over.

Shri Sidhva (Madhya Pradesh): He has said that.

Shri Rajagopalachari: I wish to congratulate the hon. Member for these observations. It will go down in history in a way; in this way, it would show, that the Government is ever willing to react to the wishes of the House.

Mr. Deputy-Speaker: I am really surprised at the observations made by Mr. Kamath, far from welcoming such a move on the part of the Government, that instead of rigidly sticking to whatever they have brought before the House, they are prepared to adjust themselves to meet the wishes of the House. I would not only allow it to be postponed for a day, but for two or three days so that in the meanwhile Members can sit together and evolve a common formula. There is absolutely nothing wrong in this procedure. I would welcome such a procedure.

Shri Kamath: May I request you, Sir, that the general discussion of this Bill may go on, and clause by clause consideration may be held over?

Mr. Deputy-Speaker: The general discussion has reference to the clauses. I am yet to see a discussion of a Bill on merely the preamble and having nothing to do with the clauses.

Dr. Deshmukh (Madhya Pradesh): The intention of my hon. friend Mr. Kamath was to point out how the Government very often tries to rush the Bills with the consequent waste of the time of the House.

Shri Sidhva: No; here are instances.....

Dr. Deshmukh: If the ordinary procedure of referring the Bills to the Select Committee were followed...

Mr. Deputy-Speaker: Anything can be said against the Government. That is what has become unfortunately a habit nowadays. What I would only say is, there is no rushing. There is no intention to rush at all. We are going on leisurely. Otherwise, I am afraid, these become catch phrases, and get currency in the country that everything is being rushed through in this Parliament. Government is anxious to have full discussion in this House. I would like to say emphatically that I will not allow any rushing in this house. I must congratulate the Government on their anxiety to give such opportunities to the House and to consider and reconsider before they take a final decision. I would not allow any impression to be created outside that we are rushing through any business in this House.

Shri Rajagopalachari: If you will permit me, Sir, to add to what you have so rightly stated, the discussions in this House are taken by the Government to be a reality and not a mere formality.

Dr. Deshmukh: On a point of personal explanation, Sir,.....

Shri Sidhva: What is the personal explanation?.....

Mr. Deputy-Speaker: Order, order. No hon. Member should stand while I am on my legs. We will now proceed to the next item.

INDIAN COMPANIES (AMENDMENT) BILL

The Minister of State for Finance (Shri Tyagi): My hon. colleague, Mr. Deshmukh being indisposed today, may I have your permission to move, Sir?

Mr. Deputy-Speaker: Yes.

Shri Tyagi : I beg to move :

"That the Bill further to amend the Indian Companies Act, 1913, be referred to a Select Committee consisting of Shri M. Ananthasayanam Ayyangar, Shri B. L. Sondhi, Shri M. R. Masani, Shri T. A. Ramalingam Chettiar, Shri Prabhu Dayal Himatsingka, Shri Narendra P. Nathwani, Shri Brijlal Biyani, Shri Mathura Prasad Misra, Shri Banarsi Prasad Jhunjhunwala, Shri Manik Lal Gupta, Shri Ramnath Goenka, Shri Khandubhai K. Desai, Shri Syamnandan Sahaya, Shri M. Shankaraya, Prof. K. T. Shah, Sardar Hukam Singh, Shri H. N. Shahtri, Shri M. V. Ghule, Shri-mati Renuka Ray, Shri S. V. Naik, the hon. Shri C. D. Deshmukh, and the Mover, with instructions to report by the 27th August, 1951."

As you are aware, Sir, the Indian Companies Amendment Ordinance was issued on the 21st of July.....

Shri Kamath (Madhya Pradesh):
Date of report?

Shri Tyagi : I have already mentioned the date; it is 27th August, 1951.

The present Bill is intended to give legislative sanction to the Ordinance.

The last war left in its wake many economic problems which have in no small measure impeded the ordered development of the country. In the field of joint stock enterprises, the evils of trafficking in Managing Agency rights and cornering of shares in the open market with a view to acquiring control over the management of well-established and reputable companies have come prominently into light. The abuses complained of, have received a strong impetus from the activities of certain elements in the trade and industry of the country, which have been on the look-out for a suitable outlet for their fortuitous or ill-gotten gains, secured largely as a result of improper trade practices. Since the owners of these funds are, by and large, traders, who have excelled in buying and selling rather than in promoting the expansion of existing industries or new lines of manufacture, these surplus funds are sought to be utilised for the purpose of securing control over the management of existing well-established joint stock enterprises. Several instances of this kind have already come to notice. The experience of the last few years have shown that the primary object in acquiring control over management has been, not the progressive expansion or development of those undertakings, but the furtherance of the personal advantage of certain people,

to the detriment of investors and the interests of the companies themselves. The object seems to be, to get at the cash resources and other reserves built up by these companies and utilise these resources for further operations for securing control over other companies and other speculative activities. There is now a general expectation that the Indian Companies Act is likely to be considerably tightened up, as a result of the investigations of the Company Law Committee, and consequently some people seem to be anxious to gather in full, the fruits of their devious market operations, before the Companies Law is amended. The same thought seems to have inspired another objectionable practice in company management, particularly noticeable during the last few months, viz., the renewal of Managing Agency Agreements. The revised terms, long before the expiry of the period of the existing contracts. While in a few cases these revised agreements may have embodied some up-to-date methods and ideas in Company management, they have been primarily designed to further the personal interests of the management and to enable them to entrench their position against further amendments of the Company Law.

In the light of the background which I have described, it was felt for some time that action on the part of Government was necessary to arrest the malpractices mentioned which have resulted in a number of cases to fall in production and labour discontentment. It was thought at first that this could form part of the overall legislation to be enacted as a result of the recommendations of the Company Law Committee. Recently, however, we came to the conclusion that it was not desirable to wait any longer. It was previously expected that the Company Law Committee would be able to conclude its labours, and report to Government by February, 1951. Subsequently, it was found necessary to afford two extensions to the Committee which is now expected to submit their report some time in October or November, 1951. The examination of the report and implementation of its final recommendations are bound to entail a fair measure of delay. It was felt that the reforms embodied in the present Bill could not be delayed till then without causing definite harm. It was under these circumstances that Government decided to promulgate the Indian Companies (Amendment) Ordinance. It was essential to promulgate an Ordinance to freeze the position as otherwise, the moment the intention to introduce a Bill was known, interested parties might have

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got busy to defeat the objects of the measure.

I refer now to the salient features of the Bill. It provides for:

(a) The prior approval of the Central Government to be obtained to any change in the management of an existing company or to any change in the constitution of a managing agent company or to any alteration to the terms of appointment of management of any company;

(b) Conferment of powers on Law Courts to intervene in the management of a company in cases of gross mismanagement of a company's affairs by directors or managing agents or in cases of oppression of some members of the company; and

(c) The setting up of a Commission of three members to advise the Central Government in the exercise of its powers.

Immediately after the promulgation of the Ordinance referred to, the views of the Company Law Committee were obtained regarding its provisions. The Committee has furnished a report in which, while agreeing in principle with the provisions of the Ordinance, it has suggested certain amendments. Memorandum containing the views of the Company Law Committee has already been circulated to hon. Members. I generally agree with the points made in the memorandum and it is my intention to move necessary amendments to the Bill in the Select Committee. Most of the amendments suggested by the Committee are intended to improve the working of the measure. The only exception is the proposed amendment to clause 5 of the Bill to which I would draw the attention of the hon. Members. A criticism that has been made against the Ordinance has been with regard to this clause which requires the prior approval of the Government to any change in the constitution of managing agency caused by a change in the ownership of the shares held therein. The Company Law Committee feel that this clause as now worded, prevents any transfer of shares in the managing agency without the approval of the Central Government, however inconsequential it may be, and this is likely to restrict *bona fide* dealings in the shares of certain public limited managing agency Companies, the shares of which are quoted and freely dealt in on the stock exchanges. I agree with the validity of the criticism and propose to move an amendment in the Select Committee to remove this difficulty.

I trust that the House will welcome the enactment of the measure.

Mr. Deputy-Speaker: Motion moved:

"That the Bill further to amend the Indian Companies Act, 1913, be referred to a Select Committee consisting of Shri M. Ananthasayanam Ayyangar, Shri B. L. Sondhi, Shri M. R. Masani, Shri T. A. Ramalingam Chettiar, Shri Prabhu Dayal Himatsingka, Shri Narendra P. Nathwani, Shri Brijlal Biyani, Shri Mathura Prasad Mishra, Shri Banarsi Prasad Jhunjunwala, Shri Manik Lal Gupta, Shri Ramnath Goenka, Shri Khandubhai K. Desai, Shri Syamnandan Saraya, Shri M. Shankaraiya, Prof. K. T. Shah, Sardar Hukam Singh, Shri H. N. Shastri, Shri M. V. Ghule, Shrimati Renuka Ray, Shri S. V. Naik, the hon. Shri C. D. Deshmukh and the Mover, with instructions to report by the 27th August, 1951."

Shri Hussain Imam (Bihar): I must voice my protest against the method adopted by the Government. The reason why I protest is that this is not a new development which has cropped up all of a sudden. The Bombay shareholders' Association published a booklet on the subject long ago. Even the memorandum prepared by the Commerce Ministry mentioned these developments in some detail and they had suggested remedies for checking them. Further there is the fact that even in this House many a time mention has been made of the vagaries and the ways in which the managing agencies are changing hands at the cost of the shareholders and without giving them any voice in the matter. While I have my full sympathy for the protection of good managing agents I must say that the way in which this Bill has been brought forward lays it open for the Government to perpetrate this most undesirable feature of company management in India. I for one not only now but since 1936, when this Bill was being considered, have opposed the managing agency system. I regard it as an incubus. In every place shareholders are losing money and companies have come down to 25 per cent. of their paid up share value in the markets and yet the managing agents are going merrily ahead and earning big commissions. Why should we go out of our way to perpetrate this system which has done nothing and is incapable of doing anything good for the future advancement of industry?

Let me point out that in the past managing agents have done yeoman service and but for the system there would have been no industry in India. But today it is quite a different thing. The firms which started the system had only those who were very closely connected with themselves. Some relations or friends assembled together; they had finance behind them and brought into being these industries. In times of crisis they were prepared to make advances. But today every one of them is converting itself into a limited liability company. In a limited liability public company there is nothing to pick and choose. No service can be rendered by managing agency which the company itself cannot do, in regard to them one is as bad as the other.

Again there is the great advantage now which is available to industry in the shape of central and provincial government Finance Corporations, from which moneys are advanced of the order which managing agencies cannot dream of. I refer particularly to the advance made to Martin Burns, the Bengal Steel Co. and the proposed loan, as mentioned in reply to a question, to the Tata Iron and Steel Co. We are now thinking in terms of crores, then why at this time the Government should go out of its way to help perpetrate this system of managing agency without qualification?

May I suggest that if anything is to be protected it must be examined whether it is working to satisfaction or not. If a change is brought about in managing agency, only then Government has taken power to intervene; but if no change is made by the provisions of the Bill a deterrent is put in the way of the shareholders.

I would invite attention to the facts which were made available to us during the course of the enquiry. I may mention some instances. Rs. 12,000 a month is the office allowance of the managing agency in a company, whether it has a capital of Rs. 3 crores or only Rs. 20 lakhs. In a company with a capital of Rs. 20 lakhs for 12 months the commission comes to Rs. 1,44,000. Is it conscionable? When Government is going to preserve the system, should not they take power to ask that even if the managing agency is not changing these unconscionable allowances should be subject to Government control? It is for this purpose that I have intervened in the debate so as to suggest certain measures which the Select Committee might consider.

Firstly, wherever the managing agency terms are not very correct the Central Government should have power to ask them to change the terms according to the dictation of the Government. This should also include the great drain on the shareholders which is taking place in Ahmedabad. I mention it, because it is most widely prevalent in that town, namely the system of commission on sales and purchases. By means of this managing agency firms are sometimes making more than the amount of money which is distributed to all the shareholders combined. If we are going to perpetrate the managing agency system let us take power in our hands to remove all these evils.

Secondly, in this connection there has been complete unanimity in all the opinions we have heard, at least from the side of the non-managing agents, namely that the system of commissions over and above a fixed percentage of eight or ten per cent. profit should be stopped.

There is a third item which is of equal importance. Managing agents create fictitious firms, in which people who are really the creatures of the managing agents are appointed as selling or purchasing agents. This is going on right below the nose of the Government and yet no power is taken by them to check this abuse of the protection given under the company law.

I refrain from referring to the points which I along with other members of the Company Law Committee have included in our memorandum, where we have given the almost unanimous opinion of the committee, on the improvements which we regard as essential within the framework of the Bill placed before us. We did not suggest there the radical change that I am suggesting now. I reserved to myself the right to bring forward certain amendments if need be or make suggestions, if there is time.

One fact referred to in the memorandum to which I would invite attention is that in the Ordinance and in the Bill no date has been fixed for the commencement of the provisions regarding the change of managing agencies. Probably the intention is that only subsequent to the date when the Ordinance was promulgated, any such change in managing agency will come under the purview of this Act. The Committee felt that the 1st May, 1949 should be fixed. I am however of opinion that

[Shri Hussain Imam]

it should have retrospective effect from the time when the Controller of Public Company Issues was appointed by the Government of India, which was sometime in 1945, 10 A.M. because there are a large number of changes that have taken place. I had referred to the great service which the managing agencies had done to the Indian industries. I have referred to the fact that most of them were private firms, some registered, some unregistered, but since 1936 when the Company Law was last amended most of them have converted themselves into private or public limited liability companies. There are today, I think, less than even 25 per cent. of the major managing agents who still continue to be firms with unlimited liability; most of them have converted themselves into private limited liability companies. And ever since the end of the war there has been another change; they are now converting themselves into public limited liability companies. Now in the case of a public limited liability company there is no continuity. The shares are freely saleable on the stock exchange; if you restrict their saleability a great harm will be done to the investing public because these shares are regarded as, almost next to treasury bonds, the safest securities. You cannot blow hot and cold in the same breath. If you allow sales of managing agency company shares freely on the stock exchange, you naturally allow a change to take place in the complexion of the managing agency.

So the Government should decide as to what it wishes to do. Does it wish to protect the public limited liability companies who are acting as managing agents? I would refer to the well-known firm of Messrs. Martin Burns or for that matter Messrs. Rally (India) Ltd. floated only a few months ago, I think during the discussion of the Budget in this House. Then there are other limited liability companies acting as managing agents—Tata & Sons, for instance. I am more conversant with the Calcutta side than with Bombay although I have heard of the Killick Nixons and others on the Bombay side which have also converted themselves into public limited liability companies. Among the suggestions placed before the country in our memorandum was one that no public limited liability company can be the managing agent of another public limited liability company. That is a very useful principle; you cannot have it both ways—have the advantages of public limited liability and at the same time the

capacity of an unlimited or a private limited liability company of making advances and giving help which you cannot do under the public limited liability system.

All these things are involved. I think Government has shown its hand a little too hastily. The least that they could have done would have been to invite some advice from our Committee. The Committee was sitting in Delhi and it would have been very easy for Government to have asked us to give them some sort of an interim report without indicating what they wished to do. Then we would have given them better material than we were able to do at the last meeting. Our last meeting was called on the 30th July. Notices were sent to us on the 25th or 26th. From all the corners of India we assembled in haste at Calcutta and gave a hurried report because it had to be in the hands of the Government before Parliament opened. In view of this I would suggest to Government the desirability of less haste in passing this and other measures of this nature. Many interests are involved here. We are not perfectly certain that we have covered all sides of the question in the Committee meeting because we did not have enough time to consult people and to think over a matter which is of such great importance. I personally feel that there are other fields also connected with this matter which require equal consideration. The only advantage which this question has is that the people interested are big ones the managing agents are behind it, they want that they should be protected and therefore they can reach the Government and move it. The other interests are small ones; they cannot reach the higher circles of Government and therefore their miseries and their troubles are not before the Government. I was just hunting up in yesterday's proceedings the reply the hon. Finance Minister gave on the question of income-tax incidents on contributions to political parties. Of all persons it is the shareholder that has no voice in this matter. He has no *locus standi* for going to court and asking that this contribution should not be made, that it is not in the interest of the shareholders, that it should come before the shareholders for confirmation. At present no sanction of the shareholders is required in these cases. Is this the state of affairs which should prevail in a democracy? The shareholders are as much the owners and proprietors of the concern as we the people of India are of our homeland. It was on this issue that we fought the British: that good government is

no substitute for self-government. Then is it meet and proper that the shareholders have no right, even the Government have no right, in stopping these people from spending money like this? This is only an illustration, I am not attacking the particular case but only giving you an instance from the proceedings of the House to show that neither the Government nor the shareholders have any right.....

Shri Tyagi: I might remind my hon. friend that in the reply it was stated that even a small shareholder could stop this waste of money.

Shri Hussain Imam: Only the creditors and the contributors have the right to go to court. That is what Mr. Deshmukh said—I am quoting it from his reply.

The Minister of Food and Agriculture (Shri K. M. Munshi): The Law is very clear. Any shareholder can go and stop waste outside the memorandum of association—it is too plain for words.

Shri Hussain Imam: Mr. Munshi is a very clever lawyer and he knows that the managing agents protect themselves by providing in the memorandum and articles of association sufficient latitude; the latitude allowed was one of the points on which we felt very strongly. There must be one objective for which a company is started. An instance was quoted in the last Session of a company which was formed to run an airways but it invested all its money by a loan to another company. These things are allowed. And it was not a small company—it had a capital of Rs. 2.5 crores. It never started the work for which it was floated, never bought a single aeroplane, but invested all its money in another sister concern of its own. There are hundreds of such instances. I am particularly referring to this matter because here there are things which Government could do without any legislative sanction and at least those things should be done.

Let me refer to the Capital Issues Department. At the moment it is a very neglected department. Government in its usual way has treated it very parsimoniously; it has not got sufficient staff nor can the higher officers devote enough of their time to it because they have so many things on their hands. Is it not necessary that when you give your sanction for a capital issue you should insist that the managing agency terms should conform to certain standards approved by

you? This is the ordinary responsibility which Government owes. Shareholders see the glowing picture given in the prospectus and invest their money, only to find subsequently that there is nothing to be had. The Controller of Capital Issues is protected by a formula which he writes in the very beginning, that he does not hold himself responsible for any of the contents therein. His concern is only to see whether the capital issue at the moment clashes with Government's borrowings and requirements. He also sees whether there is a dispersal of industry. Beyond this, he does not go into the merits. Is it not necessary that Government should have an objective? It should not be a roving thing as it is today. None knows better than Mr. Munshi that Memorandum is all-embracing and can and does include anything from A. to Z. There is no provision that there should be one particular objective and that everything should be ancillary to that objective. For instance, a textile mill is carrying on the work of sugar manufacture. It is carrying on the business of oil crushing. Everything is being taken up. The question is asked: What are the companies to do if they have surplus money? The answer is simple: They must start more textile mills. Is there not enough room for textile mills? So, the objective should be one. You can take loans. You can give loans. But they must be correlated to each other. So, my first point is that capital issue must be strengthened.

Then, a standard form of managing agency contract should be there. Anyone who wants to float a company should conform to it. If he does not, he should not be permitted to float any company in India. We expect Government to put its foot down on this kind of cajoling and defrauding of the public of their hard earned money.

Secondly, I refer to the fact that there is no power vested in the Government on the lines of Section 210 of the British Companies Act, in which *suo moto* Government has the right to intervene and examine the affairs of a company. It is very essential when we are protecting the managing agents then the Government should be asked to do something on those lines. Unless you give Government sufficient power to check the mischiefs of the managing agents, I for one would not be a party to safeguarding the lot of managing agents, whom I regard as at best as a necessary evil where they are to be retained. I would have very much welcomed

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announcement from the Government that a plan has been formed by the Planning Commission by means of which at the expiry of five or ten years the whole system of managing agents would be abolished. The country is sick of them. It is only because we are jumping from the frying pan into the fire, that is to say, that one managing agent who had some sympathy with the shareholders has been ousted by a group of people,— it is only because of that, that we welcome this measure. During the Budget discussion I had given instances as to how the new set-up has ruined the existing shareholders and investors. I mentioned one company which had a capital of Rs. 8 lakhs and reserve of Rs. 25 lakhs. In three years that reserve was exhausted. There are a large number of similar instances. I want that this measure should not be hurried. It should be fully considered and expert advice should be taken from those who are conversant with all the evils of the managing agency system. Something should not be done to preserve them all, but to preserve them as a better and a more helpful organisation, and any managing agent who does not conform to this standard should be turned out. You should have the power to examine managing agency contracts, change or no change. Change is not the only thing in regard to which you should interfere. If you want to interfere, interfere wholly and scrap the undesirables. Then and then only will India be grateful to you for this measure.

Dr. Deshmukh (Madhya Pradesh): I heartily welcome the Bill before the House. The very fact that Government had issued an Ordinance embodying more or less the provisions which are now before us shows that there was urgent necessity for Government's interference in this case. But I would like to point out that this is a very delicate matter. My hon. friend who has just sat down has shown very often his somewhat surprising and suspicious fervour against the capitalists and against all people who become wealthy or are rich. I do not know of what dimensions he is a *zamindar*, but I do know that he is himself a *zamindar*.

Shri Hussain Imam: Not a bloated capitalist.

Dr. Deshmukh: But he belongs to a class of exploiters. So it is good to have one exploiter shouting against another. But sometimes his vehemence becomes somewhat suspicious

and although there are many good suggestions that he has made, I do not know if it would be wise on the part of Government, without proper circumspection, to approve of all of them. He himself had to admit that the managing agency system had done immense good to the country...

Shri Hussain Imam: In the past.

Dr. Deshmukh:.....and without its existence the present industrial expansion would not have been there. I am fully conversant with the unlimited unscrupulousness that exists so far as managing agents are concerned and if one were to catalogue the various things that these people resort to, it would be a document worth preserving. There is no doubt however, that we have to adopt a middle course. We cannot just with one stroke of the pen abolish managing agents. On the other hand, we cannot also allow them to have free play. So the remedy lies in paying as much attention and exercising as much supervision over the managing agents as possible and administering as much corrective to them as may be possible for Government to do. It is from that point of view that I consider that the provisions which are embodied here are more or less reasonable. The attempt is not to stop the managing agencies from coming into being but to stop the abuses that they resort to from time to time. I also welcome the move that the Bill is to be referred to a Select Committee. When I wanted to accuse Government of rushing legislation I only meant this as a rule when Bills come from Government, however small they may be, they are important. Very often, because there are a few clauses Government think that it is a simple Bill and we should immediately go through it. But our experience shows that in many instances there are many pros and cons of the situation which were not considered and were not before Government, with the result that ultimately, after spending some time here, the same procedure of referring it to a certain group of people or certain Members has got to be followed. A suggestion which I want to make in this connection is that a reference to Select Committee should be the ordinary method or ordinary mode of procedure in this matter. If this were done, there would be much saving of time and many points which we have to urge here, could be put before the Select Committee. I therefore welcome the move to refer this Bill to the Select Committee and thank the hon. Minister for the

assurance that all the criticisms made against the provisions of the Bill and the suggestions put forward would be fully taken into consideration. Though the Bill may be a brief one, it is of vital importance. Although there is considerable sympathy for the proposition that the managing agency system should be abolished, I for one do not think that it would be a wise step, and so far as the provisions embodied in this Bill are concerned, we should proceed very cautiously, because our aim should be not to do away with the managing agency system, but see that the evils under which it suffers are removed.

I would like to ask the Government as to whether they have thought of the administrative arrangements necessary under this measure. Very often we find that Government thinks that certain evils exist and enact an Ordinance or legislation. But very rarely there is adequate administrative provision to carry out the obligations in a fit and proper manner. It is the practice not only of the Central Government, but also of the State Governments, that enactments provide for the making of rules. Months, if not years, pass before the rules are framed and if the framing of rules takes time, how much time would be spent in bringing them into force may as well be imagined! So, by this Bill Government are taking upon themselves a good deal of work. How for the making of rules. Months, to see that these rules are enforced with the attention and care that they deserve are complete, I do not know. If they are not as very often happens, these provisions will remain only on the Statute Book.

It is quite correct to say from one point of view, that the interference that the Government is contemplating is at its minimum. I for one would support the theory of minimum interference, because I feel that the continuance of the managing agency system is necessary for the country. From that point of view the provisions embodied in this Bill are really welcome. The interference is restricted only to extension of terms and conditions of the managing agents and wherever there is an intention to transfer the office of the managing agent to another person, etc.

My hon. friend Mr. Hussain Imam complained that the shareholder did not enjoy the powers of complaining against any waste or expenditure by the managing agents which are of an objectionable nature. The hon. Mr.

Munshi got up and said that this was not so. But I think Mr. Hussain Imam was correct. At the present moment there is no effective power. There may be power in the Articles of Association or in the Company Laws, but the fact remains that the shareholder has no effective voice against mismanagement. We know, for instance, in the Sholapur Mill case a substantial number of shareholders went to all sorts of officers and all sorts of Ministers, but they were not able to get any redress. So, in my opinion, there is truth and substance in the plea that the shareholder at the present moment is more or less at the complete mercy of the managing agent and they are in a position to do and undo things.

Ours is, unfortunately, a very strange country. We have borrowed these enactments from England. But so far we have not insisted upon the same standards of rectitude, as were insisted upon in foreign countries and that is the reason why the managing agent is at the present moment in a position to do and undo anything that he wishes. There is very little supervision over the activities of the managing agents. It is therefore, extremely necessary that the Government should not only make these provisions, but see that they are observed and enforced.

The few cases upon which this ordinance was passed are naturally the more important cases involving crores of rupees, but there are in addition to this a whole host of smaller companies where the worst forms of frauds and mismanagement are rampant. I do not know what is proposed to be done so far as those cases are concerned, but I would certainly support the suggestion of my hon. friend Mr. Hussain Imam that every effort should be made to embody legal provision for interference on the part of Government wherever any mismanagement is suspected or any wastage is found. The suggestion of delegation of these powers to the various State Governments may also be examined.

My hon. friend Mr. Hussain Imam also suggested that at the time of sanctioning capital issue, it should be possible for Government to examine the Articles of Association and the managing agency terms. I think it should not be difficult for Government to pay attention to this and if possible to accept this suggestion. Now that capital is very shy, I am not in favour of continuing this department, but so long as it exists, it should be possible

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for it before allowing a company to make an issue of any substantial capital, to examine their Articles of Association and to see that the managing agency does not benefit itself and is run in the interest of the company as a whole. It must, however, be realised that whatever rules we make, or laws we pass, the managing agents will certainly set the whole machinery of Government at naught. They are very intelligent people they are very cunning people and the number of things they are capable of doing is so immense that whatever control we may exercise, they have ways of circumventing it. We are also suffering from the inefficiency in Government departments and there are not many officers whom we can implicitly trust. This is a matter in which ready cash can be transferred from one hand to another and risks of corruption are therefore very great. None the less efforts are desirable and we must try and see that the various ways in which managing agents misbehave are brought to the minimum.

From the speech of the hon. the Mover, it was quite apparent that there was an intention to consult the Committee on company law. Mr. Hussain Imam complained that very little attention was being paid to the committee that was constituted. Since we are going to refer this to the Select Committee, Government will certainly consider whether the Committee has any valuable suggestions to offer for the consideration of the Select Committee. I, therefore, support the Bill, but hope that Government will act most cautiously in this respect.

Shri Sidhva (Madhya Pradesh): I whole-heartedly welcome this measure. A measure of this kind was undoubtedly overdue and Government deserves our congratulations that after appointing an Expert Committee, which has not yet completed its task, when they found that it was necessary in the interest of the investing public that the Act in this respect should be amended they promulgated an Ordinance. The Bill is the result of that Ordinance.

When a public limited liability company is floated there are two kinds of shareholders. One set is of the big shareholders and the other of the small shareholders. The big shareholders, some of them, generally combine and form the Articles of Association and the agreement of the managing agency terms. This question of managing agency terms has come many a time into discussion. It is a

controversial matter and it is not the first time that this managing agency question has been brought up. While the Insurance and the Banking Bills were considered, it was contemplated to substitute managing directorship for managing agency. In my opinion the change of nomenclature has not brought any kind of improvement. Those who want to make money from the small investors try to circumvent many of the provisions of the Articles of Association and have drawn commissions by various methods. It is difficult to say that the managing agency system should be entirely abolished. It is a vicious thing. There is no doubt about it. But so long as we want investments and money to be forthcoming in this country this managing agency system to an extent will have to be maintained certainly with very many improvements some of which are sought to be made in this Bill. I therefore am not prepared at the present juncture to suggest to the Government that the managing agency system should be immediately abolished, however one would like that a substitute system which would safeguard the interest of the small shareholders should be introduced.

I know of many technicians who have invented things for certain kinds of industry, but for want of money they were not able to do anything. When they went to the persons concerned for investment they demanded a price, that is to say, they said "Provided you give your patent and agree to my managing agency, I am prepared to invest such and such amount." This is the difficulty facing the technician concerning an industry which is really needed and which would bring a large amount of wealth in this country.

Therefore, what I was contending was that these small shareholders generally subscribe on the strength of the memorandum of the Articles of Association which mentions tempting clauses of large dividends that may be expected from that concern. And the small investors who have to invest some money merely go by the names of the promoters. The promoters are wealthy people, undoubtedly, and the small people invest money in those concerns.

This Government have appointed an Expert Committee in this matter and there are members in it for whom I have respect. But in that Committee there are one or two members who represent the small investors. A large number of companies which exist

today in this country have small investors as well. But in this Committee, which of course, is doing a fairly good work, there is no representative of the small investors. I do not know ultimately what its recommendation would be as far as the safeguarding of the small investor's money is concerned. I would have wished that the Government should have taken care to recognize that there exist a large number of small investors in various concerns, and today they have a grievance. I may tell you that particularly in Bombay which is the nerve centre for industry.....

Shri A. C. Guha (West Bengal):
Why not Calcutta?

Shri Sidhva: Of course Calcutta is confined to the jute industry and there are many European concerns. I do not know what is the percentage of small investors in Calcutta. But with my knowledge of Bombay I was particularly mentioning Bombay. They have got their own shareholders' Associations, but in no way are they able to succeed in safeguarding their own interests.

I will give you one illustration, namely of the Sholapur Mills. This is one of the largest textile industries in the country with two thousand looms and twenty thousand spindles. Due to the vagaries and gross mismanagement—I will not say only mismanagement—but also embezzlement of public money by the managing agent this mill had to be closed down. And it remained closed for nearly two years, with the result that not only the investors suffered—particularly the small investors—but the whole nation suffered, because the production from this mill, which is one of the largest textile industries, was stopped. The mismanagement and the defalcations were so serious that the small shareholders held a meeting in Bombay amongst themselves. But they were not able to do anything within the law. They had therefore to approach the Finance Minister of the Bombay Government and he had to intervene, in view of a certain provision in the Act, to appoint a Committee to enquire into the matter. That Committee's report gives glaring facts. It indicates that the managing agent has to an extent of nearly Rs. 10 lakhs embezzled the funds for his private purposes, for marriage purpose and so many other purposes, apart from the extraordinary remuneration and commission that he derived from it. Government appointed that Committee. It was not possible for the small shareholders to go to the court and prosecute that managing agent. But such a big

industry could not be allowed in the interest of the country to remain idle and therefore the protection of the Government of India was sought. If you remember this matter came up last year and the Government of India had to intervene and enact legislation. They brought a Bill whereby they took possession of this mill merely for the purpose of management, because under our Constitution we cannot take charge of the whole industry. And with the assistance of the Bombay Government a new Directorate nominated by the Government of Bombay was formed which has been doing this work. The mill is doing excellent work today. Production has increased and the small investors too to an extent are satisfied. I am sure they will get the dividends which they were expecting at the earlier stage. According to the report of the Committee, the directors are not in a position to take the case to the court of law to recover the money from the managing agents. I am told that there is some technical defect. All this is public money and money belonging to the small investors. If there is any defect in this law, I would request the hon. Minister to look into this matter and bring suitable provisions in the Select Committee. The Committee appointed by Government has brought out such glaring instances against the managing agent where he has misappropriated the money belonging to smaller investors and I consider therefore that he should be prosecuted. This managing agent was prosecuted on a different issue and he went to jail and he was not ashamed of anything and he still wants this directorate to go. He went to the High Court to upset the decision and he went also to the Supreme Court. I am glad to say that the Supreme Court decided that our law was perfectly justified and did not contravene the Articles of the Constitution. These people are so powerful. Government under the provisions of this Bill ask that when a managing agent has to be changed or a director has to be changed, Government sanction should be obtained. I do not know if the Expert Committee has taken this into consideration. The Chairman of this Expert Committee was the Chairman of the Sholapur Mills. That has to be borne in mind and I do not know whether he will be considering that question but I would request the hon. Minister to bear that in mind and find out some solution. I feel if a new provision to this Bill could be added, it must be added. I do not see why when such an occasion has arisen the managing agent should not be prosecuted and the money recovered from him. While I am suggesting that the managing agency system has become

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so vicious, I am not straightaway recommending its abolition but it is necessary to improve it. If that is done in the present state of affairs the money that the wealthy industrialists would like to invest would not be forthcoming and therefore the industry would suffer and the new industries may not be floated. Today under the Company Law every share has the right to vote and not a shareholder. If a managing agent has a thousand shares, he has a thousand votes. I know of concerns where individual shareholders have a majority to turn out the managing agent on account of mismanagement but under the right of proxy vested under the Companies Act, although they had as many number of votes, they could not succeed. Where there are 2,000 individual shareholders, 1,850 shareholders were against the managing agency and they wanted to change but 20,000 proxies from 120 shares of individuals were brought and that decision of the majority was nullified. This point requires consideration. Today we are talking of a co-operative system of society and we say that it has worked very well. We have got the Co-operative Societies Act. No matter when an individual holds any number of shares, he has the right of one vote only. I do not see any reason why a similar system should not be introduced in the Companies Act to avoid all this mischief. It may be argued that if you adopt that then the wealthy people may not be forthcoming to invest their money, because they want that their money should be safeguarded. If a managing agent has got 10,000 shares, he gets dividend on 10,000 shares, but I do not want that he ought to have 10,000 votes. Unless that kind of remedy is sought to be made by the Government, I doubt whether even this small improvement is going to help us any further. This is my suggestion which I request the Government to consider seriously. There will be certainly opposition from big persons who today enjoy the right of managing agency by virtue of the large number of shares they hold. They should kindly consider that while we do not want them to be deprived of their legitimate earnings from the investment they have made, they should also see that the interests of small investors are also to be safeguarded. I may say that confidence is lacking in the minds of small investors to invest money in these industries because they feel that the managing agents have become so obnoxious to them. They would like to get 10 or 12 per cent. and feel that behind a

certain industry there are big people and they would naturally like to invest and there is nothing wrong in that. All I would like to say is that the money that these small investors would otherwise earn should not be taken away by the managing agent. I do not want to subscribe to what my friend Mr. Hussain Imam stated that managing agency be totally abolished; I know it has advantages also. To what percentage it has disadvantages, one cannot mathematically calculate. There is no doubt that the managing agency system has many vices. The managing agent not only takes the remuneration but under the terms of the agreement gets commission on all the purchases. A managing agent if he has to import coal worth Rs. 5 lakhs, he must have a percentage of commission.

An Hon. Member: Not all.

Shri Sidhva: I certainly admit there are very good managing agents. I have come across very honest and very straightforward people. I can mention names but I do not want to mention them. For the sake of a few persons who want to suck the blood of the small investors, I do not want to suggest that the managing agency should be abolished. The system has become so bad that one would really insist that the managing system should be abolished but there are good people also. Government must take steps to see that the purchasing of managing agency by securing goodwill should be stopped. Old concerns in Bombay have earned during the war large sums of money and in some businesses they have paid goodwill to the managing agents. By this and various other vicious methods they are making money at the cost of small investors. My complaint is against that and Government have come too late to stop this. I do not know whether they would be successful. Nearly a large number of them had already transferred their business and they are enjoying benefit. That has to be stopped and there should be a limit to the managing system period. I know that in many cases 25 years is the minimum period of a managing agency under the agreement.

An Hon. Member: Under the law you cannot do it.

Shri Sidhva: Well I want the law to be amended. I do not want to take advantage of the law at the present moment. If you do not want the small investor's money, let the big people invest and run the industry. I

have no quarrel but by collecting six or seven lakhs of people from investors or small people against theirs of less than half of public money, they earn at their cost. Therefore, if the law has to be amended, it must be amended. It is high time that it must be amended. This Bill is confined to two or three provisions: for getting the approval of the Government in the event of a change of managing agency, a director etc. During the last war, Government introduced a system whereby any new company floating debentures for 50 lakhs or 20 lakhs,—I do not remember—has to take the approval of the Government of India before floating the company. That is as far as finances are concerned. I would suggest that the Industries Department must examine with the aid of experts every Article of Association and see whether the industry is beneficial. Sometimes, fictitious dividends are mentioned in the Articles of Association and small people are carried away by them to invest their money. Big people are clever. Therefore, the Government of India must examine the Articles of Association and if they find any flaw, they must discuss that with the company concerned and see that proper arrangements are made to safeguard the small investors. There is nothing wrong in this step. That is one suggestion that I have to make.

The second suggestion that I made at an earlier stage is that one individual should have the right of one vote. It may not be liked by the big investors. I mean the big industrialists. That is the advantage they enjoy. Whatever the difficulties, I would request the Government to consider seriously this question. Do the Government feel that by this method they are going to stop all the evils that are prevailing on account of the managing agency? True, they may take a decision at the shareholders meeting that the managing agency should be changed to so and so and it will come to you for approval. You may approve that or you may not. You may reject, after making enquiries. But, how does it improve matters? The old thing goes on. Merely taking the sanction or approval or disapproval of the Government is not going to improve matters. This is a very important matter. Certainly, when the Expert Committee's report is received, it will be exhaustive and an exhaustive Bill will be brought about, I have no doubt. But, I do not know whether the question of the small investors will be considered by that Committee. I would request the Committee to bear in mind the case of the small investors so that, once and for

all, we not only make our industries prosperous and in the interests of the country, but at the same time see that those who have invested their money also earn legitimately what is their due.

Shri Shankaraiya (Mysore): At this stage, may I furnish some information to my hon. friend so that the House may not have any wrong impression? My hon. friend has stated.....

Mr. Deputy-Speaker: I shall note down the hon. Member's name as one of the speakers. He will have an opportunity.

Shri Shankaraiya: It will create the impression that the small investors are not.....

Mr. Deputy-Speaker: That impression may be removed by the hon. Member's speech. He can dilate upon that point. The hon. Member will be called at a later stage.

Shri Shankaraiya. As a Member of the Select Committee, I may not have a chance to speak hence for the information of the House, I may say...

Shri Sidhva: I do not know what my friend wants to say.

Mr. Deputy-Speaker: If there is anything to be explained, I will give an opportunity to the Members of the Select Committee also to speak, lest, according to him, any false impression should go round. Let that be corrected then.

Shri Sidhva: If my hon. friend has some other views...

Shri Ramalingam Chettiar (Madras): He is a member of the Company Law Committee.

Shri Sidhva: ... he may pass on his suggestions to somebody else. I will certainly be prepared to consider any suggestions which would be beneficial to the investors. I have merely made my suggestions. If they are not suitable, let somebody make alternative suggestions. I am prepared to consider them. My point is I am prepared to withdraw if the other suggestion is better. It is open to any Member to make suggestions. This matter is going to the Select Committee. I am making my suggestions for the consideration of the Select Committee. I do hope that even if my suggestions are not accepted, the points that I have raised will be borne in mind by the Select Committee. The real question is how to overcome these evils. If the difficulties that are being experienced today

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are overcome by any method suggested by the Select Committee, I would only be very happy. Perhaps in the Select Committee, the hon. Minister may take the technical objection that this Bill does not cover that point and from that point of view, may not like to insert a new clause. I would only request the hon. Minister to consider this point. Government have the right to do anything they like. As far as this House is concerned, I am sure they will have no objection if some suitable amendments to that effect are introduced in the Bill.

I think I have covered most of the points that I had in mind. I would particularly request the Minister to bear in mind the first point that I stated about the Sholapur Mill in which case the report of the committee has been made and there is no solution for hauling up the managing agents. If my hon. friend Mr. Tyagi calls for the papers, he will be amazed to find from the recommendations of the committee that there was not only mismanagement, but there was pure misappropriation and embezzlement of public money. That is the point I am driving at. When the Government appoints a committee, if somebody has to go to court, I do not know whether there is any provision in the Companies Act or not. Mr. Munshi said that there is; Mr. Hussain Imam said, there is not. The hon. Mr. Tyagi also said that there is. Let it be made clear whether there is any provision or not. Always when a small shareholder has to make a complaint, he finds it difficult to get relief by going to court.

[SHRIMATI DURGABAI *in the Chair*]

I must inform the Government that the small investors cannot have any kind of security or relief in the shareholders' meeting for the reason they are overridden by the large number of proxies held. That is the point to be borne in mind. Suppose in a shareholders' meeting, 1000 shareholders sit there and 900 express their view in a certain manner, the managing agents have got 10,000 proxy votes and that overrides the decision of the majority. Whether that is good or bad has to be considered by the Government. That stage has come.

Shri Sondhi (Punjab): Whose proxies? Shareholders'.

Shri Sidhva: One man owns 10,000 shares. He has 10,000 votes.

Shri Sondhi: Then, he has put in more money.

Shri Sidhva: If he has more money, let him run the industry with his own money. Why does he want money from the public?

Shri Sondhi: Are they foolish?

Shri Sidhva: If they are.....

Mr. Chairman: The hon. Member need not answer every interruption.

Shri Sidhva: They are carried away by the tempting offers made in the Articles of Association. Men of small means also want to invest and instead of getting four per cent. in the Bank or in Government securities, they would also like to have a larger return. Their interests have to be safeguarded. My point is that.....

Shri Sondhi: I would like to know which Bank is paying four per cent.

Shri Sidhva: If I stated four per cent., it need not be taken that all Banks pay four per cent.; Scheduled Banks pay two and a half per cent. My hon. friend is a big money lender. He lends money and so he knows his business very well. He is a rich man and.....

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Mr. Chairman: May I know whether that hon. Member is the subject-matter of this speech?

Shri Sidhva: No. But he stated that no Bank gives four per cent. interest. Probably he is charging nine per cent. Therefore he was asking whether any Bank was charging four per cent. That is how he came into the picture.

I have stated what I had to state and I hope the points that I have mentioned will be borne in mind by the Select Committee and by the hon. Minister.

With these words, I strongly support the motion.

Shri A. C. Guha: I whole-heartedly support this measure and I would rather add that the Government has been a little late in coming forward with this Bill. About a month ago Government issued an Ordinance which is practically reproduced verbatim in the shape of this Bill. The purpose of the Bill is three-fold. First, it is intended that no change in the control of the managing agency or the managing directors should be taken as valid unless it has been done with the previous approval of the Central Government. Secondly, it is said that when about ten per cent. of the shareholders support a complaint to any

court, that the affairs of the company have not been going on properly, that court may order some investigation and take such action as may be thought proper. This is a step short of winding the business of the company altogether. And the third purpose of the Bill is to set up an advisory commission to help the Government in deciding applications for change in managing directors and managing agencies.

I can say from my experience in Bengal that since the end of the last war, there have been going on in our business life some practices which may be called practically predatory and against all sense of business morality or etiquette. Some men have made enormous fortunes out of the war business. After the cessation of hostilities some again have made enormous fortunes, particularly in Calcutta, Bombay and a few other places also, in what are known as the jute muddle, the sugar muddle and the cloth muddle etc. In these matters Government have not been able to cope with these predatory businessmen. These upstarts have caused great harm to our industrial and commercial life and they have also caused great mischief and sufferings for the consuming public.

To give a few instances. Only a few weeks back, the Central Government had to promulgate an Ordinance so that the affairs of a light railway near Calcutta might be set right. This light railway was being managed by a respectable firm for many years. But suddenly one morning that firm—Martin & Co.—was faced with what may be called a pistol. They found that the shares of the company had been cornered by an upstart businessman and they had to leave the managing agency of that light railway. And since then the conditions of that railway have been going from bad to worse and for the last four months there has been a strike going on resulting in the suspension of the entire railway traffic on that line, even though that line was supplying a large quantity of the daily articles of food for the Calcutta public, and that line was the only one connecting Calcutta with the borders of Pakistan.

Another public utility service of Calcutta is the Gas Company there and its managing agency has also changed hands and the result is there is a strike for over two months there. Hospitals, educational institutions and industrial firms have had to suspend their operations due to the lack of gas supply. Even the Calcutta University had to put off the practical examination of its B.Sc. students because of the want

of gas supply. In this connection I would like also to mention the lot of the consumer. Those who have been accustomed to the services of the company in former years also can very well say how the efficiency has gone down.

Though not quite relevant, but of the same nature, so I might mention the case of some Banks. Recently one Bank in Calcutta had to close down because the managing director controlling 54 per cent. of the shares was resisting all proposals for amalgamation and even now he is resisting that proposal. And the interests of 60,000 of the depositors and a large number of small shareholders are of no consideration at all, because the managing director has the control of 54 per cent. of the shares. Am I to understand that the Government and this House are so impotent as not to have any power or any authority to tackle such predatory practices in our business and commercial life?

Therefore, I say from my own experience of the commercial and industrial life of Bengal and especially of Calcutta, that this measure is a little belated and it should have been brought in much earlier. I regret having to say that in the creation of businessmen, Calcutta has contributed such a situation, creating upstart much. It has been estimated that the undeclared profit in jute last year was to the tune of about Rs. 100 crores. And so these businessmen must find some avenue to invest their money. They have been purchasing the shares of well-established companies and companies with sound managements; and then they are naturally trying to oust the managing agents or managing directors of those concerns. There have been cases in Bombay of money made in Calcutta being invested there and there has been the attempt to oust well-reputed managing agents and managing directors. And perhaps the House is aware of the fact that some insurance companies also in recent years, have changed hands by the change in managing directors and those reputed companies' assets and reserve funds have been squandered. I think that also is not unknown to the Members of this House. Therefore, I feel that the Government should have been given even wider powers than what have been suggested in the Bill.

One of the speakers who preceded me mentioned that the shareholders are the owners of the companies and so they have every right to do what they like. This is an economic theory which belongs to the past and the day of that theory is past. That economic

[Shri A. C. Guha]

theory of *laissez faire* is long dead and I wonder how this House could be regaled with such a theory. We claim that ours is a welfare State. We know that ours is a democratic State also, not a totalitarian one, and we do not want to suppress the freedom of the individual. But after all the interest of the community or the interest of the collective entity of the nation must be supreme in the consideration of the Government and the interest of the individual should conform with the interest of the nation. Have not the Government the moral right to check the vagaries of those who have money, so that they may not play with the fortunes or the interest of the nation or of the general public at large.

My predecessor, Mr. Sidhva, doubted whether the provisions of the Bill will be sufficient to meet the purpose and I also think that the provisions may not be quite adequate. When the stock exchange is allowed to operate you cannot prevent shares being transferred and cornered. And if anyone has the money he can purchase 80 or 90 per cent. of the shares of a company in the open stock exchange market. Then at the annual general meeting or in a specially convened general meeting of the shareholders those who have acquired the shares can present the terms to the existing managing director or managing agents. They may have a resolution passed by the shareholders that the existing managing agents should be changed and new ones appointed. In the Bill it is proposed that the Central Government will have the power to reject such a proposal but the people who control the majority of the shares can make it impossible for the existing managing agents to manage the affairs of the company. Is there any provision in the Bill to protect the existing managing director from the tyranny of those who own the majority of shares or to have any alternative arrangement after rejecting the proposal of change in the managing agency? I do not think there is any. I would like Government to put in a provision which will prevent the cornering of shares in the stock exchange market or provide that by acquiring a large number of shares their voting strength cannot go up proportionately. That must be curbed to the minimum so as not to disturb the management of the company which is being run properly and efficiently.

As regards the advisory commission mentioned here there is nothing said about the terms of appointment; nor is it mentioned whether Government will

frame the rules for the purpose. For how many years are the members to be appointed, what is their remuneration, will they be wholetime or part-time appointments,—what would be the requisite qualifications—all these will have to be clarified in the Select Committee.

I would like that the advisory commission should have wider powers to investigate into the entire working of the Indian Companies Act. Such a machinery has been provided in the English Companies Act of 1948 whereas there is no such machinery under our Act. This Advisory Commission should be given adequate powers so that they may inquire into the entire working of the Indian Companies Act.

The most important point is the composition of the commission, particularly the appointment of the Chairman. I hope the Government will select such persons as are above public suspicion—not necessarily big names with big financial backing. Those who have been lacking in public integrity in other spheres should be scrupulously avoided because they will have the power to do mischief as much as they will have to prevent it. Only those who have personal integrity, who enjoy public reputation for business morality should be selected, particularly as Chairman.

The Bill as presented is simply a repetition of the Ordinance of the 21st July. The Government by now must have received some suggestions from the business community, from public men as also from the Enquiry Committee set up to inquire into the working of the Indian Companies Act. The hon. Minister has mentioned in his introductory speech that he would make suitable amendments according to those suggestions. I would have very much liked that the Government had incorporated some of them before presenting the Bill to the House. This is another example of hasty legislation. When they have an idea of including some amendments, they should have done so before the Bill was introduced.

Some of the clauses also may require to be revised, some to be tightened and some to contain wider powers. I would particularly mention clauses 5 and also 7, by which a court is authorised to order an investigation into the working of a company. There is already a provision somewhat like this in the present Act but it contains some handicaps. Any shareholder who files a complaint will have to bear the cost of investigation. I do not think the Government have so far made any use of

that provision. I do not know how far Government will utilise the provision now incorporated in the Bill.

I have a sorry experience of the Government's indifference to public interest in many matters. When the Banking Act was revised in the Select Committee I suggested that the Reserve Bank should in all cases be the liquidator of Banks when these are ordered to be liquidated. I was given an assurance that that would be the general practice, but as there was not sufficient staff with the Reserve Bank the Government did not like that such an obligatory provision should be imposed on the Reserve Bank. In spite of this definite assurance given to me I know that in about 150 Bank closures in Bengal in not a single case has the Reserve Bank applied for being appointed as the liquidator. Government is naturally accused of having a soft corner for these commercial predatory men and upstarts. I do not know if Government will be able to absolve themselves of that charge in the present case also.

With these remarks I commend this motion for the acceptance of the House in the hope that the Bill will be made effective and not left as a mere paper statute.

Shri Syamnandan Sahaya (Bihar): I welcome this measure not because I feel that the ills which this Bill proposes to remedy are so rampant as to require the kind of treatment which the Bill proposes but because it will certainly eliminate the few black sheep that have brought on the fair name of managing agents a dark shade which today finds exhibition in this House through the different speeches which have been made. The difficulty that I envisage does not lie in the provisions of the Bill as they have been placed before us but in their working. As long as a legislation is meant for and desires the removal of certain difficulties and certain evils that might have crept in, it certainly serves a very useful purpose, but the moment the Bill moves beyond the objectives which it laid before itself at the stage of working, it creates an effect which becomes far worse than the good that it contemplated.

I have carefully gone through the provisions of this Bill and I feel that the power which the Government desires to take into its hands relates largely to changes in the constitution and even the personnel of managing directors and managing agencies. It naturally goes in some cases beyond the provisions concerning managing

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agencies and takes into account the transference of companies themselves. Perhaps that may be necessary in order to get over or prevent the circumvention that managing agents may bring about in the working of this measure. The feeling, therefore, with which I look upon this measure is as I have said a feeling of welcome. I think it was time that Government acquainted themselves with the working of managing agencies generally and come to the right conclusion, and I dare make the statement in this House that in the majority of cases they will have no cause to grumble. There will still be left a minority which would require the treatment prescribed in this measure and no one will shed a drop of tear for those who deserve being taken notice of and dealt with properly. What I would therefore suggest to the Government is not in any way to postpone or to water down the provisions of this Bill, but I would certainly appeal to them and request them to see that the actual working of this measure is done in such a way as not to create any amount of dread in the minds of those on whom, whether we like it or not, whether we say it or not, lies the credit of having started large industrial concerns which must be at any time to the credit of the country and of those who promoted them. Tact and ability, therefore, lies in steering clear of anything which might prevent good managing agents functioning, and on the other hand in keeping in check those who have been or are likely to take undue advantage of their position and of their contract as managing agents.

From the speeches that I have had the pleasure of listening to in this House today, I have got the impression that the managing agency system as a whole does not find favour with many friends who have spoken prior to your granting me permission to speak. While there may be good reasons for this to some of my friends who may have experience of certain managing agents who run their concerns in a particular way, I would appeal to them and beg of them to consider the question dispassionately. I think it was time that the Government, even at the cost of the managing agents, prepared a history of the different managing agencies in this country and I have no doubt that the history of these managing agencies will record one fact pre-eminently and most prominently, and that fact would be that but for these managing agents none of these concerns would have come into being and even the small measure of satisfaction that we in this country have today of being industrialised in certain sectors

[Shri Syamnandan Sahaya]

would not have accrued to us. If we look to the history of the industrial progress in this country, it will be conceded, I hope, that foreign companies first came and started different types of concerns—textile mills, for instance—and with the knowledge and experience gained later on some people organised other concerns on a purely Indian national basis. At that time, if there had been no managing agency system, if some people had not taken upon themselves the responsibility of sponsoring and promoting and running those companies by incurring debts, by mortgaging and pledging their personal properties for the sake of running these industries, many of these concerns would not have come into existence at all. I have been myself greatly interested in the co-operative movement in my province and can claim to have served it for no less than a third of a century, but in spite of my best efforts it has been difficult to organise a big concern purely on that basis. For these concerns to be organised you require not merely a certain amount of capital to begin with, but a much larger responsibility, a much larger provision for funds to be required in future. Let us look at the balance sheets or profit and loss accounts of big concerns in this country like Tatas. The original capital which had been raised to start these companies was found in 99 per cent. of the cases to be insufficient and the managing agents had to provide from time to time the funds that were required. It will thus be seen that many if not most managing agents have a record of which they should not be ashamed, on the other hand they should be proud.

Shri Hussain Imam: Have they not changed hands?

Shri Syamnandan Sahaya: But I cannot say this about all. Therefore, I say that for the fair name of the managing agency system as such a measure like this is called for. After the working of this measure for some time, it will be clear to the House that after all most of the managing agents are not like what they are depicted. My hon. friend interrupted and asked, "Have they not changed hands?" But is that the grouse? After all, there was no force, no compulsion. If a certain managing agent who had started a concern is not desirous after a short while of continuing in that position, he is entitled to transfer it to other hands.

Shri Hussain Imam: He has to pay for it.

Shri Syamnandan Sahaya: That is what you think. It is one way of thinking, but if a man who has worked hard and brought about an excellent concern wants to transfer it and make some money over it. I do not see why you should grumble. The best course then is that one should go about looking for the person with the richest purse and encourage the practice of pick-pocketing.

Shri Hussain Imam: That is what they are doing. The Income-tax Investigation Tribunal is doing that.

Shri Syamnandan Sahaya: The Income-tax Investigation Tribunal is there to find out who is the person who has defrauded the Government of India and not paid the proper tax. Therefore, as long as a taxation policy is accepted by the country and as long as there is a law which lays down a certain rate of tax, whosoever evades the tax by unlawful methods is bound to suffer and must be the subject of investigation. My hon. friends who talk about managing agents going away with a lot of money and selling their goodwill betray, in my opinion, a certain amount of ignorance. This is nothing peculiar to this country. Goodwill in other countries is able to secure sometimes in the shape of returns more than the capital of the company. Goodwill is paid for on account of the good work put in by the particular company. Goodwill is not something written on paper in English. It is very much more than that. Friends who are in business, particularly on the manufacturing side, will know how much a name counts, and this name is the goodwill. There are two materials—probably of the same variety and quality. One fetches double the price, but even at double the price the consumer rushes for the known variety rather than buy the unknown variety. Therefore, all this talk about managing agents and their taking a certain price for goodwill betrays not small but colossal ignorance.

Shri Hussain Imam: Of the manufacturing but not of managing agents. You have managing agents only in India and nowhere else.

Shri Syamnandan Sahaya: I do not know that. As far as I know, managing agents exist everywhere. My hon. friend must have got that by being too much involved in the Company law.

As I was saying, by managing agent our friends have somehow or other come to assume a certain impression and that impression that managing

agents are people who neither invest money nor take risks; people who have neither capacity nor the managing or administrative ability, but who make a lot of money for themselves. I submit that that is not the case. As I have said, some managing agents may take undue advantage of their position, but in most cases the managing agents are fully entitled to the remuneration they have received. But for them the companies would have either not come into existence, or if they had come into existence they would not have played the part which they have done in the industrial development of this country. Who does not know of cases like this? A company is started. The shareholders subscribe to the capital. Then it is handed to a group of people called managing agents. They cannot run it efficiently. The shares go down. Then the company changes hands. Another managing agent takes over. He has better resources and better administrative and managing skill. Then the Company starts working well. There is not one but many such instances. Therefore, the managing agent plays a very important part, if he is really a managing agent. What I submit is this. The Bill seeks to provide not against managing agents but against mismanaging agents.

Shri Kamath: Damaging agents?

Shri Syamnandan Sahaya: As long as the Bill provides against damaging or mismanaging agents, I have nothing to say. Of course, different provisions of the Bill require careful consideration and in many cases a thorough overhaul. In some cases, the Bill gives more powers to Government than necessary. These are matters which I shall place before the Select Committee. But I would just mention one or two points before I resume my seat. My hon. friend Mr. Sidhva who hails from Karachi.....

An Hon Member: Hails or hailed?

Shri Syamnandan Sahaya: I would still say 'hails' (of course, not the hails which fall like stones) from Karachi and I daresay knows quite a lot about Bombay said that the vote by persons on the basis of shares and not on the basis of the individuals is the chief defect and difficulty in the matter of good management of companies. If someone else had said it, I would have attributed it to his ignorance, or want of direct knowledge of running of good companies. But I am surprised that a man coming from Karachi or Bombay, in whatever sphere of life he may have been, one who was a Mayor of one of the big cities and belongs to

the particular community which has certainly the proud record of running some of the best industries in this country, particularly the one which was known as almost the largest in the British Empire (I mean the Tatas), should have made that statement.

Now he says that voting in the case of companies run on financial basis should be on the basis of individual and not on the basis of the number of shares or the amount of investment. I submit that this has to be tried only to result in complete failure and deadlock. After all when you want to bring about a big change, an overhaul in the working of a certain system which has been going for some time, I think it would be a wise step to make an experiment before adopting it in a general way and let this Government experiment it in some of the Companies in which Government is also a shareholder. In the case of concerns whose basis is finance, I dare say, Mr. Sidhva on reconsideration will not propose that the management and control of the company must be vested on the basis of individuals and not on the basis of investments. After all if you invest a large part of your fortune in a concern, it would not be a disparagement to claim that you should have control in that concern.

Shri Sidhva: You earn your dividends.

Shri Syamnandan Sahaya: Well, that is just the point. The point is whether you earn large dividends. The question is when the interests of the two people, of people having a smaller financial stake, but greater numerical strength, and of people having larger financial stake, but lesser numerical strength, comes into clash you are not sure of your dividends either. It is a matter of experience. Whosoever has worked it will be able to satisfy you that that is the position which prevails.

Then again we have heard several charges against the managing agents. A managing agency company naturally desires to retain its managing agency and the very first thing that it does is to secure a majority interest, a majority holding. If a managing agent has been able to invest a good deal of money, I see no reason why he should be deprived of having a controlling interest. My hon. friend Mr. Goenka, who I know has vast knowledge about this kind of business, shakes his head in a negative fashion and says that is not the case. There may be cases, I submit, where the individual managing agent may not have a majority of shares in his name.

Shri Goenka (Madras): Most of them.

Shri Syammandan Sahaya: But what happens really is, as Mr. Goenka knows more than many of us here, that if he is to be the managing agent of a concern, there are a hundred people, who on account of the influence of Mr. Goenka may invest their money in the business and that is an investment made for, or through the managing agents themselves. It is not necessary that the managing agent himself must invest in the maximum number of shares. But it is through the influence of the managing director, that the people who would like to go by the advice in financial matters of the managing agents invest their money. I submit that is not a practice which should in any way be discouraged.

My friend also complained about a wonderful thing happening in managing agencies, and that wonderful thing is the continuance of managing agencies for 20 or 25 years. If he had worked even a nail or pin factory, he would have known that a factory takes about six or seven years in order to get over its teething troubles, during which the managing agents have to raise loans on all his assets to set the factory on its feet. It is only after a period of seven or eight years that a good company starts making some profit. Does Mr. Sidhva think that he will be able to find some philanthropic persons who after putting up the factory and investing all his capital, will after three or five years hand over the management to someone else? After all a set of people, who have invested their money, who have given their administrative ability and skill, have a right to expect a return, which will start coming only after say ten or twelve years.

Shri Sidhva: They can be re-elected.

Shri Syammandan Sahaya: That means their position should hang in the balance! With that uncertainty you expect them to go on spending money and providing funds in order to run the company. This, I submit, is not the correct and the factual way of looking at the problem.

Then someone suggested that the Articles of Association should be scrutinised by the Government. Here again, I submit that the procedure is not perhaps known to my friends. Before any company is registered under the Companies Act, the Registrar of Joint Stock Companies fully investigates into the Memorandum and

Articles of Association and even the terms of the contracts under that Article of Association to be entered into between the managing agents and others. Therefore, I submit that there is a forum already provided, but if hon. members think that the Central Government should take over this responsibility also, so far as I am concerned, I shall have no objection.

There is one other point, which I would submit before I sit down and that is that securing of the approval of the Government of India in all changes, as suggested in the Bill, will mean a tremendous task and unless the Government of India are able to devise a quick method of dealing with the situation many companies may come to grief over it. I have no doubt that the Government of India do not desire that to happen. That being so, expeditious methods should be evolved either through the commission which is contemplated in this Bill, or by some other procedure, so that these matters may not be delayed and either the acceptance or the approval or rejection may be communicated to the parties concerned at as early a date as possible.

I commend this measure to the House and as I said I have no hesitation of any kind whatsoever in welcoming this measure not because I feel that the ills are so rampant, but because it will eliminate the few black sheep who are causing this dissatisfaction in the country.

Mr. Chairman: While calling on Mr. Goenka to speak, I would like to make one or two points very clear to hon. Members. Though it is not objectionable to a member of the Select Committee to speak, I feel that the practice of allowing the Select Committee members to speak on a Bill is not to be encouraged. The hon. the Speaker has already given a clear ruling on this point. Of course, though the ruling could be relaxed under very exceptional circumstances, as I said the practice should not be encouraged. Therefore Members who are not members of the Select Committee could take the opportunity of expressing their views, because they won't have other opportunities to express them. The members of the Select Committee have got more than one opportunity. When they sit in the Committee they have got ample scope and opportunity to discuss and express their views; also when the Bill comes back from the Select Committee they will have an opportunity to express their views why they have taken a particular stand on a clause to be modified in a particular form.

Therefore, I would like hon. Members to bear this in mind that it is the duty of all of us to encourage a healthy practice and we have all to co-operate in building it up.

Shri Sidhva: He is a member of the Select Committee.

Mr. Chairman: That is what I stated just now, that while calling upon Shri Goenka to speak I would like to make this point clear.

Shri Sidhva: I have no objection. I only wish to point out that Seth Govind Das was on the *Gosamvardhan* Bill Select Committee, he requested the Speaker to allow him to speak, but the Speaker did not allow him.

Shri Goenka: Madam, in view of your observation and the objection raised I will not take this opportunity of speaking and will express my views in the Select Committee.

Shri Hussain Imam: But we want to hear you.

Mr. Chairman: Even before I stated this point of view of mine I said that I was calling upon Shri Goenka to speak because there were some special points which he particularly wanted to express, and I therefore said that the rule could be relaxed.

Shri Goenka: Thank you, Madam. I congratulate the hon. the Finance Minister for bringing this salutary Bill before the House. But I am sorry that this measure which has now been introduced is too late in the day. We have had experience of the Government always coming with measures when it is too late. One of the reasons given by the Government from time to time for the delay in bringing the requisite measure before the House has been that they have got to appreciate the trends before they could introduce a measure. For instance, as you know, we introduced the export duty on jute. We introduced the export duty on cotton piecegoods. Then the other day we had the increase of export duty on groundnut oil. All these measures were introduced after the horse had been stolen from the stable, if I might use the phrase.

The same thing happens in the case of the managing agency system also. As has been pointed out, it is not that all managing agents are bad people, or that all managing agents are good people. But the fact is that of recent times very many people who never had anything to do with industry, who do not understand industry, who have

always been money-changers in life—who buy one thing and sell another—have made industry also a money-changing business. That is a fact which cannot be ignored or not taken notice of by the Government now. For the last five years many managing agencies have changed hands, and it is no exaggeration to say that for controlling shares fabulous prices—four or five times the price that is ruling in the market—have been paid. For instance, if the price of a share in the market is Rs. 120, as much as Rs. 500 per share has been paid if the controlling interest is passed on in the hands of the buyers. I know of a case in which the price of a particular Insurance company's share was ruling in the market at Rs. 200, but the deal was made at Rs. 2,200 to get the control of that Insurance company.

Shri Syamnandan Sahaya: Exactly.

Shri Goenka: I am one with you. These evils have crept in the managing agency as well as in the control of companies. Nobody can deny this fact; even Shri Sahaya does not deny it and he mentions it. It is the duty of Government to check these evils at the earliest opportunity. The Government cannot turn a deaf ear to the complaints about these evils which have crept in and which have made capital so shy today. If a managing agent pays four or five times the price for obtaining the controlling interest, why does he do so? The interest on the share is only four, five or six per cent. The dividend declared by the company is the same to those who control the majority of the shares as well as to those who hold one share. It is the same. Then why is it that four, five and six times the price are paid for the purpose of controlling these shares?

The reason is not far to seek. The reason is that immediately this arrangement is made they appoint selling agents and buying agents and give them commission. Now, the commission on the buying and selling of the materials purchased by the company and sold by the company is sometimes more than the amount distributed to the shareholders.

Shri Hussain Imam: Mostly.

Shri Syamnandan Sahaya: Why not?

Shri Goenka: I will come to that. If a company is managing and if it can sell its products without the intervention of selling agents, if it can go directly in the market and make purchases, there is no reason why the interloper should be brought in and

[Shri Goenka]

large sums of the company's money paid to these interlopers. That is the pure and simple fact, and that is a fact which no Government could ignore.

Then, apart from the selling and buying agents, there is what is called the illegitimate profit on the sale of the goods, which is not even subject to income-tax. It is a well known fact that most of our products today are controlled. Controlled economy has become the order of the day, not because it is the fashion now but the necessity and the exigency of the situation demand it. And in controlled economy there is always a price for the goods which is higher than that fixed by the Government. It is there that these large illegitimate profits are made by those who control these companies.

Then, as is well known, a lot of personal expenses of the managing agents get debited to these companies. For instance, rarely is there a car belonging to the managing agent which does not belong to the company. Rarely are there peons and watchmen in the managing agent's house who are not paid by the company, and various other things which I need not go into. There are various methods by which the company's money is frittered away by these managing agents.

Shri Tyagi: I shall be obliged for the information.

Shri Goenka: Yesterday I was asking a question of the hon. the Finance Minister to which my friend Mr. Sidhva was taking great objection. I do not know why.

Shri Sidhva: I did not take objection.

Shri Goenka: But the fact is here is money belonging to a company, belonging to the shareholders, and the managing agents just distribute it to the political parties as they like. I am not going into the legal position of these cases. But it is an undisputed fact that no monies belonging to a company belonging to the shareholders, can be spent or frittered away by anybody. Whosoever he may be, for purposes other than those provided for in the Memorandum of Association. Every company has its objects, and no money can be spent by anybody which is not for one of the objects of the company.

Shri Kamath: Except for charity.

Shri Goenka: If charity is provided, then the courts have gone to the extent of limiting the scope of that charity also. There are certain things which have been provided for in the Memorandum of Association, but the courts have interpreted it and have said that particular expenses which have been incurred under the Memorandum of Association are against public policy and should not therefore be allowed. There have been cases in which managing agents have been made to pay back those monies and have been made to make good those monies which they had spent without authority. The whole trouble of the business is this that a shareholder has a limited interest in the company. Suppose I am a shareholder of five shares worth Rs. 500 in a company.

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Unless I take that matter to court against the money bag which cost me a fortune, I cannot get justice or I cannot have my rights vindicated. That is really the main trouble and the managing agents are able to ride rough-shod in the interests of the shareholders. They take advantage of the fact that no shareholder will have the hardihood to go to court and challenge those payments because as you know the legal procedure is rather very expensive for ordinary individuals and that too against those who can afford to spend money for this purpose. Although by the construction of the Indian Companies Act, it is possible for the Government through the Registrar of Joint Stock Companies to make investigations into these illegal expenses and start prosecutions and other proceedings, in practice it is rarely resorted to.

I would like the Government to take powers under this Bill and whenever a case of the kind I have now referred to comes to their notice, they must *suo moto* in the interests of the shareholders start the proceedings. They are after all the custodian of the rights and the privileges of the shareholders and of the public and if those rights are not exercised by the Government, I say that the Government is not doing its duty to the shareholders, with the result that injustice does not prosper and people feel shy in putting money in industries. People say *ad nauseum* in this House that capital is not coming. How can the capital be forthcoming if most of the profits of the shareholders is frittered by the managing agents. I am not suggesting that the managing agency system is not a good system. I am one of those who would like to have the managing agency system

because it gives an incentive to people to develop industries; particularly in a country where the industries are undeveloped, there must be a certain amount of incentive to work and the managing agency system is one of those incentives but I want a dividing line, a dividing line of their honest remuneration for the service rendered against the dishonest frittering away of the finances of the shareholders. If we can have a thick dividing line between these two positions, then it will be something of which any Government or any country will be proud. This is what one should aim at.

Now the Government is introducing this Bill. The Government can very well say: why should we worry about it? It is the pigeon of the shareholders and they can remove or create managing agency systems. They can create managing agents. It is their business but because the Government feel that the time has come when they must interfere they are interfering. I would like them to interfere a bit more. I would like them to close the flood gates from where the finances of the company flow out, not for the objective of the company but against the objective of the company and for the personal advantages of the managing agents. I can understand anybody being charitable; I welcome it. I garland him. In fact I am one of those beggars who go to these people begging for money for charitable purposes and even for political purposes. For my politics, I would like to go to everybody and beg for money but certainly I won't like people to be charitable at other peoples' expense. They denote somebody's money to somebody. That is what I would like to be stopped. This managing agency system should be treated like the old *zamindari* system. The *zamindar* was created for a particular purpose but ultimately it became a *zamindari* from which a regular income used to flow. Let the managing agency system not be made a *zamindari* system. In a *zamindari* system a *zamindari* can be sold from one to the other and from the other to a third. The substitution of one managing agent for another for consideration should be stopped and there is a salutary provision in the Bill that it cannot be done without the permission of the Government. But there are one or two provisions here which I am unable to understand. If a managing agent has been doing full service to the shareholders or to a company and by efflux of time his managing agency period is over, why should it not be automatically renewed? Here is a provision that even for that automatic renewal of that managing agency, Government's per-

mission will be necessary. What I am afraid of at this stage is that the reitapism of the Government, the usual official favours of the people who are in power should not go to penalize the honest managing agent. There are honest and dishonest managing agents. So far as the dishonest managing agents are concerned, we hold no brief for them but so far as the honest managing agents are concerned, if after a period of time, in the usual course of things the time of their managing agency is over, there is no reason why it should not be automatically renewed, if people have no grievance against such managing agents, but here what I find is that for that also Government's permission will be necessary. I am not suggesting for one moment that the Government would withhold such permission when there is nothing against the managing agent. But I am warning the Government that centralization of these powers in the hands of the Government, which means in the hands of Government officials should not be misused against honest managing agents. That is a matter in which the Government have got to guard themselves against. Another point which the Bill provides is that nobody will be allowed to buy majority of the shares. I can understand a man not having the managing agency if he is dishonest but if he wants to put in his money in the shares, no matter how many shares he purchases, what objection can anybody have to his purchasing the shares with his own money. Do you want really that peoples' money should not come into industries or should not be invested in industries? After all if one shareholder sells his share and another man purchases it that money is invested in the company and the money which is brought by those who sell their shares will again go to some other industry. The objection can be only to mismanagement. The objection can be to frittering away the finances of the company, but what objection can there be if a person buys the majority of the shares of the company? Once you put a restriction upon the sale of the managing agency or the commission of a managing agency or replacement of a managing agency, then all your objections in regard to shareholders disappear. Therefore, I submit to Government that so far as share-holding is concerned, it should be left to the discretion of the investor to invest in whatever shares he would like to invest. I am sorry for the hon. Finance Minister. If this evil has been there, it has been there in a more pronounced form more than three years ago, more than two years ago. It is not a matter of recent happening.

Shri Tyagi: I was not a Minister.

Shri Goenka: I know that I am not unaware of that. The fact is that this evil has been an old evil against which no action has been taken. Nothing has happened recently except the usual one or two or three cases of change of managing agency. If you go to the years 1946 and 1947 when practically most of the well-established managing agencies changed hands or were made into public limited liability companies, and where the control remained with the foreigner, for a minority of interests, large sums of money were given and exported out of the country. Government practically turned a deaf ear to the manipulations of the foreign managing agents in this country. It is a well known fact that the foreign managing agents who are there in these companies do not hold a majority of the shares of the company. They manage with other people's capital; they have more or less only a qualifying interest in the company. I know of a company in which I was also a small shareholder. That company had a capital of 40 lakhs; its assets were well over 5 crores. The managing agents had only eight per cent. of the shares. One fine morning, they floated debentures for 40 lakhs with equal voting rights to the debenture holders, and took all the debentures for themselves. By giving a loan of 40 lakhs against assets worth over 5 crores, they had acquired a majority voice in the company at the expense of the ordinary shareholders whose money was there in the company. I am talking of a foreign managing agency. These cases can be multiplied. Several of these cases have happened. When the managing agents found that by holding the shares that they have they may not be able to manage or to control the company, they created ways and means by which the control went into their hands at the expense of the shareholders without taking an equal amount of risk. These cases have been brought to the notice of the Government from time to time. These cases have been happening from 1945 onwards. Therefore, I cannot discharge the Government of India from the guilt of keeping quiet over this evil for such a long time and bringing this measure only at this late hour. But, better late than never. That would be my reply to him.

There are many other matters to which I would like to refer. Since I am a member of the Select Committee, I will mention them in the Select Committee and will not take the time of the House. But, let me say only one

thing and that is, there are managing agency systems today under which, in the agreement with the company itself, apart from the percentage of profits which they are entitled to and a monthly remuneration, a commission in the sale of goods is provided. I can understand the managing agents getting a share of the profits, if the company makes a profit. Their fate must be on all fours with the fate of the ordinary shareholders, or a little more for the services which they render. If the company makes money through their efforts, they must be entitled to a percentage of the profits of the company. But, there is no justification whatever in their getting large chunks of money of the company even if there is a loss. For instance, there are companies where the managing agents' term is two per cent. of the sale of goods. If the company manufactures two crores worth of goods, they get a couple of lakhs irrespective of the fact whether the shareholders actually lose money, or do not get any dividend at all. I say that that is a very very wrong system. The Government should see that these systems are put right. The Government should see that the managing agents are entitled to a commission on the results of the company. If the company makes a profit, let the managing agents get a share; if the company does not make a profit, the managing agents should go without it. Their lot should be practically with the lot of the shareholders and it should not be that the shareholders may lose money, but the managing agents should make money, come what may. This is one of the things to which I would like to draw the attention of the Government.

Finally, I welcome this measure. I have just mentioned my views on some of the provisions. This matter will be discussed in the Select Committee and when it comes again before the House we will see whether the measure receives the approval of the House. I hope that with the changes that will be made in the Select Committee, this measure will receive unanimous assent not only in the House, but outside also.

Mr. Chairman: If the hon. Members agree, I would like to call the hon. Mr. Tyagi at 5 minutes to one o'clock, so that he may have 20 minutes to reply.

Shri T. N. Singh (Uttar Pradesh): In view of the fact that a Member of the Select Committee has been allowed to participate and to that extent, the time of other speakers who would have participated has been curtailed. I suggest that at least to that extent, some Members may be given an opportunity to speak.

Mr. Chairman: I think the hon. Member was absent when I gave my views on this point some time ago.

Prof. S. L. Saksena (Uttar Pradesh): This Bill is undoubtedly a very necessary and welcome Bill. I agree to some extent with Mr. Goenka when he said that the Bill has come too late. As he said, we are trying to close the stables after the horses have bolted away. Still I hope.....

Shri R. K. Chaudhuri (Assam): Is there any horse in the stable?

Prof. S. L. Saksena: There are some left.

Still, I do hope that the Government will take care to hurry up with the comprehensive Bill to amend the Companies Act and this Bill will be made use of only to save things from becoming worse.

So far, there has been a debate only from two points of view. From the point of view of the shareholders, it has been said that the managing agents defraud the shareholders, particularly the poor and less influential shareholders. Then, the managing agents and their representatives have said that there are only a few black sheep, that most of them are very good people and so you should not be harsh upon them. I would like to approach the Bill mainly from the labour point of view.

It must be remembered that industrial production in any country is the joint product of the efforts of capital and labour.

An Hon. Member: What is the share of labour?

Prof. S. L. Saksena: I will tell you, presently.

As I said, all industrial production is the result of the joint efforts of capital and labour. It is now recognised freely that out of the profits of a concern, labour and capital should share equally.

Dr. Deshmukh: Labour should have more; why equally?

Prof. S. L. Saksena: Four years ago, there was the Industrial Truce and in that truce, it was agreed that there shall be profit-sharing and labour was to share adequately in the profits of an industrial concern. Besides, everybody knows that bonus is a perpetual source of quarrel in industrial concerns and it has become a very difficult

job to ascertain what bonus should be paid. I can tell you from my intimate knowledge of the sugar industry, that for the last three years disputes have been going on about the bonus for the years 1948, 1949 and 1950. And the cases have gone to the Appellate Tribunal and the High Court with the result that there were strikes in the industry this year and stoppages and lock-outs and what not. If the company law had not been defective, we could have found out the profits made by the industry immediately by looking at the balance-sheets, and there would have been no difficulty in settling the amount of bonus to be shared by the labour and the management. There would have been no stoppages in the industry and there would have been smooth running of the industry and more production for the whole country.

The difficulty is in determining the real profits. In fact, in the year 1949 when Justice Bindbasini Prasad of the Allahabad High Court was appointed as the Court of Enquiry to determine the amount of bonus for the sugar workers for the working season 1948-49, he issued a big questionnaire to the factories and called for their balance-sheets. Some of the factories did not send their balance-sheets and others did send them. And those balance-sheets that were received were carefully examined, and do you know what the learned judge observed with regard to these balance-sheets? He said that the balance-sheets cannot be relied upon. They did not disclose the real profits. A factory which had crushed 13 lakh maunds of cane had shown profits and another which had crushed 18 lakh maunds had shown loss which was absolutely unbelievable and absurd. May I then tell you how these balance-sheets are being fabricated? I would request the hon. Finance Minister to carefully listen how this thing is done. The Government can investigate into the affairs of a concern and ascertain the profit or loss of the concern by examining the balance-sheets, but these balance-sheets are fabricated and so they do not show the real profits made. I might give some instances of the methods adopted to avoid having to show the real profits in the balance-sheets.

Take the case of a factory crushing cane and producing sugar. The amount of sugar produced is measured. You have the Excise Department to do that. But you have no department to measure the quantity of cane that has been purchased and crushed and so the factory can show in their books

[Prof. S. L. Saksena]

more sugarcane having been bought than had actually been the case. When they had actually bought only eleven lac maunds of cane they could show twelve lakh maunds as having been bought and pocket the price of the one lakh maunds of cane. You know there are farms attached to some of the factories. They are all closely allied, though they are sometimes shown as separate. The accounts are most often manipulated. The managing agents of the factories have complete control of these farms and the farm-cane comes to the factories. Suppose eleven lakh maunds of cane came to the factory, the books of the factory would show that twelve lac maunds had come. The factory owners themselves are the buyers as well as the sellers and so they can show that the farm had sold twelve lakh maunds of cane, when actually only eleven lakh maunds had been supplied. They pocket the price of the other one lakh that had been fictitiously shown as purchased. And then they show a recovery of only eight per cent. And so the bonus due to the workers will not go to their pockets but will remain in the pockets of the manufacturers. This is one of the methods by which the sugar manufacturers are able to defraud the workers of their dues. In this way the share-holders suffer and the labourers suffer. Also the consumers suffer because it is given out that only eight per cent. is the recovery of cane in that mill. It is interesting to note that if you examine the progress in the development of cane since the year 1930, i.e., during the last 21 years, the recovery percentage of sugar in cane has remained almost the same for U.P. and Bihar, somewhere between 8 and 10.5 per cent., while for some places in Bombay it is about 11 to 12 per cent. and for Java it is about 14 per cent. and for Formosa it is about 15 per cent. Do you mean to say that here the sugar content of sugarcane has not improved at all? No. It has, but the actual amount of cane crushed is much less than what is shown in the books and so a smaller recovery is shown in the factory books. These figures are all manipulated.

Last year, as we all know, we had the enquiry about the sugar muddle and I would draw the particular attention of the House to para. 4 of the Government's Resolution on this committee of enquiry. They say:

"Premium charged by sugar factories over their fixed price during July-August, 1949.—The Indian Sugar Syndicate informed the Committee that 13 factories from

among their members had charged a premium over their fixed prices. Replies received by the Committee from factories direct, however, showed that certain other factories had also charged premia. The premium charged by different factories varied widely and was as high as Rs. 10-12-4 per maund in some cases. The information supplied to the Committee by merchants showed that a much larger number of factories had charged such premium, and their number in U.P. and Bihar alone would be more than 75."

So it is obvious that while the Syndicate confessed that only 13 factories had charged premium on sales of sugar, according to this Committee at least 75 factories in the U.P. and Bihar alone had charged premium, but had not shown it in their books. If it had been shown in the books, the Syndicate would have said so. Only 13 factories had confessed the fact. I would ask the hon. the Finance Minister to find out how these 75 factories had made higher profits and where has this premium gone.

A very interesting document was shown to me by a sugar merchant in Bombay and he showed me how these sugar manufacturers had pocketed the extra money. A particular factory with big influence with the authorities in Bombay and probably at the Centre also, sold about 30 lakh maunds of sugar. They sold it by a *benami* transaction to a particular bogus firm. The bogus firm sold it to the actual wholesaler who sells it. How was the transaction made? Two kinds of payments were received, one by cheque and the other by cash. The cheque was for the amount permissible under the law at controlled rates and the cash was the premium which went into the managements' pockets and not into the factory's accounts. (*Interruption*) My friend says that this practice is quite common. I know it is. But it is not common to find receipts showing payment of so much by cheque and of so much in cash. In fact I had written a letter to the Finance Minister, Dr. John Matthai, about it and he forwarded it to the Central Board of Revenue. I said that I would even give the details. I have now been waiting for two years for a reply from the Central Board of Revenue.

An Hon. Member: You will have to wait till eternity.

Prof. S. L. Saksena: Thus the consumers lost, the shareholders lost, the labour lost and the Government also

lost in income-tax. This fraud was possible because the Companies Act was very defective. The managing agency system is defective, as Government itself has been forced to admit in the Bill. I demand that the managing agency system should go lock, stock and barrel. Had the Government not come forward with the Ordinance, the position would have been much worse. I have given instances from my personal knowledge. I hope the Finance Minister will find out how these transactions were made and where the money had gone.

If my friend, the hon. Mr. Tyagi examine the balance-sheets of various companies, he will find that from year to year even though the profits are Rs. 20 lakhs the shareholders get only Rs. 2 lakhs in dividend, the rest goes into the reserve and depreciation and other funds. The amounts in these funds are almost completely at the beck and call of the managing agents. My friend Mr. Goenka mentioned the case of a friend who spent Rs. 2,200 for a Rs. 200 share to obtain controlling voice in a concern. That is because they can make many times that money which they will thus invest in shares. I wish there were some check on the amounts going into the reserve and depreciation funds so that the shareholders get the share of the profits due to them. Since labour loses so much in bonus, it is very much interested in seeing that the Company Law is amended properly.

Recently in the dispute about bonus to sugar workers of U.P. before the U.P. Industrial Tribunal at Allahabad, we examined the balance-sheets of some 66 sugar mills in the U.P. It was found that no two tallied in regard to the time of beginning and ending of the financial year and the method of keeping accounts. Some factories began their accounts in March and ended it on the 28th February and some began from 1st April and ended on 31st March. It is, therefore, impossible to compare the results of the sugarcane crushing in one season with the results in another season. Similarly, tabulation under various heads and accounting are different in every case and no comparison is possible, so that you cannot assess and compare the profits and compute the exact bonus which should be paid to the workers. In fact, the Tribunal has recommended that the Government should so amend the Company Law as to prescribe standard forms for keeping accounts in the Act itself so that the manufacturers do not defraud the income-tax department as well as the industrial

courts by juggling with their figures through these varying forms of accounts. The account year also should be uniform for all the factories; I would suggest that every factory should be asked to keep its accounts and prepare the balance-sheet for the period 1st November to 31st October, which is the sugar year, so that with uniformity in accounts it would be easier to compare accounts and to detect fraud. There are honest factories also who maintain correct accounts and if such factories make huge profits a comparable profit can be expected in the case of other factories which, however, at present cannot be easily found out. Their trick is to see that the accounts are not comparable. Therefore, there should be a provision in the Act itself prescribing the standard form for preparation of the balance-sheet, for the profit and loss accounts, for the manner of keeping accounts, and also a uniform year should be prescribed for all the factories producing the same commodity so that these frauds may be easily detected.

Now besides the loss to shareholders and to labour, the country also loses because production is stopped. My friend, Mr. Sidhva gave the instance of the Sholapur Textile Mills. I can cite the instance of at least five sugar mills which have closed down and continue to be so because of the mis-management on the part of managing agents. The Government have taken over some of these and leased them out. Otherwise their production would have been stopped. So, not only do the shareholders lose their profits and the labourers go out of employment as a result of closure of mills but the country loses a large amount of sugar production. It is therefore necessary to incorporate a provision in the Bill that if there is mismanagement, the factory should be taken over by the Government and run, either by itself or by some other agency which it may choose. In this connection I may suggest that Government should have its own economic service which can take over such concerns where the managing agents have failed; such a service would be most important and without its assistance it would be impossible to run these concerns.

I come to the question of selling agents and buying agents. A very interesting phenomenon which I observed this year in the balance-sheet of some of the sugar mills was this. Under the present sugar control Government arrange the sale of all the

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sugar; it orders despatches, issues permits, and does all other necessary things for selling sugar. Therefore the mills do not have to spend a pie upon the selling agents. Yet the amount paid to selling agents is the same as that which was paid formerly and even the chairman of the Sugar Syndicate was forced to confess that this is a fictitious entry because there are no buying or selling agents now. The Government is the purchaser and seller of sugar; that being so how can there be other buying and selling agents? Huge amounts are shown in these entries, sometimes these amounts are actually more than the amounts paid to shareholders. So I want to tell my hon. friend that this is yet another way in which Government is defrauded, the income-tax department is cheated, by saying that the mills have paid so much to the buying and selling agents which they have not actually done. With control, how can they pay anything to selling agents? I want the Finance Minister to see that no amount is allowed to be spent as a legitimate expense on selling and buying agents, especially when the article is under control.

It has already been said by my hon. friend Mr. Goenka that the expenses of managing agents are very heavy. They live the life of princes. You can go to a factory and see how they live. Unless there are strict orders limiting the personal expenses of managing agents, this thing cannot stop. Besides, the managing agents appoint their own relatives as general managers of industrial concerns even though they possess no qualifications for the job on huge salaries. This stunts the growth of industry and retards its development.

Then there are other malpractices. Only the other day, we heard in this House how a Minister of the Government in the U.P. was going to make a deal with the sugar manufacturers. I am sorry I was absent when the hon. the Prime Minister read out the reply of this Minister. He said that it was a simple enquiry from the millowners who wanted to help Congress. The facts are not so. They are otherwise. I know the full story. The particular Minister went to Muzaffarnagar district about a month ago and there the talks commenced. There was a bargain. The millowners tried to bargain that Rs. 50 lakhs will be paid by them to the Congress if 100 seats are offered to them. The Minister was prepared to offer 65 seats only.

That quarrel was going on. I know the facts fully well.

Shri Tyagi: I wonder if it is relevant.

Mr. Chairman: It is not fair to make these allegations when the person to whom these allegations refer is not here to defend himself. Besides, I want to know if the hon. Member making these allegations will take full responsibility for them.

Prof. S. L. Saksena: I take full responsibility. Government should institute an enquiry and if the whole thing is not true, I am prepared to undergo any penalty. I know the facts.

Shri T. N. Singh: He is protected here. That is why he makes these allegations on the floor of the House. Why does he not make a statement in the Press?

Prof. S. L. Saksena: Let Government institute an enquiry. I say the whole thing will come to light.

Shri T. N. Singh: Naturally, you will say all that inside the House.

Prof. S. L. Saksena: I shall say it outside also; do not worry.

Shri Tyagi: I had made enquiries from the hon. Minister talked about and got his letter, part of which the hon. the Prime Minister read the other day. The hon. Minister of Food of U.P. states in his letter that there was no question of bargaining for the seats.

Prof. S. L. Saksena: I have already said that if an enquiry is ordered by the Government, the facts will be proved.

Shri Sidhva: How is this germane anyhow?

Mr. Chairman: Could this House be used as a platform to ventilate such a grievance? The hon. the Prime Minister made a statement the other day and the hon. Member who is speaking now was present then. Is he placing additional facts before the House on his own responsibility?

Prof. S. L. Saksena: Yes, Madam.

Shri Goenka: On a point of order. The letter which was read by the hon. the Prime Minister was only read in part and as you know, according to the Standing Orders of this House no document could be read in part unless the full document is placed on the Table of the House. Therefore, to refer to the part statement of the hon.

the Prime Minister in any context is, may I respectfully submit, not quite accurate because we have not got the full facts before us. If the letter had been placed before us, we would have known the full thing. We got only a portion of it and we do not know what the other part contains.

Mr. Chairman: When the hon. the Prime Minister made a statement and also read the letter, the hon. Member now raising this point, was present. The hon. the Prime Minister said that he read the relevant portion of the letter and the other portions of the letter had absolutely no bearing on the subject. The House treated the matter as closed. If the Prime Minister had been asked to place the entire letter on the Table of the House, I do not know what his reply would have been. It is not now open to the hon. Member to raise that point again.

Prof. S. L. Saksena: My point was this. I only want income-tax to be charged on whatever money is paid. Besides, the shareholders should not be deprived of their share of profits.

Shri Tyagi: That was made clear the other day. If the shareholders object to the contribution going to any political party from out of their profits, it is open to them to complain and get their profits back.

Shri Goenka: Complain to whom?

Shri Tyagi: They can go to courts.

Shri Goenka: Courts—that is right!

Prof. S. L. Saksena: I want the Company Act to be so amended that no such loopholes will be available for contribution of money to political parties.

Shri Tyagi: That is a different matter altogether.

Prof. S. L. Saksena: Here we are dealing with the Companies Act. I have recently seen the balance-sheets of some factories.....

Shri B. K. P. Sinha (Bihar): May I know from the hon. Member if he is very sure that there was any such bargain, and if so was it in their individual capacity, or in their capacities as directors or representatives of the companies that they were negotiating? (Interruption).

Mr. Chairman: I am sorry for the way in which the decorum of the House is not maintained. When the Chair is on its legs it is not fair for Members to go on speaking.

I do not want a controversy to develop here on this point. The hon. Member, Prof. Saksena is making allegations of a serious nature. Instead of doing that, I would ask him to frame a question and send it to the proper quarters, because there must be somebody to answer his points.

Prof. S. L. Saksena: I will do that. Besides, I have made a demand for an enquiry. Such charges are best proved in the course of an enquiry. I take full responsibility and am prepared to face all consequences. I do not make allegations, unless I am sure of facts. In fact, I have got enough details, but I do not want to give all of them. All that I ask for is that the Company Law should be so amended so that nobody may be able to squander the company's money in this way.

Then there is another way in which the managing agents defraud the shareholders. While examining the balance-sheets of some companies in the Industrial Tribunal, I came across the case of a firm, which had a capital of Rs. 30 lakhs four years back. Now it revalued its machinery by Rs. 50 lakhs more, that is to say it made its capital Rs. 80 lakhs. This was attributed to increase in the price of machinery. Very well, they are welcome to do that. But we demanded that labour should have a share out of it. What was most interesting was that with reserve funds and depreciation funds, the capital became about Rs. 1 crore 10 lakhs. Out of this, about Rs. 70 lakhs were invested in a factory in Akola for manufacturing vegetable ghee. And the poor workers who had earned the money with their sweat would get nothing out of it. The money has now been invested into a factory at Akola on vegetable oil. The workers' share is nothing. In this way the money of a company is spent and when it is debited to the accounts of the other company, the workers lose their share in profits from it. What I say is this that while amending the Companies Act, please bear in mind the interests of the shareholders and consumers, but also for God's sake do not forget labour. Remember how labour is cheated, how in this manner as I have shown just now, huge funds—more than half the paid-up capital—are transferred to a concern elsewhere and labour gets nothing in the profits out of it. Therefore, this kind of thing should not be permissible. There must be some machinery by which labour, the joint producer of the wealth, should also share in it. We only demanded, let the labourers be allotted shares in the new company. They would not do it. We said, let them be given shares in

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the old company as compensation to them. They would not do that. They only want to cheat them of their money, and they would not take the labourers as shareholders.

These were some of the points which I wished to draw the attention of the House to. I hope the new Companies Act will try to remedy all these defects. I do not know whether it will come before this Parliament. I wish it does. Otherwise this Bill which is now sought to be passed should at least be so amended as to stop the major abuses which are practised today. If you cannot bring the comprehensive Bill for amending the Companies Act just now, this Bill should be suitably amended so that in the next eight or ten months till the new House comes into existence, this loot may not go on as it is going on today. I do not know whether it will be possible to bring that measure in this Parliament, but I very much wish it was done, for it would be a great help to the country and to the Government also in its finances.

Madam, it is five minutes to one and you have already fixed the time. I will not therefore take more time of the House and will sit down.

Shri T. N. Singh: Madam, I would again plead that despite the charge that I was not in my seat at the particular moment, I do feel that some of the time which ordinarily should have gone to Members who are not on the Select Committee has been taken away in this debate and that they should in all propriety and fairplay be given an opportunity to speak on this subject.

Mr. Chairman: Mr. T. N. Singh will speak. After he finishes I would like to call upon the Finance Minister before we adjourn today.

Shri T. N. Singh: Thank you, Madam. I am very grateful to you for giving me an opportunity to speak on this Bill.

Shri Sonthi: Do not bring in that sugar muddle.

Shri T. N. Singh: I assure my hon. friend who has just interrupted me that I have no intention of indulging in extraneous matters because the time at my disposal is short and I wish to place certain important points before the House.

The main problems that are sought to be tackled by this Bill are to see that the shareholder is not defrauded

of his due share and that by means of fictitious transfers of shares or interest the consumer or labourer or anybody who has got the vital interest in the concern is not defrauded. That being the case, the main consideration, at least to me, is whether this Bill goes far enough and is adequate. I am in agreement with most of my colleagues here that the Bill does not go far enough. I will just take an instance. A transfer of ownership of shares is permitted by the death of a particular member of managing agency or by the ordinary lapse of time. I will draw the attention of the hon. Minister to one fact. There is nothing in this to prevent a particular section of the article being amended which would lay down that instead of directors retiring every three years they shall now retire every two years. With that provision being made, it is easy to make a change after that lapse of time. Similarly I refer to the various ways, subterfuges, of diverting the profits and showing that they are expenses of production. It may be done as a sales commission, purchase commission and even as bonus to labourers. I make bold to make that statement because I know that even the bonuses for which our labour leaders are threatening the country with labour strikes are being used only to raise the prices for the consumer. What is the guarantee, I want to ask, that at some future date both labour and manufacturer will not join in a conspiracy to raise the prices, so that both may get more: labour, more bonus, and employer more profits and more dividend? That is a tendency which has to be fought and unless the Government or those who are running it know what are the legitimate expenses of production, no amount of laws or no changes in the regulations, nor new Bills and measures will help us in any way. For instance, there have been cases where besides the sales and purchase commissions the evaluation in transfers or the evaluation of the whole machinery and assets has been so arranged and the rate of depreciation, the value of assets and the charges on the assets, have been so changed that proportionately apparent profits and dividends have been reduced. This is an aspect of the problem, which I am sure this Bill is not going to solve in any way.

Similarly, there are other things, not to say of small minor matters that have been raised. I want to draw the attention of the hon. Minister to certain cases, where certain fictitious companies are started. Supposing I am a big man and I happen to have a following of labourers or peasants, I say to them, you all contribute a

rupee or two each as share money. I am going to float a company. I will bring out a newspaper or some such thing and then the newspaper comes out for a week or two months or it is distributed to various people including members of legislatures. After some time I close it down and the share money left with me is utilised by me. Now I say that is one way of getting profits out of the poor man who is a share-holder, who is supposed to be a share-holder in an embryo company. We do not know where the money has gone. All the same the poor people lose the money and another man makes profits out of it. These things have been happening. There are other instances where commissions are never shown. Somebody goes abroad, he purchases certain things meant for his concern, say newsprint or such other things. What is there to show that that man has not got a commission out of the transaction and taken it and yet the company has lost to that extent.

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The real thing is that the administrative machinery of the Government has to be toned up. You have got your own Income-tax Department for which I have all praise. They have on the whole done very well. That is my view because I think they have functioned in an honest and straightforward manner. They know a lot of things. If only they were taken into full confidence, if only the honest and good fellows among them were asked to go ahead with the job, and were not hindered too much. I am sure all these un-earned profits, hidden profits, etc. can easily be mopped up and all these things prevented. After all, what are these transfers? They are only efforts at evasion of income-tax. In the ultimate analysis, they are designed only for that purpose and for no other purpose. Now, I want to know whether in this matter of fighting income-tax evasion, we have been as successful as we expected, and whether we have been able to go through the cases of the big fellows. Leave alone these small producers of sugar. Before our own eyes, great banks have changed hands. Today one bank is supposed to have gone and merged with another bank. Then we hear that this is all fictitious and tomorrow, the original bank will be revived. All these things are happening before our eyes. My hon. friends Mr. Goenka and Prof. S. L. Saxena, in their zeal for certain party or group interests, have brought in extraneous matters. What really we should consider at this

juncture is that we should not be led away by all sorts of motives to abuse or prejudice each other. How are we going to combat these subterfuges that are happening before our eyes? Are we not entitled to ask the Government that besides these laws, there should be something more? You can change any law. It is just like the demon *Raktabji*; every drop of whose blood, as it fell to the ground was converted into another *Raktabji*. You may have ten amendments to the existing laws; but a hundred other ways will be found to evade all these. Apart from tightening up here and there,—that is necessary and the Bill of course meets a demand of urgent necessity— what is more important is that we have to see that the execution of the provisions is well done. Therefore my emphasis is on the last part, the operative part of the Bill, in which a commission of three is going to be appointed. I wish this Bill had laid down certain conditions about the qualifications, and experience of those persons. I am really sorry that no Member who spoke on this Bill ever cared to deal with that.

Shri A. C. Guha: I mentioned about it.

Shri T. N. Singh: I am sorry, with one exception. Instead of bringing in extraneous matters, I would humbly urge the House and the Minister to look into that aspect now.

Mr. Chairman: May I know whether the hon. Minister will finish within 10 minutes? If he cannot, he may reply tomorrow and if any other hon. Member wants to speak for 10 minutes, he can speak.

Some Hon. Members: That would be better.

Shri Tyagi: I have not much to say; I will soon finish.

I really feel proud to belong to a House whose outlook, all through, has been, to say the least, very progressive, in all matters social, political and economic. In the present case I have not much to say by way of defence, for, I feel that the House only wants the Government to go much farther than this Bill goes. From every section of the House, I have received support for the Bill and therefore I need not take much of the time of the House in repeating what I originally said.

Shri Hussain Imam: They expect progress from you also.

Shri Tyagi: But, since out of their zeal to safeguard the interests of the smaller share-holders in companies, hon. Members have made suggestions. I am afraid, if they are not commented upon by the Government, it might create a little sort of an alarm. I am in perfect agreement with Shri Symannandan Sahaya when he says that there would have been no industries in the land if we had no managing agents. That is really a fact. The system of managing agency is really responsible for many of our industries. The managing agents had come forward as pioneers and started and pushed forward these industries and at the present stage of our country we cannot minimise the importance of the system of managing agencies. In fact we may even say that these managing agents gave industries to us and they have industrialised the country to the extent it has been. They are responsible for this. But it is in the very interest of these managing agents that we have brought in this measure. These good managing agents and directors who are serious about the industries of the country will be really helped by this measure, because as it is, they suffer on account of the black sheep among them. The biggest question in the economic field to-day is the capital formation about which we talk off and on. Capital formation and production from industries—these are the matters of which we hear so much. And I might say with reference to what Prof. Saksena has said that it is not only physical labour that goes into the production of the articles, we have physical labour of human beings, and also their mental equipment, their mental energy, and also the monetary forces. All these are needed and these with raw materials give us the commodities. Each one of these factors has its own importance. And when we think of money, we know and everybody has recognised it, that on account of the black-market profits, the money is mostly going towards commerce and that is a trend which must be checked. People tend to invest their savings in commerce because that brings them quick profits and.....

Prof. S. L. Saksena: You mean in industry.

Shri Tyagi: No, they invest it in commerce and industry is now fast being commercialised. That is my fear. If industry remains an industry, then it will produce and that is good. But if it is commercialised, then that is bad. People invest their savings in commerce and not in industries. That

is the difficulty. These two things have to be distinguished from each other. One is the productive field and the other is a field of exchange of commodities. It is on account of the tendency to commercialise by way of speculation that industries are showing signs of going down in profits. So long as there is no incentive, the people will not go into the productive field. Capital does not always come from the big moneyed people. The smaller man who makes a saving also wants to invest his money and we want him to invest it in industry. People tend to lose their faith in industry because of the black transactions in the industrial field. If a man has a couple of hundred rupees as savings, he wants to invest it in industries so that he may earn some profit. It is the intention of Government to see that industry really thrives and that the managing agents who run industries are really managing them in the best possible manner. The question is not of maligning the fair name of industries, but one of making their good name recognised by the small investor, so that he may feel that if he invests his savings in industry he will get his due share of the dividend. That sort of confidence must be brought to the mind of the investor.

It is from that point of view that a little change has been suggested. Mr. Goenka said that Government has come forward with this measure when the horse has been stolen from the stable. I might tell him that it is not so. In fact when these new developments came to light in 1948 the Commerce Ministry appointed some officers to go into the matter and make suggestions for legislation. A memorandum was issued containing their suggestions and it created a lot of criticism and controversy all over the country, with the result that the Government had to appoint an Expert Committee to make proposals. As the House knows the recommendations of that Committee were not available and the measure has therefore been delayed. So Government is fully conscious of its responsibility.

The situation is serious in the field of industry. I have here a table of the malpractices which the Government has collected:

Borrowing made for extraneous purposes—24 cases.

Issue of debentures or mortgage on companies' assets for financing advances or investments in allied concerns—7 big cases.

Non-trade advances to nominees or unknown party—5 cases.

Loans or advances to managing agents or directors including those on current account—22 cases.

Inter-locked or inter-company loans and advances—17 cases.

Shri Sidhva: Are you taking any action?

Shri Tyagi: We are now taking powers to take action. We have been handicapped for lack of powers. Therefore Government has come forward before the House for powers so that they may take proper action and in time.

There have been inter-company or other investments in shares including those made from borrowed funds or increase of share capital. The number of cases is 31.

There are a number of categories in which the shareholders' money has been frittered away and people are taking selfish advantage out of industry. Now industry is no more the concern of shareholders only but has become the concern of the nation as a whole. I may tell the House that it is Government's desire to see that industry flourishes like fresh flowers, for it is industry which gives revenues to the Government. As the House knows six to eight annas in a rupee come to Government as revenue from industry. Therefore the Finance Minister who acts in a manner which injures industrial progress will injure his own portfolio. After all the Finance Minister has no other politics except to collect the funds and disburse them according to the wishes of the House. From that point of view the Government is the major shareholder in industry. That is the way I conceive of industry. Therefore to allay any alarm on the part of the industry I want to make it absolutely clear that the intention of the Government is not to interfere unnecessarily in the process and progress of industry. This measure is only meant to check malpractices.

Friends have talked about the position of managing agents whose agreed period of managing agency has yet to expire. It was said that they are under the fear of the new axe coming up. After listening to the tone of the debate in the House everyone is certain that the House really means fairplay towards the shareholders. Well, those big people whose vested interests are involved are keen to see that they steal the horse before the stable is locked, as Mr. Goenka would say. It is from that point of view that a suggestion has been made in this Bill that

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when these agreements expire they are not allowed to renew them according to their own will. Otherwise, they may even get further advantages from those companies. This is a small measure; the bigger Bill, as has been suggested by many hon. Members, will deal with various other points that have been raised.

A suggestion was made that the right of vote must be divorced from the ownership of stock, or the number of shares. That is not possible under the present circumstances and it is not our view that the right of vote should be so disturbed. The motive of the present Bill is not to disturb the regular routine of industry nor is it the proper time when the regular passage of industry or the movement of the wheel of industry should in the least be disturbed or checked. Therefore Government does not agree with the proposal made that equal right of vote should be given to every shareholder and that those who invest should not really have enough powers in their hands to safeguard their interests.

I have already said that capital formation is rather slow and shy because smaller men are fast losing their confidence in industry. If they were to know that they would have their fair return I am sure they will invest more and more. I am sure this measure will help us in bringing forward the small investor.

Shri Kamath: Will the Minister help them to overcome their shyness?

Shri Tyagi: Surely when transactions will be made in the open day light before everybody's eyes shyness will naturally go.

As regards control on expenditure, I have already said that some mention has been made in this Bill giving powers to the shareholders to approach the courts for redress whenever they think their funds are being frittered away or their interests jeopardised. It is for the Select Committee to consider the question but let me say that if the Government were to have all these vast powers then there may be a tendency amongst those who occupy these benches to misuse those powers. So it is better that these powers are vested in courts of law. That way industry also will have more confidence.

Some friends have referred to some Ministers. Well, I think Ministers must observe the highest scruples in these matters. Since they too have

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come from public life they will have their relations in politics, industry and commerce, people small or big. But let me say that when they act with their political parties there the Government is not involved at all. Even if seats are transacted for anywhere it is not the Government that is doing it, it is the party or parties that are doing it and they will have to face the electorate on these things.

Prof. S. L. Saksena: He was able to make the deal because he is a Minister. Otherwise none would care to deal with him.

Shri Tyagi: Ministers are also politicians. I take strong objection to motives being attributed.

I submit that the very fact that the House wants to reserve more powers in the Government will tend to persuade the Government to misuse those powers. The best thing is that the over-all powers must either remain in the hands of the court or in the House itself rather than be vested in the Government. When there are too many powers I shudder to take them.

With these few words, I hope that the Select Committee will take the best advantage of the wisdom of this

House and I can assure you, Madam, that whatever suggestions come from the Select Committee, Government will be readily agreeable to accept such of them as the House desires to accept.

Mr. Chairman: The question is:

"That the Bill further to amend the Indian Companies Act, 1913, be referred to a Select Committee consisting of Shri M. Ananthasayanam Ayyangar, Shri B. L. Sondhi, Shri M. R. Masani, Shri T. A. Ramalingam Chettiar, Shri Prabhu Dayal Himatsingka, Shri Narendra P. Nathwani, Shri Brijlal Biyani, Shri Mathura Prasad Mishra, Shri Banarsi Prasad Jhunjhunwala, Shri Manik Lal Gupta, Shri Ramnath Goenka, Shri Khandubhai K. Desai, Shri Syamnandan Sahaya, Shri M. Shankaraiya, Prof. K. T. Shah, Sardar Hukam Singh, Shri H. N. Shastri, Shri M. V. Ghule, Shrimati Renuka Ray, Shri S. V. Naik, the hon. Shri C. D. Deshmukh, and the Mover, with instructions to report by the 27th August 1951."

The motion was adopted.

The House then adjourned till Half Past Two of the Clock on Friday, the 17th August, 1951.