

637 Stat. Res. re Disapproval of CHAITRA 1, 1915 (SAKA) Repeal) Ordinance & IFC 638  
IFC (Transfer of Undertakings and (Transfer of Undertaking and Repeal) Bill  
The Lok Sabha re-assembled after  
Lunch at Seven minutes past Fourteen of  
the Clock.

[MR. DEPUTY SPEAKER *In the Chair*]

STATUTORY RESOLUTION RE:  
DISAPPROVAL OF THE INDUSTRIAL  
FINANCE CORPORATION (TRANSFER  
OF UNDERTAKING AND REPEAL)  
ORDINANCE

AND

INDUSTRIAL FINANCE CORPORATION  
(TRANSFER OF UNDERTAKING AND  
REPEAL) BILL

[*Translation*]

SHRI GIRDHARI LAL BHARGAVA  
(Jaipur): Mr. Deputy Speaker, Sir, I beg to  
move statutory resolution regarding disap-  
proval of the Industrial Finance Corporation  
(Transfer of Undertaking And Repeal) Ordi-  
nance promulgated by the Hon. President  
of India:

"That this House disapproves the In-  
dustrial Finance Corporation (Transfer  
of Under-taking and Repeal) Ordi-  
nance, 1993 Ordinance No.5 of 1993  
promulgated by the President on January  
2, 1993".

MR. DEPUTY SPEAKER, Sir, the Bill  
states that the Industrial Finance Corpora-  
tion received assistance from the Reserve  
Bank of India and it was at par with Industrial  
Development Bank of India. Here, my sub-  
mission is that the Government propose to  
convert this corporation into a company  
because this corporation failed to achieve  
the objectives for which it was set up. Please  
give details as to how this company will  
function and whether the Board of Directors  
will follow the rules of the Reserve Bank.

It is true that the responsibility of the  
Centre has lessened as IFC has become  
a limited company and has been named as  
I.F.C. of India Ltd. It has not been made

clear in it whether the annual report on the  
working of this company will be tabled in the  
Lok Sabha or not. I would like to demand  
that even though the Corporation has been  
converted into a company, its annual report  
on achievements should be tabled in the Lok  
Sabha. I would like to submit that the main  
objective of this Bill is to increase its capital  
base by collecting money from the public on  
premiums without paying any interests.  
Dividend on shares will be given only. If such  
companies have tendency of earning more  
and more profits then the main purpose of  
constituting of such companies will be de-  
feated. These financial corporations were  
set up basically to step up the development  
works and to provide loans to the industries  
on easy terms. Now, it as become an  
independent company so its only aim will be  
to earn more and more profit instead of  
promoting development activities. Indus-  
tries will be given loans on higher rates and  
there will be restriction on the long term  
loans. According to the rules of the Corpo-  
ration, there is a provision of refinance on  
loans of 25 years, but loans only upto 10 to  
12 years of period are given till now and this  
time period is only to 5 7 years till it reaches  
the industrialist. This results in the indus-  
tries becoming defaulters. After this Corpo-  
ration is converted into a company, the  
officials will become arbitrary, because the  
Development Bank will have no control over  
the company. Therefore, I have moved this  
motion of disapproval. The Government  
should not promulgate ordinances time and  
again. I am doubtful that the main aim in this  
Bill, while converting this Corporation into a  
company will be fulfilled, as like the Corpo-  
ration, the company will also not be able to  
work properly due to the same reasons and  
it will only prove to be a profit making  
company. It will not be able to help the  
people. The hon. Minister should assure  
me, only then, I will think of supporting this  
Bill. I have put forth the doubt in my mind.

[*English*]

MR. DEPUTY SPEAKER: Motion  
moved.

"That this House disapproves of the

Industrial Finance Corporation (Transfer of Undertaking and Repeal) Ordinance, 1993 (Ordinance No. 5 of 1993) promulgated by the President on the 2nd January, 1993\*.

[Translation]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED):  
Mr. Deputy Speaker, Sir, I beg to move\*-

"That the Bill to provide for the transfer and vesting of the undertaking of the Industrial Finance Corporation of India to and in the company to be formed and registered as company under the companies Act, 1956, and for matters connected therewith or incidental thereto and also to repeal the Industrial Finance Corporation Act, 1948, be taken into consideration."

I seek the leave of the House to introduce the Industrial Finance Corporation (Transfer of Undertaking and Repeal) Bill, 1993 for the transfer and vesting of the undertaking of the Industrial Finance Corporation of India to and in the Company to be formed and registered as company under the Companies Act, 1956 and for matters connected therewith and incidental thereto and also to repeal the Industrial Finance Corporation Act, 1948.

Due to various reasons it has become necessary that the Industrial Finance Corporation of India should mobilise resources from the market. For the last few years, there has been a constant fall in the availability of funds from the Reserve Bank of India and the Government on concessional rates. The Planning Commission too has expressed its inability in allotting adequate funds during the Eighth Five Year Plan period for effecting increase in the share capital of the public sector the financial institutions like, Industrial Development Bank of India, Industrial Reconstruction Bank of India and Export Import Bank. Legally, the

Industrial Development Bank of India has to hold 50 per cent shares of Industrial Finance Corporation of India. So due to non-availability of funds from the Planning Commission, it will be difficult for the Industrial Development Bank of India to contribute in the share capital of the Industrial Finance Corporation. Due to recent changes that have taken place in the financial sector, it has become necessary to mobilise more resources from the market. But under the prohibitory provisions of Industrial Finance Corporation of India Act, 1948, the Industrial Finance Corporation is unable to go to the market so long as it does not get guarantee from the Government. The above provisions prohibits the Corporation to mobilise the resources on competitive terms. Industrial Development Bank of India Act, allows the Industrial Development Bank of India to mobilise the resources in the form of loans from the capital market and the Industrial credit and Investment Corporation of India, which is also a corporate body under the Companies Act, can also mobilise equity and loans from the capital market. But in comparison to other financial institutions, the Industrial Finance Corporation of India finds itself in a very advantageous and competitive situation. Besides that, under Industrial Finance Corporation Act, there is a provision for an effective role for the share holders i.e. Industrial Development Bank of India in the functioning of Industrial Finance Corporation of India. Besides, controlling and monitoring the functions of Industrial Finance Corporation of India, it has an important advisory role on various important issues. As a result of this provision, the efficiency of Industrial Finance Corporation of India to carry on an independent business is also adversely affected. In such cases, the Central Government can formulate rules with the prior consultation of Industrial Development Bank of India. As both the institutions are competitive, that is why, this tedious situation can be understood that the Industrial Development Bank of India has a controlling role over the organisational and functional matters of Industrial Finance Corporation. Under such circumstances it has become necessary to remove the dis-

\*Moved with the recommendation of the President.

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IFC (Transfer of Undertakings and (Transfer of Undertaking and Repeal) Bill

parties in the Industrial Finance Corporation Act and to remove the different prohibitory provisions relating to the works of the Industrial Finance Corporation of India, so that it may function independently and enable them to mobilise resources from the market on competitive terms.

It has been considered necessary to provide at least 6 months time for restructuring the Industrial Finance Corporation of India, so that the institution can do necessary restructure to prepare itself to enter the competitive market on special terms. It may initiate dialogue with the merchant sector for mobilising resources for 1993-94 and can take steps for the transfer of staff, work and all the assets and dues for a future date as a measure to convert it into a company. So, on 2nd of January, 1993 The President promulgated the Industrial Finance Corporation (Transfer of undertaking and Repeal) Ordinance, 1993. In this Ordinance, a provision has been made to set up a new company under the Companies Act, 1956. The entire business and functions of Industrial Finance Corporation of India and the assets, dues and staff will be transferred to it under the Government notification on the scheduled day and the Industrial Finance Corporation Act, 1948 would stand repeal. Besides that, any guarantee given by the Government for any grant or loan will remain effective for the company also and the financial and other concessions available to the Industrial Finance Corporation of India will also be available to the company till the schedule date.

In this way, the transfer of Industrial Finance Corporation into the company will enable it to give new dimensions to the business, it will also enjoy more autonomy and will be able to enter the capital market for mobilising resources and expand the equity basis of the Corporation and to make itself more competitive like such other institutions.

The aim of this Bill is to replace the Ordinance. I would request that the Bill be taken into consideration and be passed unanimously at the earliest

[English]

MR DEPUTY SPEAKER, Motion moved-

"That the Bill to provide for the transfer and vesting of the undertaking of the Industrial Finance Corporation of India to and in the Company to be formed and registered as Company under the Companies Act, 1956, and for matters connected therewith or incidental thereto and also to repeal the Industrial Finance Corporation Act, 1948, be taken into consideration."

MR. DEPUTY SPEAKER: There are amendments to the Consideration Motion.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Mr. Deputy Speaker, Sir, I beg to move:

"That the bill be circulated to elicit the public opinion thereon by August 13, 1993".

[English]

MR DEPUTY SPEAKER: We are told that there are seven ordinances to be turned into laws before the 4th April, 1993. On 31st March, 1993, the Vote on Account has to be passed. Therefore, we have to approve at least two to three ordinances a day. May I, therefore, request you to be very concise in your speeches and not to repeat the points made by other hon. Members? May I also request you to give the names of only a few Members so that the Bills can be turned into laws and other business is transacted in time. We seek your full cooperation in this task.

SHRI SUDHIR GIRI (Contd.) Mr. Deputy Speaker Sir the Industrial Finance Corporation of India is the oldest and the first of its kind in free India. When the Bill was piloted by the first Finance Minister of India, Mr R K Shanmugam Chetty, he told the House very clearly the very object of the Bill

[Sh. Sudhir Giri]

The object was to provide finance for the development of industries in our country on a large scale basis. Mr. Chetty also promised to persuade the Finance Ministers of the Provinces to establish some such corporations or financial institutions for the purpose of providing finance to the small scale industries. From this very object, it is clear that the Government thought about the economic development of the country in a very key role. That is why, the Bill was passed then and the Financial Corporation was established. Sir, the justification for establishing such an institution is this. People fought against the British imperialists and through their experience, they came to realise that without the economic development of the country, the fate of the people will not be going ahead much. So, they wanted to develop our society economically and their object was self-reliance. They wanted that self-reliance should be the principle of economic development of our country. And they wanted to stave off the foreign capital because the vices of foreign capital and their greed had been witnessed by our Indian people more and more. Vast resources were required; it was not possible, at that time, for private individuals to provide huge amounts for large scale industrialisation. Government's credibility was also there. So, the people may safely advance their money to the financial institutions and it is the welfare and service attitude of the Government by which the people were convinced to advance their money.

Government had not profit motive at that time. It must be noted that their only concern was the industrialisation of our country. When the debate was going on, the question of ownership came and Prof.K.T. Shaw pointed out very forcefully that the ownership should belong to the Government and it should not go to the private individuals. So, you can very well understand the attitude of the Government at that time. When our Constitution came into force in 1950, there we found provisions under Articles 38 and 39. Article 38 says:

"The State shall strive to promote the

welfare of the people by securing and protecting a social order in which justice (-) social, economic and political, shall inform all institutions of the national life".

Article 39(b) says:

"The ownership and control of the material resources of the community are so distributed as best to subserve the common good."

And Article 39(c) says:

"The operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."

This is the object and this is the perspective on the basis of which, the Industrial Finance Corporation was established at that time.

To fulfill the promises, the Industrial Finance Corporation also performed some jobs which are praiseworthy. The institution has contributed much to the industrialisation of the country. Secondly, there were projects which were applied engaged in the manufacture of materials of different kinds, which could be exported and which could also be distributed among the people of our nation. Moreover, various services were rendered by the Corporation. They provided finances to other financial institutions, which can, in turn, lend money to the small scale industries and other big industries also. In their promotional role, industries were established in rural areas. Ancillary sector was much benefited. Entrepreneurship in rural and tribal areas and in small and middle scale sector was encouraged. Entrepreneurs belonging to Scheduled Castes and Scheduled Tribes were given impetus. They were given training. Handicapped entrepreneurs were also given training and encouragement. All these things clearly point out that the Government was keen on providing finances for the upliftment of the people through various ways.

However, in course of time, the institu-



tion faced some problems. I will deal with them very briefly. There was the liquidity crisis. The institution had to approach the market and call money market was very costly because the interest rate was as high as 20 per cent. Internal generation was very poor. It came down to 5 per cent. Borrowings were staggering. 70 per cent of their fund requirement was from the market. Recovery of loans was outstanding. It was only 17 per cent. RBI did not cooperate fully with the institution. Industrial units were faced with severe problems of dearth of working capital. Reliance on private capital, competition from private capital, fund crunch, etc. created a fear in the minds of the industrial units whether assistance would be forthcoming or not. Also, the Industrial Development Bank of India, as a partner, and created some problems for the financial institutions.

Sir, to solve all these problems the Government has come out with a solution to transform this Corporation into a limited company. Their plea is that autonomy would be given to the management. There would be freedom to tap the market for equity and long term debt. There will be good response to the needs of the fast changing financial system. In this way the liberalisation policy of Government will be accommodated and lastly, the Government will reshape its business strategy.

These attitudes may be compared with the attitude when this Bill was first introduced in the Constituent Assembly in the year 1947. The present Government's attitude is to provide for liberalisation, competition, integration and privatisation. All these are their principles. The Government want to have liberalisation of trade, industry and economy. They want to integrate our economy with the world economy, and thus they are competing with the others. The Government think that this competitive attitude will develop an interest in the people for privatisation. So, everybody is in the mood of disinvesting and in turn making the funds available in the private hands.

Principle of socialism has been given a

go by. If you may recall the amendment of the Preamble of our Constitution was made to include the word 'socialism'. But that principle has been given a go by. It was the motto of our society that welfare services would be rendered to the people. But, now that principle has vanished. Services, security and welfare was our motto. But, those ideas have been given a go by. All the doors have been set wide open for the multinationals and for the imperialist forces, the forces against which our heroic people fought so much. The result is that the dependence on market has increased and thus the financial institutions will grab power. The consortium approach will become loose and confine to large scale industries only. Private companies will have their own choice. Self-reliance goals will not be achieved at all. Reliance on the imperialist forces has resulted in all these things.

So, I think the Government is required to do the following things:

- IDBI dominance is to be reduced.
- Project appraisal to be made rigorous.
- Cost of raising resources will have to be reduced.
- Management to be given autonomy.
- Introduction of new long term debt instrument should be taken up.
- Corruption free system will have to be evolved.

There has been a lot of corruption. There has been political intervention in granting financial assistance to various projects. This should be stopped.

- Dynamic, quick, comprehensive, flexible and tougher steps to be taken with the defaulters
- No more easy money should be

provided for the bad projects.

Clandestine relations should not be maintained between the executive and the management.

And efficient management should be made permanent part of the activities.

Sir, we are living in a paradoxical situation. The capitalist rich countries are importing protectionism and are praising the liberalist attitude and are making third world and developing countries a dumping ground. They are protecting themselves. Our Government is accepting those principles. I can't understand the rationale of all these things. Because all these principles advocated by the Government will create unemployment problem. It will increase to a great extent that it will not be manageable at all.

Secondly employed people will be ousted. This has already been accepted by the Government and it is being activated in different phases by exit policy.

Industrial structure will be ruined. So, I say that we are not against modernisation, we are not against competition but there should be competition between equals. Imperialist powers of the other countries will compete with our industries. It is very unhealthy. I therefore urge upon the Government to retract from the path of serving the few at the cost of millions and millions of poor people.

I will give an example of how IFCI is functioning. One Kanoria Jute Mill was sick and was referred to the BIFR. After long hearing, BIFR passed a scheme in which workers agreed to accept less wage and IFCI was asked to give working capital within one month. But, about two years have passed and still IFCI has not provided any fund. So, I urge upon the Government to see to the case and provide finance and necessary action taken so that the workers can be relieved of their burdens. Thank you.

MR DEPUTY-SPEAKER: Shri Prithviraj

SHRI PRITHVIRAJ D. CHAVAN (Karad): I am not speaking.

MR. DEPUTY-SPEAKER: Shri Thorat-not here.

Shri K.M. Matthew -Not here. Shri Chetan Chauhan- absent.

Shri Santosh Kumar Gangwar.

[Translation]

SHRI SANTOSH KUMAR GANGWAR (Bareilly): Mr. Deputy Speaker, Sir, it appears that the Government is unable to take any prompt and correct decision. Decisions taken in piecemeal serve no purpose. I as well as my party support the intention behind to conversion of corporation into a company. The plight of the industrial sector in the country during the last 44 years has been reflected several times during the Question Hour in the House. Thousands of small scale industries have become sick units and no steps have since been taken to revive those units. Even after raising questions frequently, their condition is the same. I hail from such an area and district which have a large number of industries. In Uttar Pradesh alone there are thousands of units which are sick.

Crores of rupees will have to be spent for the revival of these units and during this process bureaucracy play a vital role and the revival work lingers on as a result thereof. If somebody, unfortunately, decides to set up any industry, you will find hundreds of such units which are in the process of auction and are on the verge of being sold out. But one thing is certain that the hon. Minister also should pay attention to this issue that only certain selected industrialists or certain limited industries who could manage have been benefited by our corporation. Now the Government has floated this company. Some arrangement should be made lest it should confine to a handful of people only. If we did not exploit the man-power of our country and did not set

up industries and jobless persons of the country are provided employment, we will not be able to do welfare of our country. I hope that the intention of the Government behind floating this company is to translate the dreams of Mahatma Gandhi into action and establish a number of cottage industries from cities to gram panchayats. If we have set up this company it is certainly its objective. The Government thought that these industries couldn't flourish because there was no participation of the people in it. Now while floating this company you have kept this idea in your mind that there should be more and more participation of people in it. The Government should provide information as to whether it would include the backward section of people, people belonging to the Scheduled Castes, women, physically handicapped people in this company?

The Government took a decision in this regard and promulgated so many ordinances. In this regard, the hon. Member Shri Girdhari Lal Bhargava objected to its basic spirit. But he certainly agreed to this fact that the industrial sector of the country is facing a serious threat these days and the youth of the country are rendered jobless continuously. They are not getting any job. I understand that by setting up the company the Government will be able to remove all these difficulties and it will be its endeavour to set up a large number of industries and through that net work it would provide job to the youth of our country. But the period within which relief is likely to be provided in this regard has not been mentioned. I am afraid lest prescribed period of 3 months to accomplish this task should become 3 years because I have personally noticed this tendency at many levels. Even after paying hundreds of visits to the concerned offices, the work is not accomplished. It has become almost a custom that no work is done without bribe. If the things go in this fashion, no industry would be set up and Stet company may not be fruitful which has come into existence with the public money. If this company fails money of the public will also be lost. The people will not get any return of their investments as the shares of the company have come down significantly.

It will get no price in market because this is the condition of industries in India. Therefore, Government should think over it seriously.

We want that the work should be done with this spirit and the Government should think over floating the new company properly and the decision taken in this regard should be intimated to us. All people related to this industry should be included in it and their problems should be considered. It should be set up after due consideration.

Generally, we find that whenever somebody intends to set up an industry, he has to fulfil a number of formalities which take several years. For instance, if somebody wants to install a rice mill, it takes two years to complete the formalities. In the meantime, its objective, spirit and purpose is defeated.

I hope that the company to be set up by the Government will not compel the applicant to visit the company office again and again and there will be no harassment and all the problems will be solved at the district centre level and every assistance will be provided. I hope that the Government machinery will discuss all the formalities with the emerging entrepreneur and resolve all the difficulties at the district level and it will not have to pass through the district and the state level etc. The hon. Minister should express his categorical views opinion in this regard.

Without saying anything more, I support the Bill. I do not oppose it. The Government will have to chalk out a scheme as to within what time it will revive the thousands of sick mills in this country. It should also point out as to how will it ensure the participation of the N R is and derive benefit from them.

It should also be mentioned as to how many rural areas will be covered under this scheme. I am afraid lest all the proposed industries should be set up in those cities only where all facilities exist and the major part of the country is neglected and after 20

years we have to repent that the company set up by us is running in loss. The Government should also consider this aspect even if it nice have to withdraw the Bill. A comprehensive plan should be prepared before starting the work. I think it will get the cooperation of the entire House. People should feel that they will be benefited in working together with the Government and it will enhance our credibility and we will talk of following the right path.

I express amy thanks for providing time to speak.

[English]

SHRI P.C. CHAKO (Trichur) : Mr. Deputy Speaker Sir, I rise to support the Bill moved by the hon. Minister.

Sir, this Bill is intended to replace the ordinance promulgated in this context, the Industrial Finance Corporation ( Transfer of Undertaking and Repeal) Ordinance.

While opposing this Bill Shri G.L Bhargava has said that this Bill, by changing the IFCI( Industrial Finance Corporation of India) into a company , will affect the very purpose of establishing this IFCI. That is unfortunately not correct. Sir, such legislation when it comes before the House, I think it is the solemn duty of all the parties in this House to support it.

Shri Bhargava was in a very devastating mood. In fact last two Bills also he has opposed and this Bill he is opposing. I do not know the reason. May be political compulsion.

Hon. Member Shri Sudhir Giri was saying that IFCI is not financing many of the sick units. He has cited an example of Kanoria Mills. This has been the unfortunate situation, in which the IFCI is being held for the last many years. IFCI is having resources problem. Industrial Finance Corporation of India of which 50 per cent shareholding is controlled by the IDBI and IDBI and the

Sir, I am especially very happy to support this Bill because of the background which is cited by Shri Sudhir Giri. The original Bill which established the IFCI was moved in the Constituent Assembly in 1948 by the then Finance Minister Shri Shanmugham Chetty, On outstanding personality He was from my State a former Diwan of Cochin.

From 1948 to 1992, for 44 long years, almost half a century many changes happened in the financial sector of the country and because of the policy changes initiated by this Government it has become all the more necessary.

Shri Giri has explained very well, why the present situation should be changed and that he was arguing that in the name of socialism IFCI should not be changed into a company.

The very purpose of this Bill is to bring IFCI under Companies Act 1956. Giving it more flexibility, giving it more autonomy that it can go to the capital market, it can mop raise resources and utilise it for the purpose as has been cited here, for example Kanoria mills, when BIFR or any agency is rightly entrusting a responsibility with the IFCI, the that IFCI being a premier promotional agency in this field, which is expected to revive the sick units and help the new units, have to have the resources. Now the meagre resources, which they are getting from the budget or from the promoters, with they just cannot do justice to the task entrusted to them. So, IFCI, when it is converted into a company under the Companies Act, can go in for expanding its equity base. By expanding their equity base, the additional shares which they are going to sell in the market, they can also collect a premium on that.

By using this money for their working, their flexibility and their financial capacity will go up. In this country after the new economic policy has been announced by the Government, the promotional agencies have

got a very important role to play. The IFCI is expected to help the industrialisation of the country to a great extent. But now in the present context they are not in a position to do so. So, by converting the IFCI into a company, by increasing its flexibility and the financial resources we are giving it an added advantage.

I do not think, that merely because the Government has moved a Bill, the Opposition should oppose it. I can understand their opposing it if there is a relevant point. Why are they opposing it? The hon. Minister, Dr. Abrar Ahmed has explained that it is a routine matter. The government had promulgated an Ordinance. The hon. Members should remember the background of this Bill. The Cabinet had decided to allow the IFCI to be converted into a company. All the background, the present functioning, its limitations, its resource crunch, everything was the subject matter for the Cabinet decision. Finally, after considering all the pros and cons of this issue a decision was taken by the Cabinet.

I remember that the decision was welcomed by all, irrespective of the party affiliations. It was welcomed by the financial circles of the country. The conversion of IFCI into a company was welcomed because a very important duty had to be carried out by it.

The Ordinance which was promulgated to convert the IFCI into a company has lapsed and it is now the duty of this House to pass this legislation to a company.

I know that there are a number of cases pending for rehailitation. some sick units. Vital project reports and very good proposals have been put forth both by the State sector as well as from the private sector. The IFCI is not in a position to take over and the private financial companies are allowed to mop up funds from the capital market. Why not IFCI which is a Government company be allowed to go to capital market to mop up funds for the industrial development of the country? So, this is a noble cause and this is for a very good purpose, for which this

legislation is brought before the House.

Everyone irrespective of the party affiliations who is concerned about the industrial development if this country should support this Bill. I, therefore, hope that the Mover of the resolution will withdraw it and support this model legislation.

The IFCI can play a prominent role in the years to come. It can play a vital role in the industrial development of the country.

With these words, I once again request all the members to extend their cooperation to this legislation and support the Bill.

14.54 hrs.

SHRI SYED SHAHABUDDIN (Kishanganj): Mr Deputy-Speaker, Sir, I do not question the *bona fides* of the Government. But I regret that the Government have not placed all the facts before Parliament. An assertion has been made here in Statement of objects and Reasons of the Bill and when the hon. Minister was introducing the Bill that the accessibility to the market is limited under the present system and that there is a decreasing flow of resources from the Government and from the RBI. Therefore the actual only way out is for the Corporation to be transformed into a company so that it can draw upon market resources. This is the justification that the hon. Minister has given for the Bill.

He has not told us in what measure has the flow of resources, what is called, concessional funds for industrial purposes from the Government and the Reserve Bank, diminished.

He has not taken us into confidence. What are the reasons? He ought to tell us over the last five or ten years what has been the measure or the quantum of flow of the concessional funds from the Government and the Reserve Bank to this Corporation. If it has decreased or diminished down to a trickle than what is the reason thereof? After all, that is a matter of Government

[Sh. Syed Shahabuddin]

policy. We ought to be told why the Government decided to restrain the flow of resources to this Corporation which was envisaged in 1948 as a major instrument for the industrial development of our country? Why was this institution sought to be diminished in stature, diminished in its contribution to the national economy, diminished in its contribution to the process of development. The Government must have a reason for it and the Government must take the Parliament into confidence and tell us why this deliberate diminution or lowering of the flow of the resources into this.

Secondly, it has been said that the Corporation cannot have as much access to the money market as it should have because of a provision in the existing Act. If that be so, surely instead of dumping the Act itself, the Act can be amended. That is another possibility and if the Government has chosen to dump the entire Act itself, to throw the child with the bath water out of the window, the Government must have a good reason for it. Again, the Government has not been forthcoming with the reason as to why it is not possible for them just to amend the existing Act and to make it possible for the Corporation to have the access of required dimension to the money market. These are the two basic questions that arise from my reading of the Statement of Object and Reasons. Therefore, without accusing the Government of any *mala fide* in this matter, I would like to be enlightened and the House would like to be enlightened about these two aspects. Firstly, why the Government have deliberately choked the flow of resources to this Corporation and Secondly, why the Government cannot rectify the situation by a simple amendment to the Act, thereby making it legally possible for this Corporation to go into the money market and draw the necessary funds.

I come to the general question of the availability of resources for industrial development. Now, as you are well aware—the House is also well aware—we have the vision

of a mixed pattern of industrialisation where the public sector and the private sector play a part. Of course, there was also some development in between about the mixed sector which did not really take off. Now, the resources is limited. The industries which are coming up-big or small—are drawing upon the available resources in the market. They are drawing it through the Industrial Development Bank, the ICICI, Industrial Finance Corporation and the various State Finance Corporations which were modelled after the National Finance Corporation on the same lines. They are also drawing directly from the market in terms of the sale of shares, sale of equities and debentures and so on. Even the money that was coming in from outside, the foreign investment or the NRI remittances, they were routed through the bank. So, we had at least three major channels of flow—the bank dealing with the surplus or the available savings in the country and the available remittances from outside and disbursing it into a large number of industrial projects. We had the industries themselves going into the money market, selling their equity shares, selling their debentures and taking the money from the public. We had these institutions—the Industrial Development Bank and the Industrial Finance Corporation as well as, I believe, there was a small Industries Development Bank also which has been set up and the various State Finance Corporations. Now, why this disbursement was allowed to take place? After all, all these institutions are controlled by the Government. The Industrial Finance Corporation, the Industrial Development Bank of India, the ICICI the various nationalised public sector banks which command the commanding heights of the banking sector at least they used to until we come to the present dispensation. Now, why this multiplicity of agencies? Where did we make this break? The resources are scarce in the country and resources are required by the Government for various purposes and by the people for various purposes. We want industrialisation and we want to give high priority to our industrialisation. We want to go faster and faster.



15.00 hrs.

Yet we did not envisage a property thought out deliberate policy about financing the industrial sector. I would like to know from the hon. Minister in this context whether the Government have thought out a policy or are they merely going to leave it to the market forces? If they leave it to the market forces only, then surely the pattern of development is not going to be even. Certain regions are going to strike rich, certain groups are going to strike rich, some people who have already the money, who form the vested interests, who form the capitalist class of India, they will have a far effective access to the market and, therefore, shall be able to draw upon the available resources to a much larger degree, starving out all the others. Therefore, in 1948 it was envisaged and through the nationalisation of the banking system it was envisaged that these pool of resources should be available for the Government for industrialisation according to the Plan according to the pattern, in order to fill a gap, in order to allow the disparities to develop between class and class between region and region and that only some chosen people do not become the beneficiaries of the available resources, they do not control all the available resources, they do not monopolise all the available resources because then the pattern of development will not be to the interest and to the benefit of all the people of India. It will become limited in its application and limited in its impact. Now, you have no such vision and you have not yet told us under this new dispensation what do you want to do, how do you want to prevent the uneven industrial development. I come from a district which is a zero industry district. It is supposed to be classified as zero industry district. How is it that I am going to benefit? How is my district and hundreds of districts like that going to benefit from this dispensation that they are going to have? What have you put in there in the policy, in the directions, in the instructions that you give to this Government corporation, in the management of this pool of financial resources,

which is very limited, which is very finite? But even half a bread must be shared. It must be shared evenly and equitably with all the parts of India and all districts of India. I do not see any such sign and I would like the hon. Minister to enlighten us on this aspect in very very clear terms.

Thirdly, I would like to know that once this Industrial Finance Corporation at the National level has been transformed into a company, can the hon. Minister give us a guarantee that as compared to the performance during the last five years of this Corporation, this company somehow is going to turn the corner and make a splash into the money market and how simply by providing it access, does it mean that it is really going to have much money in competition to so many other private cartels which have been given full freedom for going in their own way, for private industrialisation? How does the Government presuppose that simply by providing an enabling legislation here that the Corporation of the new company that is proposed shall have real access to the money market that it is really going to tap, control, divert, take hold of a certain minimum quantum of resources for industrialisation where the Government advice service may run, where some modicum of planning may take place, where industrialisation may take place according to the wishes of the people and as the Government, which I suppose to suppose, it desires? I can assure you that if you leave it absolutely to the free play of the money market and the market forces, then even this company on, despite your passing this Bill, will not have access to the money that you desire. Therefore, I feel that this will become an exercise in futility, an exercise in good wishes, an exercise in pious day dreaming which is not going to be fulfill the objection. I would like to know from the hon. Minister whether such an exercise has been carried-out and whether in effect he can assure us that after we pass this Bill, the new company shall have a much larger share of industrial finance available and floating in this country than the corporation had in the last five years.

[Sh. Syed Shahabuddin]

Finally, the question that arises in my mind is about the fate of the State Finance Corporations. I was told that—proud Rs. 100 from them, on an average I cannot speak for all the States of the country but I suppose the picture cannot be different from one State to the other in a very drastic manner—you have to send Rs. 50 to get those Rs. 100, which is rather absurd. I am not one of the votaries of this system of control. But I would like to know whether you also propose that the State Finance Corporations should become viable financial entities and have you advised the State Governments or shall you advise the State Governments that after this Bill is passed, depending upon your experience and depending upon the picture that you have before you as the future projections you shall advise the State Governments also to transform their corporations into companies so that they can find their way into the money market.

I cannot say whether the idea is good. I should say that the hon. Minister has a lot of explanation to give to us; a lot of facts to provide us. At this moment I do not question of the Government. But, at the same time, unless we know more about it, it will be very difficult for me to say whether we support the Bill or we have to abstain on this or oppose it.

[Translation]

DR. LAXMI NARAYAN PANDEYA (Mandsaur): Mr. Deputy Speaker, Sir, while presenting the Bill, honourable Minister has clarified some facts about it, but still some aspects of this Bill are not clear. After all, what were those reasons which compelled to bring this Bill, as the hon. Minister has said this Bill has been brought in the context of changed financial policy and to mobilise financial resources. I would like to know whether all the present financial corporations or industrial financial corporations have proved unsuccessful. It has not been mentioned that you accept their failure or these corporations are unable to function.

I would like to know the reasons for which this corporation cannot be further strengthened. Was there no other alternative for removing its shortcomings. Could there be no alternative arrangements in this regard? Has government decided that the Structure of all the existing corporations will be changed through the companies Act. If it is the policy of the Government to change the functioning and structure of other Corporations also then I can understand that perhaps as a result this corporation is also being restructured.

I would like to know about the responsibilities and services of the employees. It has not been clarified. What is its present position and which liabilities are still there. It will be better if you clarify all this. It is not clear in financial memorandum also. As you have told about the objectives and reasons for this that for the last many years it has become very difficult for the Government, Reserve Bank to mobilise funds at the concessional rates and due to changed circumstances in the financial sector for the last so many months it has become a compulsion for the Indian Industrial Finance Corporation to mobilise funds mostly from the market but I think that it was not so from 1948 to this day. But for the last few months it has become a compulsion. Are you doing it under same pressure? It may be for the time-being or you may be doing it for raising more funds but it has not been clarified that these changes were necessary. I would like to submit to you to clarify it.

Sir, I would like to ask whether these changes will be helpful to meet the needs of the industries and whether it will remove the financial difficulties of these industries which are in need of finance at present and will fulfill their needs. This has neither been mentioned in the Statement of Objects and Reasons of this Bill nor separately. As you are going to change this through companies Act, you are saying that those have become inefficient. I would like to ask whether these will not be privatised through this Companies Act and whether you will say then that this wasn't right and we

committed a mistake. Though the things you have mentioned and the objectives you have stated, I think will prove beneficial only if the Government will work in the right direction and work honestly otherwise it will not be useful, as you have admitted it yourself. You have said that you will discuss it with shareholders, make arrangements for the funds from some other sources but how this all will happen, how much time it will take. If you would have clarified it earlier then only we could say anything favourably about this Bill. But as this Bill is incomplete, I would like to know the full facts about it.

I would like to conclude without saying anything more, as my two other hon. friends have expressed their views on this. I would like to say that this process was started much earlier. I would like to support the resolution for disapproval brought by the hon. Bhargava ji because this tendency of promulgating the ordinances is not good. You have brought this ordinance in 1992 and after that a Bill was brought which was not passed by this house. Now again you have brought this bill and want to get it passed in haste. It would have been better if you would have discussed all the aspects of this with the hon. Members.

With these words, I hope you will consider the views expressed by me, and clarify the various aspects of liberalised economic policy and financial restructure.

[English]

15.12 hrs.

SHRI BOLLA BULLIRAMAIAH (Eluru)  
Mr. Deputy Speaker Sir, this Bill of Industrial Finance Corporation for making it as a private Company will definitely improve its performance, since ICICI is able to show better performance than the other institutions which were operated under the control of the Government.

There is another problem which is actually causing great concern and that is the resource constraint. Though the Bill was introduced on 30th November 1992,

yet since we were not able to pass that Bill during that Session it was introduced again in January 1993. Now, though the Corporation could raise the funds in the market with premium, it was not able to do so earlier because of the constraints of the restrictions and IDBI having 50 per cent of the share control. Now with the price rise in the shares in the market and with premium their resource position will improve. Earlier they used to get some loans from the Reserve Bank at a lower interest. But after the recent Budget, the SLR has changed and that is why the Reserve Bank is also not in a position to provide funds for this institution. That is why their requirements have to be obtained from the market. Once they go to the market and raise funds, the IDBI will come down and they have freedom to operate. Once they become independent, the IFCI can also start mutual funds, merchant banking and collaboration with foreign banks for working capital and participate in the required capital.

Some doubts of the staff about their privileges have been expressed. However, the employees have been guaranteed about their privileges and all the privileges will be provided to them without any problem.

With the present interest rates, it is very difficult to operate unless the Finance Ministry comes with some sort of provision to reduce the interest rate.

The second more important thing is the single window system in which the institutions should take complete responsibility of disbursement and recovery of funds instead of asking the Companies to go to each and every one of the participants to take their share.

The sickness will be there not only in this country but in other developed countries also. But the financial institutions and banks will take quick action in mergers and amalgamations and also they will keep some experts in the institutions not only just to attend the Board meetings but to advise the Companies every now and then about the improvement they have to effect. They

(Sh. Bolla Bull Ramaiah)

should give proper guidance in all fields. The most important thing is that the interest rate should be brought down by the Finance Minister. The amount of opportunities these companies get is so little and that will not be able to help the company's requirements today, in this country. With the liberalisation policy which is likely to expand in the industrial field, this sort of system is required and some expertise is also required in each of the financial institutions. I hope they will be able to provide that and show the contribution to the shareholders who are likely to bring in new people into this operation. So, definitely the help of the Government is required at the infant stage and with this help, they will be able to do better performance in today's market. With these few words, I conclude.

15.16 hrs.

SHRI MUMTAZ ANSARI (Kodarma): Mr. Deputy Speaker, Sir, this is a very drastic, wide-ranging and comprehensive Bill which is brought before the House. This is very much surprising also that this Bill was introduced in the House in the month of September, 1992 and it could not be passed by the House due to certain reasons. One Ordinance was promulgated on 2nd January, 1993 and it is contemplated that the entire Industrial Finance Corporation Act should be replaced by a new Bill which has been just put forward before us.

Sir, I would like to remind that the genesis of the Industrial Finance Corporation of India based on the fact that one Industrial policy was enunciated in the year 1948 and in consonance with that Industrial Policy, this Bill was passed by the Parliament of the country and this Industrial Finance Corporation of India was established in order to finance the large-scale industry in the different nook and corners of the country. This was for the industrialisation of the whole country, but now, the Industrial Finance Corporation of India is going to be replaced by companies which will be established. So, this is very much surprising that

while the Corporation was working very well since its inception in 1948, no finger of doubt was raised at this Corporation and this was in consonance with the industrial policy and for the industrialisation of the country. Now, the hon. Finance Minister is introducing this Bill that this Corporation should be replaced by a new company which will be established under the Companies Act of 1956. So, this is very much surprising. The object has been declared that it will have a free access to the market. I do agree with them, but previously also, the IDBI and the RBI were having a free access and free accessibility to the market and they were drawing working capital. They were floating equity shares and debentures in order to raise resources.

So, now how will this increase the accessibility to the market and he is this going to increase the working capital in the hands of the proposed companies which are going to be established in place of the Industrial Finance Corporation of India?

Secondly, there are so many dangers and the hon. Finance Minister must be aware of these dangers. If it is established in the form of a company under the Companies Act, 1956, there will be less control of the Government over such a company and whatever purposes and whatever objectives are envisaged therein, they are not likely to be achieved by this company because it will have free market facility and free functioning and freedom in respect of administrative control and all those things. That is why, this is one of the inherent danger and the Government must be aware of it.

Secondly, because this will be in the form of a company the funds may be misused by the Directors and all other persons who will be in control of the company. It may be misused by the capitalists and the big industrial houses. That is why, there is one more inherent danger.

Thirdly, the Government has just announced certain policy in respect of industrialisation and has also announced

that there shall be certain priority sectors in which the industries will be established. But once the Corporation will be transformed into company, there will be nothing sort of any responsibility and obligations on such company in order to establish such industries in the priority sector. This is also one of the dangers.

Then, there are a large number of industries which are suffering from industrial sickness in the different nook and corner of the country. In the Corporation is in existence, the Government may just issue directions and guidelines in order to restore the health of all the sick industries. But once it is transformed into a company, there will be no control over the working of the company by the Government. That is why, such type of sickness from the industrial field may not be done away with.

There will be lop-sided development of industry in our country. For the balance growth of industry, the Industrial Finance Corporation of India was established. The Industry Minister has declared that 100 districts have been declared as industrially backward districts all over the country. Once you do away with this Corporation and establish a company you leave the entire thing to the good wishes of all the Directors and managers and controllers of such company. How can you remove industrial backwardness from all these districts?

These are few inherent dangers I would like to point out to the hon. Minister. I would oppose such a Bill. I would like to suggest that this Bill must be withdrawn and the Corporation must remain there. There can be some sort of flaw some sort of shortcoming and defect. Let us try to remove all those defects and shortcomings. The Industrial Finance Corporation was nourished and protected like a child since 1948, now you are throwing that child into pond and telling that child to swim across and come to the shore of the pond. This is a dangerous approach.

With these few words ; I oppose this

Bill

[Translation]

SHRI RAJNATH SONKAR SHASTRI (Saidpur): Mr. Deputy Speaker, Sir, I am making same suggestions before you while fully opposing the Bill presented today. When the industrial Finance Corporation of India was set up in 1948, the basic concept before the country was industrial development. Keeping in view this spirit, the Industrial Finance Corporation was set up? But I am sorry to say that this basic concept has been eroded during last forty years. There is no record of loan worth Rs. 7000 crore in this corporation. This corporation has so much huge capital and what happened to that amount. In this regard I had said while presenting some cuttings of newspapers in the House, during last session that a thorough inquiry should be made against the Chairman of this corporation because there is no record of the capital worth Rs. 7000 crore of this corporation. According to the report for the year 1991-92, there is no record of the amount Rs. 1000 crore of this corporation. I had also demanded during last session that an inquiry should be conducted into it. I am surprised that such a large scale scandal has taken place. Now this Bill has been brought to replace the Ordinance. It was responsibility of the Government to ensure that the report is submitted about such large scale scandals. Now a company will be established in place of the corporation. What would happen when report is not be submitted. It seems that some persons are hatching a conspiracy to misappropriate the money given to it till date. It is also a conspiracy to save the Chairman from his accountability.

I would like to draw the attention of the House to one more point. There is a Union of the employees of this corporation. Sriram khobragade is the General Secretary of this Union, who for the first time had highlighted the corruption rampant in this corporation and had discussed this report. Along with this, he tried a little to protect such a huge capital of the nation. But he was suspended, now-a-days he is sitting "!!" Not

only this, now a plan is being made to dismiss him from the service. There are 8 or 10 employees of this Union, who have highlighted this fact. Revenge is being wreaked upon all of them. I want to know from the hon. Minister as to what was the fault of the union of this corporation and what was the fault of the employees of this corporation and also of Shriram Khobragade? Was it their only fault that they had highlighted the corruption rampant in this finance corporation. Was it fault of the employees of this corporation that they had highlighted the corruption its Chairman was indulged in. Approximately a sum of Rs. 7000 crore is being squandered. There is no record of it. Will it be recovered or not? Is it the fault of 7-8 employees that they have highlighted it. Therefore, I oppose this Bill and want to know all these things in your reply. I had drawn the attention of the House to one of the reports of the finance corporation during the last session, in which there was no record of a sum of Rs. 300 crore. We had a talk with the hon. Prime Minister and also raised this issue in the meeting of Consultative Committee of the Minister of Industry and an assurance was given to us that it will be inquired into and all necessary action will be taken. I had mentioned names of several companies whom huge funds were given. Funds were advanced to big industrial houses which were later declared sick.

I would like to know from the hon. Minister as to what action has been taken on the latter which has been given to the hon. Finance Minister with signatures of 40 Members of Parliament and a copy of which was also given to the hon. Prime Minister. Was an inquiry made against the Chairman. Was any attempt made again to reply to all the questions raised in the House? It is a matter of great surprise that it had been stated in the previous report of the corporation that the Finance Corporation is earning profit every year. I want to know from the hon. Minister when this corporation is earning profit every year, what is the need to establish a private company doing away

When there was finance corporation, its reports was used to be presented in the House. When it will take shape of a company, then will its report be laid on the Table of the House. Previously the report was laid on the Table of the House, now it is not known whether its report will be presented or not. When its report will not be presented in the House, it will not be accountable to the House. Earlier report was presented for fear of the House, now it is becoming a company, so that fear has eroded.

Now I would like to make some of my suggestions. So far as the employees are concerned, the Government has said that when the company would be set up, they would be adjusted under the Companies Act I want to make my suggestion that before adjusting them in the company, the hon. Minister should ask them whether they would like to go there or not, lest they should be transferred from one place to the other like slaves. My second suggestion is that the hon. Minister should make an arrangement that the employees, who does not want to go there or is not willing to work there further and if he has completed 10-15 years of service or crossed the age of 45 years, he should be allowed to avail voluntary retirement and due compensation be made to him. Since time is short and you have allotted me little time, I conclude with these two small suggestions and again make a submission that the hon. Minister may reply to two or three questions I have asked whether an inquiry will be made against the Chairman, whether he is aware of the episode involving the General Secretary of the Union, what are the reasons of his suspension and whether the Government has made an inquiry into it. Please reply to all these questions. Thank you.

[English]

SHRI BHOGENDRA JHA  
(Madhubani): Mr. Deputy-Speaker, Sir, I rise to oppose this Bill. I have also given notice of a Statutory Resolution against the



promulgation of the Ordinance. It seems slowly, but very steadily the Government, in the name of presenting the new economic policy, is trying to fundamentally alter our economic base upon which free India started its journey after independence.

Sir, we achieved independence after a bitterest struggle, though through compromise on partition. But thereafter, as a backward country when we did not produce a needle in our country- not even a blade we produced- in order to accelerate the industrialisation of our country, certain institutions were set up and the Industrial Finance Corporation was one such institution. It is a very important -perhaps, the most important- institution.

Recently, it has become a fashion to say that the public sector is failing so privatise it. More tragic is the fact that those who are at the helm of affairs, those who are heading the Government, the Finance Minister, their State Ministers and their Deputies have themselves been deriding the public sector, the public financial institutions and they themselves seem to have openly become as the agents of the private sector. If that is so, then, I say, they should not be at the helm of affairs. If one is a very good Pundit, he should not be in the Mosque; he should be in the Temple.

If one is a very good Maulvi, he should be in the Mosque and not in the Temple. If they have no faith, they should not betray the nation like this.

They are thinking of the phases of the private sector and they are going to privatise the public sector day by day. I will ask the Minister or anyone from the Government side to cite a single instance about any industry in the country in the hands of the private sector which had been formed or developed on the basis of its own monetary investment without taking credit from the public financial institutions, without taking credit from the nationalised banks. Let them cite one single such industry in the country. Maybe, the topmost houses are the Tatas, the Birlas and the others. (Interruptions)

The Tatas are taken to be the very big, fair industrial House. But even TISCO have got only three percent of their own share. In the case of Hind Motors, the Birla family have got only one-and-a-half percent share. They are owing everything. It means as if they have started owning the Government itself. Slowly but very steadily, they will be handing over the economic resources in their name. They will therefore, exert pressure and power not over the Government but over our very financial system itself. It is very tragic. Very surreptitiously, these Bills are being moved as if nothing is happening; it is simply a question of transfer of the undertaking. Simply name is being transformed. You think, that the private sector will give you the money. They are running their industry on our money, on bank's money, on the basis of the money given by the public financial institutions. And you say that they will give the money to make the Industrial Finance Corporation more viable and will bring it in a better position. Such a paradoxical situation is being developed through our media. This falsehood is being propagated just to confuse our people, to confuse the nation. If the Government hopes that the private sector will contribute money, I think, they have got black money. That is why they are coming with so many new things like the Gold Bonds and tother things where the black marketeers and smugglers can invest their money.

Similarly, if the Government feels so, it can establish another company. Why should you transform this Industrial Finance Corporation to a bank? Why should you hand it over to them. Let another Company be formed and let them contribute money, let them industrialise the company. Ours has been a mixed economy. And I would like private sector also to come and contribute in this industrial development. They should invest their own money- black money or white money. This Government is incapable of unearthing the black money. Let them invest in this productive venture. Let them not simply hand over everything that the nation has got. So, the Industrial Finance Corporation must be strengthened and maintained and remove whatever de-

[Sh. Bhogendra Jha]

iciencies are there, whatever corruption is there. The private sector gets the finance for its firms on the basis of corruption. I think the officers who are there, they are in the temple of Industrial Finance Corporation. They should protect the interest, they should not hand over. In such a situation, I vehemently oppose this Bill.

Even at this stage, I say that it is an elected Government but it is not committed to its electorate. It has not told the electorate that it is going to hand over the entire public finance to the individual captains of the country. This is a breach of trust to the people of our country. It is a breach of trust to the electorate of this country and to the past also from Pandit Jawaharlal Nehru up to this day.

With regard to banks also, this is being followed. There is a very disastrous thing. Fundamentally important things of our national economy, of our national economic standing should not be allowed to happen. If the Government feels so, then there should be a thorough discussion. Let the whole country know through the media that what you mean is not to nationalise the country's economy, not to strengthen the economy of the country but to hand over the public funds, the public money, the public financial institutions to a few black marketeers, hoarders, smugglers and owners of black money. You want to hand over to them. This is a very disastrous step and a very important step in that direction. I vehemently oppose this. I appeal to my colleagues also about this. When I compare it from that side, if I did not misunderstand them, they said as if they were welcoming it. They are also to be accountable to their electorate. They have also to be accountable to their people. It is not an ordinary thing. This is not a simple issue of temple or a mosque. This is a thing where the whole economy is being mortgaged and to be sold and handed over to persons who will contribute a bit. They will create a loan on credit from our public financial institutions. They will contribute some shares in

this company. They will become the managing directors and then they will own everything. They will be the directors also. That is not the whole thing. Thereby, even now the Industrial Finance Corporation is not financing many of the institutions which do not offer bribes on smaller scale. Hereafter, there will be no hope of that. I will quote an example. The Industrial Finance corporation gave a credit of Rs. 4.5 crore no out thirty years ago to Ashoka Paper Mills. It was established in Rameshwar Nagar. After a few years, it decided to auction the unit but that auction was opposed. As a result, even now, it is lying a sich unit. Why can it not be revitalised?

I do submit that this Industrial Finance Corporation Bill is not a good step. It must be strengthened. The deficiencies must be removed. At the help, there should be officers who have faith in it, who are committed and they must be people who think that institution is helpful to the country and it is in the public interest and in our national interest.

Therefore, this Bill must be withdrawn by the Government. If the Government is so much serious, then let it be open for public discussion. After a few months, let us reconsider it. This Bill must not be pushed through for passage in this session. I oppose it. I think it is an anti-national Bill and it is against our social interests and hence, this must be opposed. Thank you.

MR. DEPUTY SPEAKER: By 4 p.m., we shall have to complete the discussion and after that, the Minister will reply to it. Now, I am calling Shri Satyapal Singh Yadav. The time factor is very important. The panel of Chairman, they are having a meeting with the Speaker. I also have got to attend the Meeting of the Committee on Private Members' Bills at 3.30 p.m. So, with the permission of the House may I request Shri Amar Roypradhan to occupy the Chair?

[Translation]

SHRI SATYA PAL SINGH YADAV (Shahjahanpur): Mr. Deputy Speaker Sir,

673 Stat. Res. re Disapproval of CHAITRA 1, 1915 (SAKA) Repeal) Ordinance & IFC 674  
IFC (Transfer of Undertakings and (Transfer of Undertaking and Repeal) Bill

Regarding the IFCI Bill, the main problem stated to be is that there is no accessibility to capital market because of IFCI.

15.41 hrs.

[SHRI AMAR ROYPRADHAN *in the Chair*]

Moreover, funds on concessional rates could not be provided to the IFCI by the Government of India and the Reserve Bank of India. It had also been stated that many difficulties were being faced due to the role of the IDBI and that is why IFCI was being brought under the purview of the Companies Act.

If any discrepancy, 100 phole or lacunae, is found in any of the laws passed under the provisions of the Constitutions of India, efforts are made for bringing about suitable amendments in it afterwards. The Constitution of India has been amended 73 times and many amendments have been incorporated in the IPC Act. The IFCI was set up by an Act of Parliament in 1948 and its performance has been good as it has been providing huge loans for numerous projects. It has given Rs. 1916 crore as loans up to 1985 for major projects and sick units in the backward areas. Now, it is proposed to be brought under the Companies Act. What were the reasons due to which Government preferred to bringing it under the Companies act instead of amending its Act suitably? The Corporation was answerable to the Parliament of India under the Constitution of India but under the companies Act, the company would be a private limited company only to look after its own interests. But under the concept of a welfare state, the Corporation was to look after the sick units, finance or get finance for the big industries in the backward areas through IDBI. We have been watching for a long time that efforts were being made to transfer the role of Corporation to a company: Section 8(3) of the ordinance stipulates:

[*English*]

" Notwithstanding anything contained in the Industrial Disputes Act, 1947 or

in any other Law for the time being in force, the transfer of the services of any officer or other employee of the Corporation to the company shall not entitle such officer or other employee to any compensation under this Ordinance or under any other law for the time being in force and no such claim shall be entertained by any Court, tribunal or other authority. "

[*Translation*]

The biggest set back against the employees and the officers of the IFCI is that they cannot go to any court of law under it against any decision of encroachment or injustice regarding service matters, compensation etc.

Mr. Chairman, Sir, I would like to know through you that after becoming a company whether it would give better performance in addition to the usual works being undertaken by the Corporation such as advancing of loans, guaranteeing of rates, buying of debentures for contributing in the industrial institutions, issuing of bonds getting loans from IMF and receiving of deposits under the provisions of the Companies Act.

Instead of amending the existing Act, why it has been repealed to bring it under the provisions of the Companies Act. Sir, I oppose it. I do not support it.

SHRI RAMSHRAY PRASAD SINGH (Jahanabad): Mr. Chairman, Sir, the Industrial Finance Corporation of India Bill, 1993 is being discussed here at present. through you, Sir, I would like to seek information on two courts. Government now propose to convert the IFCI into a company under the Companies Act. Long ago, Congress adopted the policy of nationalisation. When the banks were nationalised in 1969, the Congress Party was divided on this policy found acceptance. Now, that policy is being reversed.

It is clearly discernible that Government is now going to privatise the nationalised enterprises on the plea that a great loss is being incurred under the existing system. I

675 Stat. Res. re Disapproval of MARCH 22, 1993 Repeal) Ordinance & IFC 676  
IFC (Transfer of Undertakings and (Transfer of Undertaking and Repeal) Bill  
[Sh. Ramshray Prasad Singh] mittee:

would like to point out that Dalmia has a done away with privatisation and they have shifted their factory to some other place as a result of which condition of forty thousand labourers is very bad and they are facing many economic difficulties. Even after privatisation, some industries are sick and others are on the verge of closure. What does then privatisation mean? In spite of all the efforts being made the industries are incurring heavy losses. Hon. Ministers should throw some light on this.

Secondly, under privatisation, most of the capital invested is of financial institutions and public capital is quite meager. The capital which has been taken in the form of loans from banks is our capital. In spite of that, it is called privatisation. Government's policy of privatisation is proving to be very harmful for the country. Some Members have rightly pointed out that before going in for privatisation, Government should seek public opinion on this subject. The People of the country have expressed their faith in you, now it is the duty of the Government that it should take the people into confidence. Otherwise the people will think that Government has betrayed them. We are passing through a grave crisis and Government is shifting its policy from nationalisation to privatisation. It is not proper. Government should withdraw this Bill. This is not a big task. Government should strengthen our financial corporation industries.

With these words, I conclude.

SHRI BASUDEB ACHARIA (Bankura):  
Mr. Chairman Sir, The Industrial Finance Corporation (Transfer of Undertaking Repeal) Bill, 1993 has a definite objective. But the Government of India is following the dictates of the World Bank, and International Monetary Fund. An assurance was given on the floor of this House on the recommendations of the Narsimham Com-

[English]

An assurance was given on the floor of the House by the Finance Minister, Dr. Manmohan Singh, that the recommendations of Narsimham Committee would not be implemented till these were discussed on the floor of the House. A question was raised a number of times in connection with the Industrial Development Bank of India that the Government was trying to privatise Industrial development Bank of India and also Industrial Finance Corporation of India

[Translation]

But through this Bill, Government is trying to privatise the Industrial Finance Corporation. Government had given assurance in this House that the recommendations of the Narsimham Committee would not be implemented. But Government is doing the same by this Bill. therefore we oppose this Bill and would urge the Hon. Minister to withdraw it. Government is violating the Industrial Policy of 1956 and all that has been laid down in Directive Principles of State Policy. All this is being done on the dictates of the IMF and World Bank. Therefore we want that this Bill should not be passed in the House

We would urge upon the Government that it should seek public opinion.

[English]

Heavens will not fall if this Bill is deferred. This Bill should be referred to a Joint Select Committee comprising the Members of both Lok Sabha and Rajya Sabha, so that they can examine it in dept and make appropriate recommendations. So, heavens will not fall if this Bill is not passed today. I hope wisdom prevails upon the hon. Minister of State for Finance and he would rethink about these aspects. I say this because this action of the Government is against the basic concept of our Constitution, against the basic concept of our public

**677 Stat. Res. re Disapproval of CHAITRA 1, 1915 (SAKA Repeal) Ordinance & IFC 678 (Transfer of Undertaking and Repeal) Bill**

sector undertakings and against the basic concept of our industrial policy itself. This Bill goes against all these basic principles enshrined in our constitution. Therefore, I would urge upon the Minister again that he may rethink and refer this Bill to the joint Select Committee. I say this again and again because this is not a single Bill. This is a very controversial Bill. Sir, you have seen how the industrial workers of our country are struggling. Last year, there have been two bandhs. Nearly seven lakh workers from all over India assembled near the Boat Club and they expressed their feelings against the motives behind the new Economic Policy, which is adopted by Government of India at the diktats of the International Monetary Fund and the World Bank.

Sir, a large number of industries are facing closure. there is one Organisation called BIFR. We call it as the Board of Industrial Funeral Rites. This BIFR has recommended the closure of 98 sick industries. These institutions such as the BIFR and IFCI refuse to provide financial help to industries. In certain cases where the BIFR had prepared certain package schemes and asked these financial institutions like IDBI and IFCI to provide the necessary financial assistance to make the public sector undertakings viable again, those institutions did not provide any help. They did not comply with recommendations. In spite of the recommendation of the BIFR and in spite of the package scheme prepared by it, these financial institutions refused to provide assistance

16.00 hrs.

And if the IFCI is privatised, which they intend to do through this Bill, not only small scale industries, medium and large scale industries also will face closure and lakhs of industrial workers will be thrown out of employment.

[Translation]

That is why we are opposing it. We urge the hon. Minister not to pass this Bill in haste

today and instead refer it to the joint select committee.

[English]

Heavens will not fall if it is not passed today itself. (Interruptions)

Our request is please do not pass this Bill today

[Translation]

SHRI BHOGENDRA JHA: Mr. Chairman, Sir, please seek the opinion of the House for extension of time.

SHRI BASUDEB ACHARIA: The House is of the opinion that it should not be passed today.

MR. CHAIRMAN: We have already taken more time than the time allotted by the Business advisory Committee for this purpose.

(Interruptions)

MR. CHAIRMAN: What can we say about the opinion of the House.

(Interruptions)

[English]

MR. CHAIRMAN: The Minister of State is sitting here. If he agrees, I do not have any objection.

[English]

PROF. SUSANTA CHAKRABORTY (Howrah): Sir, this Bill is going to ruin the financial structure of our country.

(Interruptions)

MR. CHAIRMAN: I don't have any objection, if the Minister is ready for it.

PROF PREM DHUMAL (Hamirpur)  
Sir, I am on a point of order. The hon. Minister, Shrimati Sheila Kaul, was to make a Statement about Mithapur incident at 14.00 hrs. It is already 4.00 O'clock. You may please direct her to make a statement.

MR CHAIRMAN: Yes, The Minister

16.02 hrs

**Statement by Minister**

**DEMOLITION OF JHUGGIES IN  
VILLAGE MITHAPUR AND MEHRAULI-  
BADARPUR ROAD**

THE MINISTER OF URBAN DEVELOPMENT (SHRIMATI SHEELA KAUL): Sir, it has been reported that on 1.3.1993, 350 jhuggies located on the land at the boundary of village Mithapur in Delhi and Village Sarai Anangpur dairy in District Faridabad, Haryana, were demolished by officials of the Haryana Government. The name of the cluster was JJ Camp Prasad Nagar, Village Mithapur. Local inquiry made by officers of the Government of the National Capital Territory of Delhi has revealed that most of these people came from UP, Bihar and Rajasthan and have been employed in the industrial belt of Faridabad and Okhla.

2. Officials of the Haryana Government have stated that the land on which the jhuggies stood had been acquired by Haryana Urban Development Authority in 1985. However, it appears that both the Food and Supplies Department of Government of National Capital Territory of Delhi and the Haryana Government have issued ration cards to the inhabitants of these jhuggies on humanitarian grounds. The Slum Wing of the Delhi Development Authority have also undertaken some development work in the area. The exact jurisdiction over the land can be ascertained after joint survey and demarcation by revenue officials of the Government of the National Capital Territory of Delhi and Haryana Government.

3. Haryana Government is reported to have constituted a committee to go into the rehabilitation of the affected people. As a measure of providing relief to the affected people, the Haryana Government is reported to be offering each of the affected families, a plot of 30 sq. yd., in Sector 48 of Faridabad, near Badkal Lake, at the rate of Rs. 150.00 per sq. yd. A loan of Rs. 4,000.00 will also be provided for construction of houses. 25% of this amount will be treated as subsidy. The cost of land will be recovered over a period of 8 years in easy instalments.

4. As regards demolitions undertaken by the Municipal Corporation of Delhi on Mehrauli-Badarpur Road, details are as follows:

(i) The alignment of the road was approved by the DDA, way back in 1973 and the project was approved by Min. of Surface Transport in 1980.

(ii) The structures demolished include 3 boundary walls, 17 wooden khokas, 5 Thadas and 15 other structures and shops. These structures were coming in the night of way.

(iii) The structures which were demolished had been in existence for the last 5-6 years. In fact, they should not have been allowed to come up. Commissioner, MCD, has been asked by the Government of National Capital Territory to conduct an inquiry and take disciplinary action against officers in charge of this area.

(iv) Municipal Corporation of Delhi has not undertaken demolition of structures on the opposite side of the road which, according to the DDA, is covered by a Stay Order on the dispossession of land holders. This is being verified.

*(Interruptions)*

PROF PREM DHUMAL (Hamirpur): Sir, the facts are not clarified. *(Interruptions)*

MR CHAIRMAN: Under Rule 372, there is no scope for asking questions. You must