

Shri Vasudevan Nair rose—

Mr. Speaker: Is it the same Bill connected with Kerala?

Some Hon. Members: Yes.

Shri Vasudevan Nair: We are prepared to sit late in the night.

Mr. Speaker: Give him leave, first. The question is:

"That leave be granted to introduce a Bill further to amend the Constitution of India."

The motion was adopted.

Shri Hajarnavis: I introduce the Bill.

12:22 hrs.

MOTION RE: REPORT OF THE COMMISSION OF INQUIRY INTO DALMIA-JAIN COMPANIES

The Minister of Industry in the Ministry of Commerce and Industry (Shri Kanungo): Sir, I beg to move:

"That the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies laid on the Table of the House on the 23rd January, 1963, be taken into consideration."

Shri Bakar Ali Mirza (Warrangal): On a point of order, Sir,...

Mr. Speaker: Let him make the motion.

Shri Bakar Ali Mirza: The motion...

Mr. Speaker: Let the motion come. He can't make the motion: is this the point of order?

Shri Kanungo: At the outset, it may be useful to make a brief survey of the circumstances leading to the Constitution of the Commission. Between 1949 and 1951, numerous complaints were received by Government from

various sources against the management of Dalmia-Jain group and in 1952, Government appointed Inspectors to investigate into the affairs of three important companies controlled by this group. The Inspectors found many objectionable features in the management of Dalmia-Jain Airways Ltd., and on the basis of these findings the Registrar of Companies, Delhi, filed a F.I.R. with the Special Police Establishment in November, 1953. The S.P.E. thereafter conducted a large number of searches all over India for the relevant books and accounts relating to the D. J. Airways and the allied concerns and got hold of valuable material which was subsequently made over to the Commission.

While these enquiries were going on, an investigation was ordered into the affairs of Bharat Insurance Company belonging to this group on receipt of some information about the diversion of funds by it. The investigation report submitted in July 1953, disclosed considerable manipulation of the company's funds and callous disregard of the interests of the policy holders. Subsequently, the company's failure to produce the securities held by it for its auditor's physical verification came to Government's notice whereupon the matter was entrusted to the Special Police Establishment. Following the investigation by the Special Police, Shri R. Dalmia was arrested and subsequently prosecuted on charges of criminal conspiracy and breach of trust under section 120B read with section 409 of the Indian Penal Code. He was convicted and sentenced to two years simple imprisonment in 1959.

Following the enquiries and investigations mentioned above, Government felt that a comprehensive investigation into the affairs of the companies managed by the Dalmia-Jain group was called for in order to ascertain the full facts about the *modus operandi* of the management, to expose the malpractices committed by the persons connected with these concerns and to recommend the steps to be

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taken to prevent such malpractices in future. Government, therefore, set up a Commission of Inquiry in December, 1956, under the provisions of Commission of Inquiry Act, 1952, to enquire into and report on the administration of nine companies, the nature and extent of the control, direct and indirect, exercised over such companies and firms or in any of them by Shri Ramkrishan Dalmia, Shri Jai Dayal Dalmia, Shri Shanti Prasad Jain, Shri Sital Prasad Jain, Shri Shriyans Prasad Jain, their relatives, employees and persons concerned with them and also to report what measures in the opinion of the Commission were necessary to ensure in future, due and proper administration of the funds and assets of companies and firms in the interest of the investing public. Subsequently, a tenth company, namely Dalmia Dadri Cement Limited was added to the list.

The commission was originally headed by the late Shri Justice S. R. Tendolkar of the Bombay High Court. On his resignation, Shri Justice Vivian Bose was appointed chairman in 1958.

Numerous petitions before High Courts and appeals before the Supreme Court as well as applications before the commission itself by Shri R. Dalmia and other challenging the validity of the appointment of the commission, its constitution, its jurisdiction etc. held up the proceedings before the commission for a considerable time and delayed the completion of its work by nearly two years. The commission has also mentioned that the dilatory tactics adopted by the companies whose affairs were investigated and the persons in charge of their management in not producing the necessary evidence before the commission and the destruction of valuable records with the object of thwarting the efforts of the commission considerably delayed its progress

The commission submitted its report in two parts; the first part which dealt with the irregularities and malpractices committed in the scheduled companies under investigation was received by Government on 18th June, 1962. The second part of the report which contains the commission's recommendations as to the steps to be taken to prevent recurrence of such irregularities and malpractices in future was received on 31st October, 1962.

It may be pertinent to mention in this context that the original notification appointing the commission required that in addition to its findings on the alleged malpractices, the commission should recommend the action which in its opinion should be taken 'as and by way of securing redress or punishment' This portion of the terms of reference of the commission was held by the Supreme Court to be *ultra vires* of the Commission of Enquiry Act on an appeal preferred against the order of the Bombay High Court in several writ petitions filed by Shri R. Dalmia and others soon after the appointment of the commission. The original terms of reference thus stood modified accordingly. The commission, therefore, was precluded from making any observation or recommendation in its report as to the action needed 'as and by way of securing redress or punishment' in respect of the persons on whom personal responsibility had been fixed by the commission for the irregularities and malpractices. The implication of the above decision of the Supreme Court was that the commission was placed essentially in the position of a fact-finding tribunal. Its report thus embodies the available facts supported by documentary and other evidence relating to the various irregularities and malpractices of the scheduled companies noticed in the course of the inquiry. In any judicial action these facts will, therefore, have to be proved in the usual way as before any competent court of law.

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for Government to consider what further penal or administrative action by way of punishment or redress, they can take against the persons concerned on the basis of the material available in the report. This necessarily called for a detailed study of the Commission's voluminous report in the departments concerned, after it was received by Government.

This study was in the first instance, undertaken in the Department of Company Law Administration in consultation with the Law Ministry and on a consideration of this study, as the House is aware, Government requested Shri C. K. Daphtary, the then Solicitor-General and Shri A. Vishwanatha Sastri, a retired Judge of the Madras High Court, to consider the report and advise Government as to the steps that could be taken in pursuance of the findings of the Commission. The report of these two eminent lawyers was received by Government on 25-4-63. Government have now examined this report and are considering suitable action on the suggestions and recommendations contained in it.

As the House was informed on the 29th April by my colleague, the Minister of Law, the report of Shri C. K. Daphtary and Shri A. V. Vishwanatha Sastri consists of two parts. Part I deals with the various irregularities and malpractices which were commented upon by the Vivian Bose Commission, and examines what further appropriate legal action can be taken by Government in respect of them. The Committee is of the view that the available evidence relating to about ten of these questionable transactions indicates the possibility of suitable action in a court of law against the persons found by the Vivian Bose Commission to have been involved in these transactions, but recommends further investigation by Government into these transactions before any legal action in respect of them is initiated. Government are

taking necessary action to this end. Part II of the Committee's report deals with the amendment of the Companies Act and its administration. Hon. Members are aware that this part of the Report was laid on the Table of the House a few days ago. The other part, viz., Part I of the report, has been just laid on the Table of the House in circumstances already explained in my statement before the House earlier today.

Incidentally, I may mention for the information of the House that on the basis of complaints received regarding fraudulent use of corporate funds, Government have ordered investigation under section 237 of the Companies Act into the affairs of five companies which are under the control and management of Shri S. P. Jain, a leading member of Dalmia Jain group. They are Benett Colman Ltd., Rohtas Industries Ltd., New Central Jute Mills, Ltd., Ashok Marketing Co., Ltd., and Sahu Jain Ltd. In regard to Ashoka Marketing Co., Ltd., an investigation under Section 249 has also been ordered to determine whether it is an associate of the Managing Agency concern, Sahu Jain Ltd. Further, an investigation under section 235 has also been ordered into the affairs of Asia Udyog Private Ltd., which is one of the ten companies covered by the Commission's enquiry.

I would also like to mention that, pending amendment of the Companies Act in the light of recommendations made by the Vivian Bose Commission and the Attorney-General and Shri Vishwanatha Sastri, and in view of the strong comments made by the Commission on the business standards of some of the principal members of this group in regard to the management of several joint stock companies with which they are associated, Government have considered it necessary to exercise extra care and vigilance through the various administrative Ministries in the consideration of applications for grant of licences and

statutory approvals under the Companies Act and other laws and other facilities for setting up new lines of business or the substantial expansion of existing ones by companies or persons belonging to this group. I may also mention in this context that two members of the group have vacated their offices in a leading banking concern, after the publication of the Report.

In considering this report, I submit, it is necessary to bear in mind that the various irregularities and malpractices pointed out by the Vivian Bose Commission occurred at a time when the Company Law in force was not the Act of 1956 as amended by the Act of 1960, but the Act of 1913, a much milder piece of legislation based on the philosophy of *laissez faire* of an earlier generation. Further, the Department of Company Law Administration was not in existence at that time, and the responsibility for the administration of the Act, such as it was, was left to the State Governments. Indeed, in that period, it was only in the States of West Bengal and Bombay that there were full-time Registrars of Companies, the Registrars in other States being all part-time officers, who were also Registrars of Co-operative Societies, Directors of Industries, etc. This necessarily resulted in inadequate administration or enforcement of the Act. Hon. Members will recall that one of the main objects of setting up the Department of Company Law Administration in 1955 in the Central Government was to replace this unsatisfactory arrangement by an administrative set-up, which, if it was properly equipped with the requisite tools, could ensure effective administration of the Companies Act, and if it was properly organised could exercise adequate supervision over the corporate sector.

Hon. Members are no doubt aware that Company Law, which is by far the most important piece of legislation designed to regulate commercial practices in the corporate sector has

undergone considerable changes since the period covered by the commission report (1945—1955) by virtue of the amendment of the Companies Act effected first in 1956 and subsequently in 1960. A large number of questionable transactions which might have been within the four corners of law under the 1913 Act are no longer so, and have become punishable under the present Companies Act. A number of wholesome restrictive provisions to check misuse of powers by corporate management have been introduced in law and numerous safeguards of a preventive or prophylactic nature have been provided to ensure that unhealthy corporate trends are kept under control. The concept of "associates" and "relatives" introduced in law for the first time in 1956 have effectively restrained company managements from entering into transactions of a dubious nature with their relatives or members belonging to their group by making such transactions valid only if they are sanctioned by the General Body in some cases and by the Central Government in others. It is no longer possible to make advances or loans to concerns with which the directors of public companies are associated without the approval of the Central Government. It is also not possible for a public company to make investments in the shares of other companies beyond certain limits without such approval. The associates of managing agents cannot be appointed as selling or buying agents and compensation for termination of managing agency agreements can be paid only on lines permitted by law. Public companies cannot freely be converted into private ones and accounts of branch offices have got to be compulsorily audited unless exemption is granted by the Central Government. Payment of managerial remuneration has been brought under control and certain safeguards have been provided in law to prevent any ownership of shares affecting prejudicially the interests of share-holders. Increased powers have been granted to government to order an investigation in suitable cases and provision

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for special audit of accounts under certain circumstances has been introduced.

I mention these changes effected in 1956 and 1960 in company law by way of illustration only, to submit to the House that the tightening of the Companies Act that has been effected since the happening of events commented upon by the Commission has considerably reduced the possibility of the recurrence of such events, a fact that has been noted by the Bose Commission in its report. In para 2 of the Report, the Commission has observed:

"The Companies' Act of 1956 and the amendment Act of 1960, have certainly brought about far-reaching changes to the provisions existing under the Indian Companies' Act, 1913 as amended in 1936. Various deficiencies and malpractices disclosed and discovered in the administration of companies have been lessened and the loopholes, plugged to a large extent.

For example, one of the malpractices which came to our notice, namely, the premature and deliberate termination of managing agencies and payment of compensation for termination, has been effectively dealt with in the Companies' Act as well as in the Taxing Statute. We are therefore left with not many recommendations to make."

That the changes in Law so far effected do not go all the way and do not completely eradicate the evil of mismanagement or dishonest corporate practices has, however, to be acknowledged. Both the Bose Commission as well as the Daphtary Sastri Report have made recommendations and suggestions for the amendment of the present Companies Act in order to plug the existing loopholes and deficiencies. These recommendations and suggestions are being considered by Government along with the recommendations of the Jenkins' Committee which went into the working of the

joint stock companies in U.K. last year. In the light of these various recommendations and proposals, a Bill to amend the Companies Act will be brought before the House as early as practicable.

Though a company would be registered as a Corporation under the Companies Act, its operation would be regulated by provisions of other statutes which govern those operations depending upon the nature of such operations. For example, a banking or an insurance company is governed wholly as far as its operation goes by the Banking Act and Insurance Act. Similarly a company generating and distributing power would be governed by the Electricity Act. A company whose operations are industrial production will be governed by Industries Regulations and Development Act. And above all the incentives and disincentives in any operation would be largely governed by the various general and special taxation laws. Therefore a Company can be adequately regulated only when the various statutes governing the particular field of operation are set in motion along with the Companies Act. This we always endeavour to do.

I do not think, Sir, I need say anything more at present except to assure the House that Government are taking appropriate action regarding the various recommendations of the Bose Commission as well as the Daphtary Sastri Committee.

Sir, I beg to move.

Md. Speaker Motion moved:

"That the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies laid on the Table of the House on the 23rd January, 1963, be taken into consideration."

Shri Bakar Ali Mirza: Sir, the report of the Attorney-General forms

an important part of this document and Members have no time to study that important document. It was laid on the Table of the House today and some of us have not even a copy of it. Even though it is a small document it is a vital document and I think time should be given for us to study that report. In this case it happens to be a small document; but it could have been as big as the report itself. So, I suggest that time should be given to study it.

Shri Kanungo: I may submit that the first part of the report is barely ten pages.

Some Hon. Members rose—

Mr. Speaker: Order, order. Under the circumstances in which all this has come, there is no option now, because the House has desired that we must deliberate on it and finish it in this session. At this time we cannot postpone or do anything of that sort.

Shri Surendranath Dwivedy (Kendrapara): Everybody has got it.

Shri Sonavane (Pandharpur): Sir, I rise to a point of order. A petition has been presented to the Committee on Petitions by Shri Shanti Prasad Jain, and it was circulated to us on the 4th of this month. I would like, in this connection, to invite your attention to sub-rule (3) of rule 307 of the Rules of Procedure which says:

"It shall also be the duty of the Committee to report to the House on specific complaints made in the petition referred to it after taking such evidence as it deems fit and to suggest remedial measures either in a concrete form applicable to the case under review or to prevent such cases in future."

This is a mandatory provision. It says "It shall also be the duty of the Committee to report to the House on 572 (A1) LSD—3.

specific complaints made in the petition...." They have circulated it. Therefore, I think that unless the Committee goes through this petition, investigates and examines the witnesses on specific complaints made in the petition referred to, it is a Committee of the House—it will not be in order to proceed with the discussion in question. I have gone through the petition. Several complaints have been made therein; it points out to injustices and certain confusions and contradiction, etc., All these things need a very through enquiry and a sub-committee of this House has been there and the petition has been referred to it. So, the House should be enlightened by the deliberations of the Committee—any further evidence that they want to take—and they could submit a report on it. They will be enlightening us. That will be better for a thorough consideration of this report. Therefore, the discussion would not be in order, unless the Committee on Petition reports on the matter.

Shrimati Renuka Ray (Malda): The report of the Committee on Petitions is with us. It has reported on this and we have got it.

Shri Sonavane: They have circulated it.

Shri Tyagi (Dehra Dun): I am not raising any point of order. But I wanted your guidance in one matter. It is a wide subject and the report is a large, big one, having so many points. Could it be possible for us to know as to what the actual points are which we are required to discuss, so that the discussion may be related to those specific things? Otherwise, the whole report is a big one. It is not a Government report. It is a Commission's report.

Mr. Speaker: The Minister has tried to say all the points that have been brought out. He has tried to express them, and it is for hon. Members to discuss and deliberate on them. So far as the point of order of Shri

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Sonavane is concerned, I am sorry I cannot agree with him. Rule 307 says:

"The Committee shall examine every petition referred to it...."

It has examined it.

"...and if the petition complies with these rules, the Committee may direct that it be circulated."

It has directed that it be circulated.

"...where circulation of the petition has not been directed, the Speaker may at any time direct the petition be circulated."

There was no necessity for me because the Committee has already done it.

"Circulation of the petitions shall be in *extenso* or in summary form...."

That also has been done, in whatever way it was thought proper. Thirdly, the hon. Member relies upon the wordings:

"It shall also be the duty of the Committee to report to the House on specific complaints made in the petition referred to it...."

This is only limited to the specific complaints that are made in certain individual cases whether they have to go into that. There is already the report of the Commission before us. That is to be discussed. In relation to the observations made by that Commission, the petition had laid its own point of view. Therefore, it is not necessary in this case for the committee to make an enquiry, go into everything and then make a separate recommendation. It is only for those specific petitions that relate to any individual matters or when any particular individual sends in grievance that he has that the committee goes into that. Therefore, I cannot agree with him. We will start with the discussion.

Shri Sonavane: Sir, I bow to your ruling. May I submit . . .

Mr. Speaker: Is there going to be a discussion about my ruling? What else can he say?

Shri Sonavane: Sir, this is a very voluminous report. The Attorney-General's report is in two parts. The first part has been placed on the Table just to say. They also form very important and consequential reports. The two are connected matters. So, we have not been able to read and digest them thoroughly. We would need time for that. My suggestion is that if the discussion on this report can be taken up in the next session, the other important matters—the Constitution Amendment Bill and other things—can be taken up, because 12 hours have been allotted....

Mr. Speaker: Then, he might make a regular motion. The House has already taken a decision to discuss it in this session. Mr. Bakar Ali Mirza also raised it and I have said that the House has taken a decision that it wants to deliberate on this report just in this session.

Shri A. C. Guha (Barasat): The Vivian Bose Commission's report was out two months ago and there was sufficient time.

Shri Sonavane: In view of the development that has arisen....

Mr. Speaker: I do not think that the House agrees with it. The sense of the House is that this must be discussed in this session. He may make a motion and I will put it to the House.

Shri Sonavane: I beg to move:

"That the debate on the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies laid on the Table of the

House on the 23rd January, 1963, be adjourned to the next session."

Mr. Speaker: The question is:

"That the debate on the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies laid on the Table of the House on the 23rd January, 1963 be adjourned to the next session."

The motion was negatvied.

Dr. L. M. Singhvi (Jodhpur): In order that our discussion may be more relevant, may I know from the Government whether they can tell us as to whether in respect of any of these matters covered by the report, there is any pending legal action? That they should be able to tell us, because while the Minister has told us the various aspects of the report itself, and what the Government wishes to do, we should also be told whether there is any litigation pending in respect of any of these matters?

Mr. Speaker: Can the Minister say anything about it?

Shri Kanungo: As far as I know..

Shri Sham Lal Saraf (Jammu and Kashmir): May I say, because it will help....

Mr. Speaker: Many things do help but there is a procedure prescribed. I have called the Minister and then he stands up.

Shri Sham Lal Saraf: Just one point, Sir. This morning, while enumerating the charges that have been levelled against this group of Dalmia-Jain concerns, the Minister also expressed the view that such and such charges are proved and so on. When the Government has made up its mind with regard to that also, what other assistance will Government get by discussing this report here? I want to know that.

Shri Kanungo: Regarding the point raised by Dr. Singhvi, I will say that no matter is now pending in any court.

Mr. Speaker: The Minister referred to some FIR.

Shri Kanungo: That is not in any court.

Shri U. M. Trivedi (Mandsaur): Has that been withdrawn?

Mr. Speaker: The hon. Member wants to know whether the FIR has been withdrawn or it is still with the police for enquiry?

Shri Kanungo: The FIR lodged in 1952 is still under investigation.

Shri Surendranath Dwivedy: After the Commission has submitted its report!

Shri U. M. Trivedi: I heard the Minister say that the FIR was lodged in 1952 and that is still under investigation. I have seen one copy of the FIR which was supplied to the District Magistrate of Delhi. It means that the FIR has reached the District Magistrate of Delhi. It means that the matter is *sub judice*.

Shri Tridib Kumar Chaudhuri (Berhampur): It is not.

Shri U. M. Trivedi: According to you, it is not; according to me, it is; I understand these things better. This matter has been placed before the District Magistrate and is pending before him. It is certainly a *sub judice* matter. Will it be a justifiable thing to make some remarks about what is mentioned in the FIR?

Mr. Speaker: I have followed it and I appreciate the situation. Of course, the Members shall have to exercise their discretion. The report was filed before the District Magistrate as Mr. Trivedi says. The District Magistrate must have forwarded it to the police. Afterwards, the whole matter was given over to this Commission. They

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have gone into the matter and come to certain conclusions. I heard the Minister say that whatever material the police had seized was also handed over to the Commission and the Commission has made certain observations.

Shri Surendranath Dwivedy: What happens to the FIR then?

Mr. Speaker: Probably it can only be assumed that the police had been waiting till now to know what the findings or the conclusions of the Commission are. They might or might not have proceeded, I do not know.

But so far as the report of a Commission appointed by the Government is concerned, that certainly can be discussed here. Whatever is written there can be deliberated upon and there is no bar to that. The report given by the Auditor General and Mr. Viswanatha Sastri is also before this House. Therefore, the House has every right to deliberate upon and discuss these reports. But certainly discretion shall be exercised. It shall not be assumed that someone is really an accused person. That is further to be enquired into. But so far as the conclusions that have been drawn in the report and the evidence are concerned, every hon. Member has to refer to it to give his opinion.

Shri Tridib Kumar Chaudhuri: May I ask for enlightenment on one point from the Minister?

Mr. Speaker: He can ask for it when he speaks.

There are substitute motions also.

Shri Daji (Indore): I beg to move:

That for the original motion, the following be substituted, namely:

"This House, having considered the Report of the Commission of Inquiry appointed to

investigate into the administration of certain Dalmia-Jain Companies, laid on the Table of the House on the 23rd January, 1963, urges upon the Government—

(a) to take immediate steps to punish the guilty persons,

(b) to remove the persons concerned from all responsible posts held by them in any Public Limited Company,

(c) to take over all Dalmia-Jain concerns,

(d) to inquire into all concerns of this Group, and

(e) to take all necessary steps including legislation for the above purpose." (1)

Shri S. M. Banerjee (Kanpur): I beg to move:

That for the original motion, the following be substituted, namely:—

"This House, having considered the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies, laid on the Table of the House on the 23rd January, 1963, is of opinion that these concerns should be taken over by Government in the larger interest of the country and recommends that suitable legislation be brought forward for the purpose." (2)

Shri Surendranath Dwivedy: I beg to move:

That for the original motion, the following be substituted, namely:—

"This House, having considered the Report of the Commis-

sion of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies, laid on the Table of the House on the 23rd January, 1963, is of opinion that the Government should—

(a) lose no time in bringing the guilty to book,

(b) take over the concerns of the Dalmia-Jain group or in alternative make arrangements for shareholders to change the management of these concerns and put them in proper hands,

(c) strengthen the Company Law Administration by raising it to the status of a high-power Commission with necessary authority for detecting and punishing all the mal-practices connected with the operation of the corporate sector, and

(d) reconsider the policy of allowing the ownership and control of the key sectors of the economy through which such mal-practices are facilitated in the hands of private individuals or concern". (3)

Shri Tridib Kumar Chaudhuri: I beg to move:

That for the original motion, the following be substituted, namely:—

"This House, having considered the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies, laid on the Table of the House on the 23rd January, 1963, is of opinion that—

(a) immediate penal measures should be initiated against all business concerns and their Directors against whom charges

of illegal deals have been proved and all business and industrial establishments owned by such concerns should be confiscated forthwith and should be run by the State in future,

(b) the Report proves that corrupt and illegal practices are not confined only to certain Dalmia-Jain concerns, whose affairs came to be investigated by the Commission and immediate steps should, therefore, be initiated for nationalising all large scale industries which are now in the private corporate sector so as to obviate the chances of financial and stock manipulations by legal or illegal means at the expense of ordinary shareholders and public exchequer, and

(c) all persons against whom any charge of financial or stock manipulation has been levelled publicly and a *prima facie* case has been made out should be removed from the Boards of Directors of Public Sector enterprises and should be prevented from associating with the latter in any capacity, directly or indirectly." (4).

Shri D. N. Tiwary (Gopalganj): I beg to move:

That for the original motion, the following be substituted, namely:—

"This House, having considered the Report of the Commission of Inquiry appointed to investigate into the administration of certain Dalmia-Jain Companies, laid on the Table of the House on the 23rd January, 1963, is of opinion that the Government should—

(a) initiate inquiry into the working of a dozen of top ranking business firms to find out their lapses and deliberate hood-winkings in order to take up

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comprehensive steps to put an end to all malpractices, and

(b) take suitable steps against the delinquents". (5).

Mr. Speaker: The substitute motions are before the House.

13 hrs.

Shri Sonavane: Sir, I had given a substitute motion, but I am sorry it has not been circulated.

Mr. Speaker: When did he give it?

Shri Sonavane: Two days back.

Mr. Speaker: I will find out. If it is in order, certainly I will admit it. Now, these five substitute motions and the original motion are before us for discussion. What about the time limit for speeches?

Shri S. M. Banerjee: Sir, may I submit that normally..... (Interruption).

Mr. Speaker: Order, order. My difficulty is that he never allows me to finish.

Shri S. M. Banerjee: You will never have this complaint from tomorrow, I can assure you.

Mr. Speaker: Is that another joke? Because we are adjourning tomorrow, as soon as the next session begins I will have the same difficulty again? What is this?

Now, these motions are before the House. I was only limiting the time. The time limit would be 15 minutes in the ordinary, of course, routine, but in some cases it may extend to 30 minutes for the leaders of groups or their spokesmen who are opening the debate.

Now, what is it that Shri Banerjee wants to say?

Shri S. M. Banerjee: Sir, this is such a voluminous report that if ordinary Members are not given even 20 minutes each, they will not be able to speak anything. I want your guidance in this matter. After all, we have cared to read the entire report and all these documents. I would request you to kindly see that at least 20 minutes are given to us. We want to speak on the merits of this. If 20 minutes are not given, it will be difficult for us.

Mr. Speaker: The difficulty is, if I put now 20 minutes as the minimum time, probably I shall not be able to accommodate many Members.

Shri S. M. Banerjee: We can sit longer.

Shri Daji: We will see as the debate progresses.

Mr. Speaker: All right, we will see. Now, Shri Daji.

Mr. Daji: Mr. Speaker, Sir, we have got before us today a very historic and momentous report, and I regret to mention that the Government's motion as well as the explanation offered to us in support thereof by the hon. Minister has been as wanting, weak-kneed and beautifully vague as the Government's policy in the entire matter of controlling big business for the last 15 years.

Shri Tyagi: I am glad you call it beautiful.

13.03 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Shri Daji: I say this report is historic in the sense that the country and the House have had the opportunity in the past to discuss many scandals. We have had the jeep scandal, the fertiliser scandal, the LIC scandal and what not. But, Sir, it is for the first time that one of the leading private sector big business house

is on the mat. Even when we discussed the Mundra deal it was more from the angle of the public sector, the LIC investment policy and the lapses of the officers concerned rather than the "get quick rich" tendencies of Shri Mundra. Therefore, I say it is a historic occasion, because whenever we discuss a scandal of the public sector a cry is raised sometimes in the House, often outside, by representatives of big business that public sector *ipso facto* means corruption.

Here, Sir, is a case of one big business house being examined, being x-rayed and probed into. Here we find corruption galore, corruption in repletion and the entire technique of malpractices that can be imagined perpetuated by this House. Therefore, this shows that there is corruption in big business. Inefficiency in the public sector undertakings are sometimes brought out because the public sector is constantly under the watch, under the vigilant eye of Parliament, the Estimates Committee and the Public Accounts Committee. If we were to turn the same searching examination into the affairs of private big business houses there will be more skeletons in their cupboard than in the public sector. I do not say this to justify the corruption in the public sector. We do fight against the corruption in the public sector. But from the corruption in the public sector an atmosphere or a case is always built by big business interests that it is only in the public sector that there is corruption.

Shri D. C. Sharma (Gurdaspur): There is no corruption in the public sector.

Shri Daji: Now, what does this report say. I will not detail the conclusions and findings contained in this report. The hon. Minister read them out in detail. In fact, he read out nothing else excepting paraphrasing it. He could have saved the time of the House and given us some more time for the discussion. Therefore,

let me not go into the cataloguing of the findings. This, Sir, discloses the methods in which an established big business house stumbles in its attempt to make easy and quick money. It shows how exploiting the demand, the need and the opportunity of rapid industrialisation imposed in the Plan of India the big business houses have in the process of industrialisation been concerned more with plundering the people and the exchequer rather than building the nation on a solid foundation.

Sir, it is a very interesting thing I have been presented with this very good book: *The Beginnings of my life—a Guide to Bliss* by Shri Ramakrishna Dalmia (*Interruption*). Having done all this a facade was sought to be created that this gentleman was withdrawing from the world following saintly pursuits and leave all these things to benami directors or dummy directors. What does the first page of the book say?

Shri D. C. Sharma: When was it published?

Shri Daji: In the first page of this book it is said:

"We have not been content with the enjoyment of the senses, but instead have been consumed by them."

No truer commentary could be made of Shri Dalmia himself, his life and his dealings in the big business sector. Then, if we turn to the next page, there it is said—it is an appeal almost ironically to all of us as we are sitting here today to discuss this issue—"bear no ill-will". I can assure Shri Dalmia that I will speak without an iota of ill-will. And, see the egoism—this book can be had free by anyone who undertakes to read it and meditate on it for half-an-hour every day (*Interruption*).

See the hypocrisy of the bourgeois. You commit all sorts of conceivable, moral and legal offences and want to

[Shri Daji]

harangue the public, befuddle them and bamboozle them by saintly gestures. This, Sir, is the morality of big business.

An Hon. Member: What is the name of that book?

Shri Daji: Now I come to this report. What is very glaring in the report is this. Broadly speaking, Sir, the findings can be split into two parts. One is the regular, organised, planned plunder of the honest common shareholders. That runs into crores of rupees. In the case of one gentleman alone the Commission says that it is about Rs. 3 crores. In the case of another gentleman the loot has not been possible to assess because the books were withheld. The exchequer itself has been deprived of rightful income-tax which comes to more than a crore of rupees.

Therefore, Sir, the question is not, as the hon. Minister has posed, whether we are studying the problem. I am tired of this pusillanimity. The report takes two years. The matter is in the Supreme Court. In July you get the report. In January you are thinking. I do not know what. From January you are still thinking as to what is to be done. Then you decide that it should be referred to a legal committee. Now the report of the legal committee has come. Still you are thinking. Shall you ever end thinking and start acting or your thinking itself is a part of acting and when you are acting you are not to take any possible action?

Shri Sonavane: That is good aching.

Shri Daji: I regret to say, Sir, that I disagree with the whole approach of the Government and the whole approach of the learned Attorney-General. This I say, Sir, with the greatest respect. Because, if we look into the report itself, if we turn to page 18, the Commission has established that these persons functioned as a group, and the functioning was

with the intention of bringing into circulation black money, that is, black market money, for fraudulently floating companies, for draining public companies of their money and transferring it to private companies, for advancing it to private companies, for advancing unsecured loans and to partake that loan,—in the name of Dalmia, Shanti Prasad Jain and Bennet Coleman and Company there were Rs. 27 lakhs of unsecured loan, unreckoned loan—for committing frauds, for supplying fraudulent vouchers, for organising fraudulent account books, for passing accounts which did not exist for passing resolutions at meetings which were never held, for allotting shares to 114 persons who were non-existent and for so many other evil practices. All this was certainly done the Commission itself says as a group and functioning as a group.

Now, Shri Shanti Prasad Jain; his petition here has also made out the same case which he tried to make up before the Commission and that has been repelled. Because, the Commission rightly held that once the group responsibility is accepted, it is not necessary to prove or bring home each and every individual action. The Commission, having accepted that attitude, when it came to considering the individual responsibility it has become rather too soft.

I will take this opportunity to give my wholesome tribute to the meritorious and great work, the phenomenal work, done by this Commission which, plodding through a hay stack of nonsense deliberately created by the parties concerned has come and given us this very good report. But it is not sufficient. On this particular point I find that the Commission has been more or less halting. It should have gone further. Its own findings justify its going a little further.

Then, if all these things which I have recounted and which have been listed in the report of the Commission have been done for the further-

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ance of the interest of the group, it is a clear case of legal conspiracy; nothing short of it. We need not search for individual actions here and there to prove it. It is a clear case of conspiracy, initiated by three and joined by others, to function as a group, to distribute indefinite shares of ill-gotten money from year to year, acquire more and more money as a consequence, to promote the conspiracy to defraud, to commit defalcations and misfeasance of crores of rupees. If this is conspiracy, then I disagree with the observations of the Attorney-General, not in an emotional way but even in a legal way, that further probe is necessary. You had probed for six years, then there was a probe lasting six months and a further probe of six weeks. So, this probe will never end.

Here, may I invite the attention of the Government to section 10 of the Evidence Act which makes an exception to the general law of evidence and says that in a case of conspiracy the action of each can be proved against the other? May I also further draw the attention of the House to the famous Jupiter Fraud case in which a member of the Congress Working Committee, Shri Kaveeshwar was convicted precisely holding that though there was no definite proof against him under section 10, because of the evidence of other conspirators, the charge was deemed to be proved against him and he was convicted and sentenced? The same principle has been followed in 1948 Privy Council in Gill's case. Therefore there is an established legal opinion that in the case of conspiracy we need not enter into the hair splitting discussion as to the individual responsibility here and there. That being so, I fail to understand why so much delay has taken place. We learn of man trying to murder Shri Kairon in Punjab. He is in jail. No case has been lodged against him. He has been taken to jail and he is charged with conspiracy. He is under arrest and investigations are proceeding. Why

is this double standard in the case of big business? In the case of big business, no harassment, no document seized and you are having a probe and investigation. While referring to this, I am constrained to remark about the most dishonest and shameful leakage that the Government itself has been forced to admit today. Whom does it help? It will help the very persons against whom you wanted to proceed. You withhold a document from Parliament on the ground that it is against public interest to disclose it, because it will indicate the possible Government's line of action to the persons concerned. And what can be a greater travesty than the fact that this morning all of us got that document by post or by a peen of Asia Udyog, a concern of Dalmias. You wanted to hide that report from Dalmias and Dalmia has circulated copies to all of us! Can there be a mockery of Parliamentary democracy and sovereignty more gross than this? Could there be more shame to a Government department which is charged with the duty of enforcing the law and bringing culprits to book? Could any shame be more palpable than this leakage? This leakage further proves that the hands of big business are long enough to reach the office of the Attorney-General, the office of the Law Minister, the officer of the Commerce and Industry Minister, in fact, all offices of the Government. They are long enough. That is all the more reason why this House should be bold, conscious and vigilant to see that the hands of big business, though long enough, are certainly shorter than the sovereign powers of Parliament.

Here I would like to say that the defence of Shanti Prasad Jain amounts to nothing. I refer to pages 9 and 39 of the petition given by Shanti Prasad Jain. The defence is "that the practices that I am charged with are the normal practices of big business". It is very good. So, the defence is "I am not the only culprit; I am not the only thief". He has listed the names of Mafatal, Birlas, Tatas etc. So, accord-

[Shri Daji]

ing to him, why should Dalmias alone be held responsible for it? May I suggest to Government that it may well grant pardon to him and declare him as Crown witness if he is prepared to come and give evidence as a witness of the shady deals of Birlas, Tatas and others? We will forgive him. Let him come before us in sack cloth and ashes, penitent and repentant. Let him help us to unearth all the black deals, black business and black money everywhere. Unless he does that, this is hardly a defence. Simply saying "everybody does it; so I have also done it; I should get away with it" is hardly a defence. That is the opinion of the Commission and that is my submission also.

This report shows the way in which the houses of Dalmia and Jains have functioned. This report shows the type of behaviour in which big business in our country indulge, and unless we are able to see it as a type and not as an exception, we will not be doing full justice to the whole matter. What is this type? Diversification of lines of business. The Commission says and the Attorney-General says that it is a common practice. Blind transfer of shares. To whom? To no one, but in a blank form. That blank form is again transferred. Again, to whom? To no one. It goes on *ad infinitum*. These blank transfers are treated as an essential *modus operandi* of speculative stock exchange. It is through these blank transfers that all sorts of adjustments in the book accounts can be made. This, the Commission says and the Attorney-General says, is a common thing. Having dummy directors, both of them say, is a common practice. Similarly, inter-corporate loans is a common practice. Auditors passing accounts without seeing the original books is a common thing. Abuse of beneficial amenities is a common practice. Abuse of controlled companies is a common practice. Then, I will read out another common practice of big business. I am reading from the document of two

very learned legal luminaries, the Attorney-General and Shri Shastri, What do they say? Let the House know how big business functions:

"It is a matter of common occurrence that some of the rich industrialists have no house or motor car of their own. They pay nominal rent to the company which owns the house. They use the cars of managed companies freely. Under the guise of entertainment expenses, they entertain themselves and their dependants and relatives."

This improper utilisation of the funds of the company is common occurrence. Can there be anything more immoral than this? Do you want something more? Now I realise how they manage to go in big limousines and live in fashionable bungalows. Then, at page 227 of the report you will find something interesting. When Shanti Prasad Jain's advocate, Shri Mishra, raised this point before the Commission, the Commission hit out quite rightly and said that Government should come forward to understand it and do the needful.

"If this sort of thing is the inevitable result of group control as Mr. Misra said in another connection, then it seems to us that provision will have to be made for independent protection for such controlled companies."

So, this shows something more than the acts of omission and commission of Dalmia. I do not want for a minute to hide or belittle what they have done. But I want to stress with all the force at my command that this reflects a type and if you go deeper into this investigation, if you do not have a skin-deep examination, you will find that this also corresponds to a type of big business.

What is that type? This report discloses that and I submit that all is not well in the kingdom of big business. What is this kingdom of big business? I invite the attention of the House to the Report of the Press Commission,

part I, page 271. This is a classic quotation from there:—

“The proprietor of one of the biggest newspapers volunteered the statement that he had committed every crime short of murder. Not knowing whether to take this as an attempt at humour, we put the specific question whether he had committed dacoity. His answer was, “The spirit is willing but the flesh is weak.””

This is a statement by the proprietor of a leading newspaper before the Press Commission appointed by the Government. This shows their morality. This reflects their morality.

An Hon. Member: What is his name?

Shri Daji: They have not given out any names; so I cannot give out the name. Operating with this morality in the course of the ten years since independence to 1958, figures for which are available, almost all the big business houses have doubled their assets. In a study Professor Hazari has pointed out that the Tatas increased their gross capital stock from Rs. 152 crores to Rs. 388 crores, the Birlas from Rs. 65 crores to Rs. 159 crores, Martin Burn from Rs. 40 crores to Rs. 92 crores and Dalmia-Jain from Rs. 31 crores to Rs. 76 crores. The technique, as Professor Hazari says, is a chain-breeding process where initially they make a limited investment, then that company invests in another company and it goes on like that. Through this they control the whole thing. It was revealing.

An Hon. Member: What is wrong there?

Shri S. M. Banerjee: There is nothing wrong.

Shri Daji: You will understand the wrong when another scandal bursts upon you. Till then you will not understand.

Shri S. M. Banerjee: It is coming.

Shri Daji: I was surprised to read from the Reserve Bank of India Bulletin last year that in India three managing agency concerns controlled 20 per cent of the entire investment in public companies. That is the extent of the growth of concentration. It is the same thing in banking. 14 directors of the bank are connected with five industrial houses, 32 with two to four and 24 with one. So, 50 per cent. of the directors of all banks are connected with one industrial house or another, giving loans to each other, passing it on and transforming the entire financial system or the economy of the country into a mutual cooperative society, the only successful cooperative society functioning in India today.

Shri D. C. Sharma: Call it by some bad name; do not call it a mutual cooperative society.

Shri Daji: Is it prudent for the Government to be indifferent at the initial stage and act belatedly, or are we to wake up in time? Every day we hear of one scandal or another. Income-tax evasion, under-invoicing, over-invoicing, Foreign Exchange Act violation, customs violation, suppressed profits—all these are condoned. Look at the way income-tax has been evaded to the tune of Rs. 1 crore only by this concern, maybe ostensibly legally but, if you probe, by illegal methods, by forged vouchers, manipulated accounts, making the auditors pass the accounts which do not exist. How long are we going to go on like this? Whose responsibility is this? The culprits are Dalmia-Jain but, as they say and as I have pointed out, they followed a pattern; perhaps, they tried to over-reach themselves. But whose is the fundamental basic responsibility? I make bold to say that the Government cannot shirk its responsibility. They are responsible mainly for this state of affairs being allowed to go on. I will not go into the details; I will only point out a few things.

[Shri Daji]

The other day we asked a question about industrial licences—I am very sorry that today the hon. Prime Minister is not present here—and a reply was given that only about 185 licences out of 4,000 licences issued had gone to six big business houses. An impression was sought to be created before the House that out of 4,000 only 185 were given to big business. I do not even remotely suggest that the hon. Prime Minister deliberately did it. He was given that information and he read that out. But I will pose two questions before the House and before the hon. Minister through you. Let him go and find out the break-down and report tomorrow the break-down of licences for Rs. 10 lakhs and above. I want the total value of the 4,000 licences and the total value of the 185 licences given to big business houses. Then the cat will be out of the bag. That will show who has been able to pillage and loot all your largesse in the form of licences.

Then, how is it that it comes to pass, as the Attorney-General says, that all industrialists do not own any house or car? They use the company's car and the company's house and do not pay any rent. This is the report of the Attorney-General. This is the normal practice. How do you allow it? May I say that there is an important lacuna in the Income-tax Act through which crores of rupees can be saved. The other day my hon. friend, Shri Morarka, pointed out a case of a company—I think, he was referring to Gwalior Rayons—whose last year's profit was Rs. 225 lakhs and the amount of all taxes paid was only Rs. 10 lakhs; thus, the net profit was Rs. 215 lakhs. How could it happen? It is through a loophole that you have deliberately kept in the Income-tax Act. It is that if a firm of partnership's accounts are to be scrutinised, only such expenditure is to be set off against tax as is actually necessary for the profession or business, but for the corporate sector the word "necessary" has been omitted. Any expen-

diture actually incurred by a corporate sector is allowed to be credited against the tax. So, it is through this loophole that you have allowed anything, namely, the directors' car, house, selling-agency commission, managing agency commission whether it is necessary or not, for business. Why have you not been able to plug these loopholes? Why is there this halting action? You have been a failure in the matter of stopping tax evasion, in the matter of unearthing hoarded gold and in the matter of bringing to book the house of Birlas for the gross violation in the case of Ruby and New Asiatic Insurance Company even when the auditors have discovered and reported to you many cases of lakhs and lakhs of rupees. You have been faltering and marking time in the case of the house of Thackerseys.

I will now come to another case. Is it not a fact that tax evasion to the tune of Rs. 7 crores was discovered in the case of the JK group of industries.

Shri Surendranath Dwivedy: And Serajuddin.

Shri Daji: I am coming to that; please do not be in such a hurry. For that discovery one man, Shri Goenka, was given an *inam* of Rs. 32,000. He is now fighting with the Government saying that he had been promised more. He says, "I made you discover Rs. 7 crores of suppressed tax, please give me more." But he has been given Rs. 32,000 and the discovery was that income-tax of Rs. 7 crores had been evaded. If that is so, what have you done to the JKs? You have rewarded the man all right. Merely realising the income-tax is not sufficient. Therefore I want to pose the question whether even one big business house has been put to criminal trial for evasion of income-tax or whether the Government does not regard evasion of income-tax as an offence. Is it not misappropriation of the grossest form? During the discussion on the Companies Act it

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was promised that in future the evaders' names will be published. Our good friend, Shri Mahavir Tyagi, in that very good report on direct taxes almost suggested it. It was suggested as a must by force by the Government but the Government put it in the last clause giving the discretion to Government not to disclose in the interest of revenue. The result is that it has not been disclosed. These are the policies of the Government which are coming home to roost. Then the hon. Prime Minister goes and complains that the whole newspaper world is an industry controlled by the industry. The bank is an industry controlled by the industry; the newspapers are an industry controlled by industry. With all its background, with all that morality these vested interests go for witch-hunting, for Minister-killing and for even pulling down the hon. Prime Minister. I am reminded of a very good article.

Shri Tyagi: From the trend of the speech of the hon. Member I feel that there are many matters involving the Finance Ministry. Therefore could you kindly send word to the hon. Finance Minister so that he or someone from the Finance Ministry could be here to take notes?

Shri D. C. Sharma: How can that be possible? The hon. Member has referred to the hon. Prime Minister so many times. Will Shri Tyagi say that the hon. Prime Minister should also be sent for? Two hon. Ministers are here and I do not think we need any more Ministers.

Mr. Deputy-Speaker: The concerned Minister is here.

Shri S. M. Banerjee: Many matters have been raised.

Mr. Deputy-Speaker: Everything will go to him.

Shri Daji: I will recall the observation in one of the leading paper, the *Hindustan Times* that Pandit Nehru is not a tidy director of men and matters. So, let us invite some directors from Dalmia-Jain group. They will be better than Pandit Nehru. I am

trying to bring out the hypocrisy. They do all these things and then preach morality to the world. How in an organised way is this double-standard being foisted and foistered?

Shri D. C. Sharma: What has the *Hindustan Times* done? Therefore, what I say is, the Government has by softness, hesitancy, weak-kneed policy allowed the big business houses to grow and today they are in danger. We have raised very often the question of important Secretaries being employed by big business houses. I say, today, even before a Secretary retires, he is booked. Even when he is in service, he is booked. (*Interruption*).

Shri D. C. Sharma: Why talk about that? (*Interruption*) ..

Shri Daji: It is a common knowledge that without an important Secretary joining the big business houses, it will not be possible to obtain licences. How does it go on? To what extent, is it going on? Unless you take away the power of big business houses forcibly, your democratic system, really speaking, cannot continue to function. Let us remember, the concentration of wealth breeds favouritism, nepotism, corruption, distorts the country's economy and its growth; leads to wasteful consumptions which are frivolously copied; sets false canons of social prestige—self above society; it has pernicious influence on the country's politics, pressure groups; officers are seduced and Ministers are hypnotised and social policies are diluted and destroyed. So, unless you are able to do something radical, you cannot have results.

Before I conclude, through you, I appeal to all Congress Members and to the Ministers: please do a little heart-searching about what I am going to say; not here, do it in the privacy of your bedrooms. When all these DJ groups have been plaguing the country, how many high-ups have not been associated with them? How

[Shri Daji]

much of this black money has not flown into the coffers of the Congress election funds?

Some Hon. Members: No, no. (*Interruptions*).

An. Hon. Member: What about the Communist Party.

Shri Daji: Even today when huge funds are taken from big business houses, tomorrow they may be also on the Mat and it will prick your conscience because, I know, still some conscience is left in some of the Congress Members. The Opposition tried, most of us tried, when the Companies Law was debated, that political subvention by the Companies should stop. The Government which has the powers to give licence, raw material, market, etc., all these concessions to big business houses, if such a Government takes political subvention from the Companies, we cannot say nothing will happen. Certainly, political morality demands the tradition of Rama. Even before the dhobi can point it out, the Government should stop taking loans from big business houses.

Shri Tyagi: When he mentioned dhobi, he pointed me out.

Shri Daji: As the Chairman of the Public Accounts Committee, you have that function. (*Interruption*) Therefore, we raised a question. We requested the Prime Minister not to go to the function of the Federation of Indian Chambers of Commerce and Industry. Even now, we think, the Prime Minister should not have gone to receive Shri Shanti Prashad Jain. I will again pose another question. Is it not a fact that a son of a very big Minister at the Centre has been able to float a big venture of Rs. 1 crore and on the Board of Directors associated almost all the names of big business houses and in the opening ceremony the father Minister went to bless the son?

Shri K. C. Sharma: On a point of order, Sir. Can such a thing have relevance to this? These things are wide of the mark.

Shri Surendranath Dwivedy: It is quite relevant. (*Interruption*).

Shri Daji: Such a conduct certainly gives out an impression to the country that big business houses are to be blessed.

Now, before I conclude I come to the concrete measures. As I said, tighten up the Company Law Administration; revolutionise it; change it; plug all the possible loopholes. Immediately start criminal prosecution against the guilty. Take over all the Dalmia-Jain concerns. According to the Commission's report, there are 60 DJ concerns. There is a further probe in 9 or 13 concerns. No. Take over all of them. Take over credit institutions run by them. They are fiduciary trusts in which people's money is concerned. We cannot afford to take any risk. I do not think they must be doing that. But we cannot afford to take any risk. Have also a probe into this goal—get quick-rich tendency—and success of other big business houses and set an economy on a pattern which prevents concentration of wealth.

Lastly, I think, it is time that we nationalise audit service. What has been discovered is clear that audit passes accounts without seeing the accounts books even.

Dr. M. S. Aney (Nagpur): That is the most important part.

Shri Daji: Unless you nationalise the audit, there can be no guarantee of a proper check on the company. It is not only I who say it. The leader of the INTUC, Shri Khandubhai Desai and other trade union organisations have been demanding this. I know of a case where the son of a director of a company was appointed the auditor of that company. What sort of audit

will he carry out? I can give you the name. If this is so, what audit will he do? Unless you nationalise audit and have control on their accounts, you certainly cannot do anything.

May I make another suggestion, not a revolutionary one, but it is the Congress suggestion, (*Interruption*). Some years ago, the Government was pleased to appoint a tribunal for probing into income-tax evasions. The matter went up to the Supreme Court and the Supreme Court quashed that saying that under the fundamental rights it cannot be held. Today there is Defence of India Act. There are Defence of India rules. We cannot challenge even the detention or the Supreme Court ruling because the remedies before the courts are barred. Uptill now the Defence of India rules have been more abused than used. I offer you one opportunity of using the Defence of India rules and reconstitute the tribunal in the name of emergency and defence, in the name of money that is required to fight the Chinese aggression. Use it. I am not suggesting something revolutionary because you yourself have done it; technically or otherwise it was struck off. Here is the time for doing it. You get all the black money of the big business houses out. Therefore, it is a permanent thing; that is a permanent measure.

Now, the permanent policemen of the people can be the workers in the industry—the employees. They know every shady deal. So, follow the policy which has been laid down by Mr. Gulzarilal Nanda. Give rights to the trade unions and trade unions shall not belie. Let the workers be the policemen. Take people into confidence. Socialism cannot be built upon the good offices, softness and the money of the big business houses. Socialism can only be built if the initiative and the confidence of the people is released in a big way. Let them feel that the country is being built for them.

Therefore, I commend by saying this. The question is, are we going

to allow the big business houses to use democracy and liberal laws to grow and ultimately throttle that very democracy because the growth of concentration is the danger to the economic health, the democratic life and the social aims of our country. Democracy consistent with legal practices which allow concentration, fraudulent practices in a society where plenty and poverty co-exist together cannot live. That is not socialism. Not only that. It will endanger the very fabric of democratic life. Let us awake; let us arise. This is really a warning bell. If we do not take a warning now, it may be too late tomorrow.

Shri R. G. Dubey (Bijapur North): Mr. Deputy Speaker, Sir, I am grateful to you for this opportunity given to me to participate in this great debate. I believe, we are discussing a very vital matter. According to me, two or three aspects of the question arise out of the discussion of this report, to find out the lacunae in the existing Company Law and then amend the Company Law. Second, according to me, we have to revise our industrial policy; private sector versus public sector and see whether the industrial policy that we have adopted a few years back is adequate or whether we have to make some revision in the light of this. The third is the action, legal or criminal against the parties involved.

I think, regarding the action, I am content to leave it to the Government, because, we should not appear to be vindictive towards the individuals. I would leave it to the Government. I am concerned with the broad conclusions that we have to consider in the light of the observations in this report.

I think the House would remember Shri Feroze Gandhi, who, in a sense, was responsible to draw the attention of this House to some of the malpractices in the corporate sector. He played a great part during his period to bring some of these things to the notice of the House.

[Shri R. G. Dubey]

Before I proceed with the discussion, I must pay my tribute to Mr. Vivian Bose, his co-workers and colleagues for this great voluminous work that they have done. They had been working for the last 6 or 7 years. In 1956, the Inquiry Commission was appointed. They had to struggle against many difficulties. At every stage, legal questions were raised and the matter taken to the Supreme Court, the Punjab High Court and Bombay High Court. I must say, the Vivian Bose report has been very fair to the parties. Therefore, though I have been flooded with literature from various quarters, I have not looked into them. Personally, I feel that the only basic document that should guide our deliberation is the Vivian Bose Report which has gone into all aspects of this question.

The Vivian Bose Report has drawn our attention to the abuse of control exercised in these companies in certain respects. With your permission, I should like to read certain relevant passages. Under Chapter VII, Abuse of Control, the last para—Loans and Advances—says:

“Companies in which the public had invested their moneys were made to give loans and advances without security and at low rates of interest to the companies in which the Group of R. Dalmia, were interested, to the advantage of the latter and to the detriment of the former. In some cases large advances were made to R. Dalmia personally.”

Another way of abuse of control was improper transfer of assets “by improperly making or purporting to make inter-company investments by mere book entries. These entries purport to show....”—I do not want to go into details. Liquidation was another device.

“This was another device. After the public companies were squeezed dry, the husks were discarded and destroyed. The favourite

method was to bring the company to voluntary liquidation, appoint a willing liquidator who fell in with the scheme, get a scheme of arrangement sanctioned by the courts, hand over all the assets and records and books to a purely R. Dalmia concern in which the directors were the tools of R. Dalmia, and then get the transferee company to destroy the books and records so that traces of the frauds and manipulations were destroyed.”

We come to another important thing and that was the destruction of the account books. On page 29, it is said:

“Of these 19 companies, the books of account and records were destroyed in the following nine cases within a period of 4 years from 1953.”

Shri Himatsinghka (Godda): Now the law has changed.

Shri R. G. Dubey: Maybe, Under Chapter, on page 243, it was said: find fictitious persons—the last para reads like this:

“But that is not all. There are more curious facts. Of the 160,000 shares said to have been allotted to and held by persons in such widely scattered localities, no less than 158,850 are said to have been transferred by these 114 persons to only 4 persons and 2 concerns; and the bulk of the transfers are said to have been effected on one day.”

There is another important thing On page 576, it is said:

“In spite of the receipt of the aforesaid profits besides others from the regular business of D.O.P.M., its audited profit and loss accounts for these years showed small profits or even losses as shown below.....”.

I do not want to go into the details of these.

of these. In the concluding portion of the report, reference is made to the Jenkins report which is very important in this connection. Then, it is said that in order to bring to book the wrong-doer, we should not taken any action which would affect the bona-fide, enterpriser in this country. I do agree with this view. But, all the same, though I do not know anything about Company law or business, when I went through some of the reports, when I saw that investing public was defrauded to the extent of Rs. 3 crores, I was amazed and I thought we were living in a strange society where minor offences are punished—if a person goes and steals five rupees, he is punished, but if such things can happen in society, there is something wrong and something ought to be done to check this. I do not suggest that we should be vindictive to the persons. But, I feel that for the future, something has got to be done.

I feel that this may not be the solitary instance. If we go into the record of, the corporate sector to my mind, at least in 50 per cent. of the case, it may be that a kind of malpractices are prevailing. We had the Mundhra experience. This is the Dalmia-Jain group. Again, the Government have told us that they are making further enquiries into certain other companies. What is the remedy?

One remedy is naturally to improve the Company law. The Vivian Bose Commission has made certain recommendations. After that, the Solicitor General and an eminent jurist Shri Shastri also has made certain recommendations. I have no doubt in my mind that the Government, in course of time, will bring forth legislation which will remove some of these defects.

It is, to my mind, a more important question, how to deal with the public sector versus the private sector policy. You know we have adopted the Industrial policy resolution. Certain categories of industries we have left to the public sector and certain others to the private sector. I agree with

Shri Daji that something should be done to check what we call monopoly capitalism in this country. He quoted certain instances where licences have been given to some businesshouses. Though 4,000 licences have been given to other companies, there are a few companies or businesshouses that control a large investment. I think, today, if we leave aside the Railways and the P. & T., though we have got the public sector steel industries, fertiliser industries and other things, if we compare the investment in the private sector and the public sector, I imagine, a very large sums are still in the private sector and the sums invested in the public sector are very meagre. The question is, if we want to see a socialistic pattern of society established, if we want to pursue this idea we cannot develop these forces and wait and watch so that they overtake the public sector in course of time. We must do something to check monopolistic group capitalism in this country. Otherwise, they will destroy the development of the very forces which want to develop the public sector in this country.

One thing is there. In judging the issue between private sector and the public sector, what is our criterion? We want to develop national production. We want more food; we want more industry. Merely because in the private sector, there are some malpractices and defects, we cannot say tomorrow, come on, we shall close the corporate sector and we shall start. That cannot happen simply. Whatever our desires, whatever our wishes, private sector will have to be here because there is a limitation. What is the limitation. According to me, two limitations have to be kept in view. One is, to what extent can we develop the public sector and the rate at which that can grow. Even though we want to have the public sector expanded, we cannot do it simply because, we need technicians, we need experience, we need administrative skill and more and more money. That we cannot do. Again, under the Constitution we have accepted that

[Shri R. G. Dubey]

we shall give compensation wherever we take over any business. So, our capacity to develop the public sector is conditioned by two things. The first is our capacity to go ahead. The second is that we have kept another golden rule before our eyes, and that is that we want to avoid bloodshed in our country; we want to develop the public sector and we want to attain socialism, but at the same time, we do not want it to develop at a faster rate which will create a kind of civil war in the country. Subject to these two conditions I want that the public sector should develop at a faster rate than what it is doing today, because the private sector has obviously failed us in certain respects.

Another thing that I would like to bring to your notice is that the private sector or what we call capitalism was coterminous with the Industrial Age. In England, the capitalist class came up at that time; in Germany, in France and in America also, this class had come up at that time, and they had large colonies developed, and so, the capitalist or private capitalist economy developed in those countries, because they had some resources. But in India, we find that the capitalists or the private sector people are not in a position to contribute to the growth of the social economy or the national economy as they did in other countries, because we have no resources, and we have no colonies to exploit. Today, if we go through the loans granted by the Industrial Finance Corporation, for instance, we find that there is no business-house in this country which is in a position to have a steel plant, for argument's sake, suppose Government decide to entrust the construction of a steel plant to some private business-house. Are they in a position to erect such a steel plant? A steel plant requires at least Rs. 100 crores, and no business-house today is in a position to construct the steel plant. Whatever Tatas might have done in the good old past today, there is no question of private business-house being in a position to

do it. And it is not only that, but if we see the distribution of loans today, we find that the private sector in this country is impotent, and it is not in a position to develop the industries as they ought to be developed. Nearly 60 to 80 per cent of the loans today is advanced by Government. Why should Government advance loans to the private sector and then allow them to develop that kind of monopolist control in the country and then create anti-social forces which will come in the way of the development of our socialist or progressive economy? These are some of the considerations which we have to keep in view.

That does not mean that the public sector has no defects. As hon. Members have said, the public sector also has certain defects. But I would submit that we must have some clear conception of what the socialist approach means. If we merely develop the public sector and invest money, that also might lead to a certain kind of State capitalism. Simply because Government invest money, and we have got big managers, the ICS or IAS officers etc. in charge, who are well paid, and who are paid to the tune of Rs. 3000 or Rs. 4000 or Rs. 5000, it does not mean that things are well in the public sector. I am told that in some of the public sector undertakings, the condition of labour is worse than that in the private sector. So, the public sector also has some defects. But there is one satisfaction that when we have the public sector, we have control over it, and we can change the board of directors of the public sector undertakings.

So, far as the private sector is concerned, firstly, we have to see that we improve the company law and check some of the malpractices which are going on. Secondly, we have to see that the pace of development of the public sector is enhanced. Thirdly, in regard to the public sector also, we must have a clear conception whether we want to follow the Yugoslavia pattern or we want to follow the

pattern in some other countries. Public sector should not merely mean investment of Government money therein, but we should have some clear conception about it.

With these words, I support Government's stand. As Government have stated, there are two parts of the report. Anyway, for some reason or the other, the other part of the report also has been brought before the House. And in accordance with that, Government are going to amend the company law and also take action. As for the action part, I leave it to Government. But I do want Government not only to consider the improvement of the company law but also to consider whether the time has not come for the revision of the Industrial Policy in the light of what we have seen.

With these words, I support the Government's stand.

Shri Sumat Prasad (Muzaffarnagar): I have gone through the major portion of the report, and I have read also the report of Mr. Daphthary regarding the action to be taken in the matter. With the passing of the Industrial Policy Resolution, 1956, the private sector has benefited a great deal, and there is great concentration of wealth in certain business-houses. This is a subject of much concern. While the organised private sector is benefiting, the other persons have not proportionately derived any benefit from the development of industries.

The Report of the Bose Commission makes a painful reading. It shows how accounts were falsified and the balance-sheets were passed in the absence of proper balance-sheets, the profits were suppressed, to avoid payment of income-tax, and the shareholders were defrauded.

Some of the directors, particularly, Shri Shanti Prasad Jain, has denied all responsibility. Once he took up the position that he only owned certain shares and there was no such

thing as the Dalmia-Jain group, and therefore, he was responsible only for his own action. But there is an important document which has been given in this report which completely demolishes the position taken up by him. This is at page 179.

This establishes two things, though the shares were in the name of individual persons, they were *benami*, and the Dalmia-Jain group was the proprietor of those shares. Not only was this the position, but even the managing agency and the selling agency were the joint property of this group.

I shall now read out certain portions from this document which appears at page 179 of the report. It reads thus:

“हम श्री रामकृष्ण डालमिया सुपुत्र स्व० सेठ हरजीमल जी डालमिया, श्री जयदयाल डालमिया सुपुत्र स्व० सेठ हरजीमल जी डालमिया, श्री शान्ति प्रसाद जन सुपुत्र स्व० सादु दीवान सिंह जी ने अपने मूलधन का, जो नकद और शेयरों के रूप में जहाँ भी जो कुछ है, निम्नलिखित रूप से पुनः विभाजन कर लिया है . . .

Shri Kanungo: What is the hon. Member quoting from?

Mr. Deputy-Speaker: He is reading from the report.

Shri Sumat Prasad: I am reading from the report. At page 179 is the copy of the agreement.

तीन प्रतिशत धर्मादा ट्रस्टों में या धर्मादा कम्पनी विशेष में दिया जाएगा। और बीस प्रतिशत श्री रामकृष्ण डालमिया के, पचीस प्रतिशत श्री जयदयाल डालमिया के और पचीस प्रतिशत श्री शान्ति प्रसाद जैन के हिस्से में रहेगा। शेयरों का जो डिविडेंड आया, वह प्रति वर्ष उपयुक्त हिस्सों के अनुसार अलग अलग धर्मादा ट्रस्टों या धर्मादा कम्पनी विशेष में तथा तीनों मालिकों में बंट जाएगा। इसी प्रकार—वर्तमान तथा भविष्य

[Shri Sumat Prasad]

में होने वाली कम्पनियों की मैनेजिंग एजेंसी और सेलिंग एजेंसी आदि में उपयुक्त विभाजन के अनुसार हिस्सा रहेगा ।

Then, it goes on to say:

यह निश्चय हुआ कि श्री रामकृष्ण डालमिया अपनी आमदनी में से प्रति वर्ष अपनी आवश्यकतानुसार घर-खर्च कर सकेंगे । श्री जयदयाल डालमिया अपनी आमदनी में से प्रति वर्ष सवा लाख रुपया तक तथा श्री शान्ति प्रसाद जैन अपनी आमदनी में से एक लाख रुपये तक खर्च कर सकेंगे । इसके अतिरिक्त शेष रकम तीनों के खातों में अपने अपने हिस्से के अनुसार जमा हो जाएगी ।

यह निश्चय हुआ कि मैनेजिंग एजेंसी के शेयर तीनों मालिक ऐसे किसी व्यक्ति के नाम पर ट्रांसफर नहीं कर सकेंगे जो श्री रामकृष्ण डालमिया, श्री जयदयाल डालमिया और श्री शान्ति प्रसाद जैन के परिवार से सीधा पीढ़ी (मेन इन) का सम्बन्ध रखता हो ।

यह निश्चय हुआ कि तीनों में से कोई व्यक्ति किसी प्रकार का अलाहदा कारोबार नहीं करेगा ।”

14 hrs.

It leaves no doubt that the shares they owned were joint properties of the Dalmia group and they were not individual properties of the various persons.

Now, the Dalmia-Jain Airways Company was floated to purchase vehicles and other material from the Disposals after the war. They were not in a position to advance Rs. 5 crores as the price for these Disposal goods. But the benefit of this deal did not go to the shareholders of D-J Airways. The Bose Commission have analysed the agreement and have come to the conclusion that the agreement relating to the joint venture, namely, this

purchase deal, was in the interest and to the benefit of Allen Berry. When the time came when they could derive benefit, the company was transferred to DCPM. In the meanwhile, over 2,000 vehicles were also transferred to DCPM. In this way, they managed to defraud their shareholders, and ultimately they contrived that this company, the D.G. Airways, should go into voluntary liquidation. Some of the shareholders protested against that, but this was hurried on. There is no doubt that they did this in pursuance of a certain scheme. The directors of the Airways and Allen Berry were common. Shanti Prasad was director in both companies. The deal was being settled by a partnership agreement; in the subsequent deal, they terminated the joint venture. Then Shanti Prasad Jain was dealing in both capacities. In one instance, in the same deal, he represented himself, that is, Allen Berry, which was a private limited concern; and at the same time, he was negotiating with the Airways which was a public limited concern. As has been rightly mentioned by the Commission, the Airways was not given any opportunity to have independent advice in the matter. The whole thing goes to show that there was a conspiracy and the relationship between Allen Berry and Airways was that of a fiduciary nature. Allen Berry was in a sense, agent and partner of D.J. Airways. We have seen that the shares belonged to the group and the group benefited. Thus, there remains no doubt that there is *prima facie* a charge of criminal conspiracy, and the action of every individual has got to be judged in that background. It was beyond the scope of the Commission to apportion blame, but during the course of their inquiry, they have come across sufficient material which shows that Government will be perfectly justified in pursuing this matter in the light of those findings.

Now Shanti Prasad Jain has taken up the position that on the 31st May

1948, there was dissolution amongst the members of the Dalmia-Jain group. But subsequently, he had to change the position. He continued to be director even after that. And when he was cross-examined further, he made a very significant statement before the Commission. He says:

"I want to be very frank. We did not attach any importance to that. We never considered that we are partners to any firm and it does not mean that we divided that firm among ourselves. We held our assets mixed with one another and the effect of that was that the three of us were together exercising control over the said companies.

"By this partition we only mean that our effective control over the respective companies is sorted out".

Then the Commission observe:

"In our opinion, the date 31-4-58 has no meaning. It is admitted that nothing was done on that date and it was also admitted before us in the arguments that no concrete act of implementation was carried out before 31-5-48. We are of opinion that this date is an after-thought introduced after March 1949 and that the case of partition from 31-5-48 has not been proved. We will elaborate on this as we continue".

Then once Shanti Prasad took up the position that the shares were his private property, the Commission wanted to know the source from which the purchase money was paid. Then all sorts of objections were raised. Shanti Prasad claimed privilege. There is one thing very significant in this connection. His counsel, Shri Ved Vyas, while arguing the matter of the privilege, referred to the following observation in the Bose Commission report:—

"Shri Shanti Prasad Jain's application also states that he claims

the protection of article 20(3) of the Constitution. In clarification of this, Mr. Ved Vyas said that the ground on which the protection was sought was that Shanti Prasad Jain apprehended that disclosure by him of whether or not he purchased certain Preference and Ordinary shares in Allenberry and Co. and the circumstances in which they were bought and later sold, and the persons or companies from whom they were bought and sold (assuming that they were) and the sources from which he obtained the money for their purchase might incriminate him in respect of certain offences of which he has been accused by the Registrar of Companies, Delhi, among them, criminal breach of trust, cheating, falsification of accounts, forgery and certain allied offences including offences under section 222 of the Indian Companies Act, 1913; as also offences under the Control of Capital Issues Order in respect of the sanction given by the Examiner of Capital Issues for the issue of shares of Dalmia Jain Airways".

Subsequently he appointed another lawyer, Shri Bhagwati, Shri Bhagwati contended that Shri Ved Vyas had argued this point in this way without any consultation with the client. Then Mr. Vivian Bose put this question—'are you prepared to give this statement in writing?' He said 'No'. Then he did not press the point. That was the state of affairs. This should be judged in the light of the fact that this was the joint concern of the group and nobody had his individual shares, managing agents' shares or selling agents' shares. They belonged to the pool. If we view the case in this light, there appears to be a clear case of breach of trust and criminal conspiracy.

With this development in the private sector, it has become necessary for the Government to take certain measures

[Shri Sumat Prasad]

asures and to make certain changes in the company law. In this case we have seen there were dummy directors who never knew anything. When they came in the witness box, they said they acted according to the directions of Shri Ram Krishan Dalmia. Shri S. P. Jain said he was their god, and they acted according to his advice. But Shri Dalmia never figured as a director in any of the companies. Therefore, to safeguard the interests of the small shareholders, a procedure should be evolved by Government by which certain independent directors may be on the board, so that the concerns may not be monopolised by certain individuals.

Shri E. G. Dubey: Who should appoint the independent directors?

Shri Sumat Prasad: Some scheme has got to be thought out by which the interests of the small shareholders can be safeguarded.

Companies should not be allowed to have their own auditors. Only Government auditors should audit their accounts. In this Report I came across an incident in which the balance sheet did not exist at all, but was supposed to have been passed. It was answered on behalf of the auditors that they would not insist on a balance sheet and would be satisfied with a statement of account. The staff should also be vigilant, and all the balance-sheets should be scrutinised. Otherwise, the faith of the masses will be undermined, and the industrial development of this country will be greatly retarded. Along with the public and co-operative sectors, we depend on the private sector also, and so it becomes the responsibility of the Government to see that the shareholders are not defrauded.

Taking advantage of the provision for voluntary liquidation, in this case Dalmia-Jain Airways went into voluntary liquidation. A scheme of amalgamation was framed, and the

shareholders got only Rs. 5 per share. The value of the shares was reduced by Rs. 5. And thus they made crores of rupees. The voluntary liquidator did not perform his duties properly. He did not go into the matter. He did not allow the inspectors of the Government to inspect the account books. All the accounts were suppressed. Some of them were destroyed, and he put up before the court a scheme of amalgamation, and that was accepted by the court. The court has to decide on the material that is placed before it. Therefore, the liquidator, whether he be voluntary or appointed by Government, has to place all the materials before the court. In this direction also, some change is needed, so that Government may be in a position, in a scheme of liquidation, to place all sides before the court and nothing is gained by suppressing the real facts of the case.

Shri Krishnapal Singh (Jalesar): The enquiry into the working of the Dalmia Jain group, as it is popularly known, has brought to light certain facts about our private sector, of which we were not aware so far, and there is no doubt that everything does not seem to be satisfactory.

The malpractices which have come to light are due either to the law being defective, or due to the defective administration of the law relating to business.

We have heard a very forceful speech by my friend Shri Daji who went into details of the working of the private sector. I think he has tried to make out a very good case against what the private sector does. I am mostly in sympathy with what he said, but his conclusions do not appeal to me. The remedy which he proposes for correcting these malpractices, namely nationalisation of private concerns, does not appeal to me. I do not think that is the proper way. If we have a little boil in one of our arms, it

would not be very wise to have the entire arm amputated. It would be much better to have the boil treated and to cure the disease. Therefore, I do not agree with his conclusion, that the only way to correct this state of affairs is nationalisation of private concerns.

Then he suggested that better recognition should be granted to the trade unions. In this respect, I would like to go a little further. I am surprised that up to this time Government have not tried to associate labour or employees with the management and ownership of the companies.

Shri S. M. Banerjee: They have a scheme.

Shri Krishnapal Singh: They have a scheme. We have been hearing that things will be done, but it has not been introduced. If labour is given a share in the capital and in the management of the concerns, we will have two distinct advantages. One will be that we will not have as many strikes as we have been having; labour will certainly cooperate with the management, and there will be increased production in the country. The other advantage will be that if labour gets a share in business and is put on the management of privately owned concerns, it will have a better knowledge of the running of the firm in which it is working, and therefore would be in a better position to safeguard its own interests and those of the shareholders. Therefore, I suggest that instead of thinking of nationalisation, we should try to associate labour in a greater degree gradually and give it a place in the management of these concerns. I do not for a moment say that if people have committed offences and if they are responsible for malpractices, they should not be punished. But at this moment we should calmly consider whether these malpractices are committed by only a few individuals or are so common that we have to take a general and more liberal view of it. It is no exaggeration to say that

the conditions under which we live and we have been living in this country are not conducive to raising the standards of morality in our society. Had the Government placed even a fraction of the emphasis which they have placed on the material side, to improve the moral standards of the people, things would have been different. In every department of life, we find that our morals are not what they should be. We cannot accuse a few people of being guilty of doing what the Bose Commission has pointed out.

There is another serious point. Why have the Government chosen one set of industries for this kind of an enquiry? What was the reason? The Bose Commission itself has pointed out that these malpractices are common. Mr. Daji pointed out, as the Bose Commission says, that most of the industrialists do not own motor cars lead a life of luxury. If that is the position, why should the Dalmia Jain group be singled out for purposes of this enquiry?..(Interruptions.) That is exactly the point. My friend Shri Banerjee who is much better acquainted with industry than I am has given the answer. That is the reason. It gives an answer to the suspicion as to why this group was singled out for this kind of investigation.

Shri S. M. Banerjee: You say to them what I have said.

Shri Krishnapal Singh: Mr. Banerjee says that I should repeat his words. Mr. Banerjee said that the Dalmia Jain group was singled out because they did not subscribe very lavishly to the Congress fund.

Shri C. K. Bhattacharya (Raiganj): That is just like Mr. Banerjee....(Interruptions.)

Shri Krishnapal Singh: But that is a very relevant point for this House to bear in mind when they are discussing this report: why should one group be singled out when, according

[Shri Krishnapal Singh]

to the knowledge of various Members and Parties, such malpractices are common. It is unfortunate but I think we should judge this case in the light of these facts. We should take action against those who are guilty after we have given an opportunity to them to put in their defence. Even a murderer is given an opportunity to be heard by a court. Why should we go only on the report which places only one side of the picture before us? Why should we not give an opportunity to the other side to be heard in this House which is the highest court in the country?

I would like to say a few words as to what the Party to which I have the honour to belong wants to be done, what changes they want in the policy of the Government. As I have made it plain before, we want that the private enterprise should remain. We do not want that everything should be taken over by the Government.

Shri C. K. Bhattacharyya: Does Mr. Banerjee agree?

Shri S. M. Banerjee: I want to nationalise even Congressmen.

Shri Krishnapal Singh: We must associate labour in the management and we should set aside a portion of the capital in the newly floated concerns for the labour or even in the older ones when they expand their capital. Whereas we are in favour of the private sector being retained we also want that they should have a conduct of business. We want managing entrepreneurs to be honest, enterprising, adventurous, sympathetic towards workers and shareholders, efficient and economical. This is what we should aim at in our business. We expect that Government will come forward with suitable amendments to the company law so that in future such malpractices do not happen. The interests of the shareholders should be effectively protected. There should be more stringent liquidation laws. Inter-

locking of enterprises should be watched. Confusion between private companies and public corporations should be prevented. Lastly, scrutiny of auditors' activities is needed.

If we go through the Bose Commission report, we find that the auditors do not always act in the manner in which they are expected to do. There is no doubt that if we want our private enterprises to run successfully we should have good auditors and it is necessary that we should have auditors with integrity and knowledge. Otherwise we cannot expect the private companies to maintain their accounts in a clean manner. Therefore, whereas I say that we should take action against all people who are responsible for offences and irregularities, I also say that the people who committed them should not be treated unduly harshly and we should judge the case in the light of the circumstances which have been brought before us.

I hope that this House will give every opportunity to the people who are accused of having committed these irregularities to lay their case before this House before they arrive at conclusions.

With these few remarks I again request the House to consider the few points which I have placed before it.

Shri C. K. Bhattacharyya: Mr. Deputy-Speaker, Sir, in dealing with the present case we have the following papers to guide us. On the one hand we have got the report of the Bose Commission, the report of the Daphtary Committee partly laid on the Table of the House and partly leaked out through the contrivance of some friends, and also we have received an analysis circulated by some helpful gentleman, probably a lawyer, through the post office. On the other hand we have the petition of Shri Shanti Prasad Jain, two telegrams from the

eldest wife of Shri Ramakrishna Dalmia....

Shri S. M. Banerjee: Five.

Shri C. K. Bhattacharyya: Mr. Banerjee is fortunate, he has received five.

Shri S. M. Banerjee: Because I belong to the Opposition.

Shri C. K. Bhattacharyya: Then, a representation by some staff members of the Dalmia concern; and today, just as I was about to come out from the house, a representation from the Asia Udyog (Private) Limited, forwarding this leaked-out report. I got it before I came to the House, through the grace of Asia Udyog (Private) Limited, they forwarded it to me. So, all these papers we have to go through and make our conclusions upon them.

I do not know whether it will be correct but after going through this latest paper that I received from this Asia Udyog (Private) Limited, it appears they are building their case upon the leaked-out portion of the Daphtary-Sastri report. This made me feel that this leaking out business must have been done by persons who are interested in the party. Otherwise, why should Asia Udyog (Private) Limited, into whose affairs investigations have been ordered and inspectors have been appointed, forward it to me in support of their case? That is the conclusion that I made there. (*Interruption*). Mine? I got it today, just as I was coming out. Somebody came and gave it to me.

Regarding the other papers that I received, I will refer only to two passages. One is from the telegram that I received from the eldest wife of Shri Ramakrishna Dalmia. She refers to the FIR report, to which the hon. Minister also referred. She says that "the FIR report was filed by the Companies Registrar in November, 1953, and this has been pending for the last 9½ years. Neither police submitted a report under section 173 nor dismissed investigation". This is a

state of things which requires an explanation from the Government, if this is correct.

Then, regarding these representations that I have received from the Dalmia concern employees, I shall refer to only one passage, that is the passage on page 7, where they say:

"We may point out that neither we are concerned, nor we like to comment as to what other insurance and other kinds of companies (refer Bhaba Committee Report) associated with other big business houses, have done or are doing at the cost of the investing public, and why no action has been taken against them".

This is the question put before the Government by the staff members of the Dalmia concern, and to this also the Government has got to render a reply.

Then, coming to the petition of Shri Shanti Prasad Jain, he has given us three conclusions, or rather his conclusions numbering three: firstly, that the Commission has erred in its conclusions; secondly, whoever else might have been responsible for what the Commission have found to be wrong, there is no responsibility of Shri Shanti Prasad Jain; and, thirdly, the way the Commission has dealt with the whole thing has not been wholly fair—he does not say unfair, he says 'not wholly fair.' That is in the petition. So, that is the petition.

After having dealt with these things, I took up the part two of the Daphtary Committee report which has been made available to us by the Government before. The Daphtary Committee in their own analysis have upheld the findings of the Bose Commission, so that the complaints that Shri Shanti Prasad Jain makes against the Bose Commission finding are contradicted also by the Daphtary Committee Report. In different parts of the report in dealing with their

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recommendations for the amendment of the Company Law, in every case, they uphold what the Bose Commission have recommended. Referring to the Dalmia-Jain Airways they say:

"Even from its very inception the promoters had never intended that the huge sum of over 319 lakhs raised by public subscription towards the share capital should be utilised for such business. They had only intended to form a private company for carrying on a totally unrelated adventure, namely, purchasing surplus motor vehicles and spare parts and machinery left by USA and the American forces at the conclusion of the last war."

This is where the whole thing begins, that is in the middle of the year 1946.

As I read the report, and also the petition, a feeling came over me. August 1946 has been a fateful period in Indian history, and August 1946 has been also a fateful period in the history of the Dalmia concern. It is on the 13th of August that they got permission from the Government of India to add to the objects of the Airways the purchasing and reconditioning of vehicles left during the last war. And in referring to this the petition itself says—the feeling is there also:

"The DCPM had purchased the shares in the middle of 1946, when the share market was at its highest. The Calcutta killing and the Liaquat Ali Budget produced a crash in the share market. The partition of India made it worse".

That is the defence that Shri Shanti Prasad Jain has put forward. So, a fateful incident in our history is related to a fateful reverse in the fortunes of the company also.

What the Daphtary Committee has recommended in its first part I have only cursorily gone through. But their finding, I believe, is that there is not much action to be taken unless further enquiries and further investigations have been made. These investigations have continued for six years. I do not know how many years more the entire process will take if the Sastri Committee's recommendations are accepted for action.

The analysis that I have got apparently from a lawyer, an undisclosed friend, is that there is material in the findings of the report on which the following cases can be proceeded with: criminal conspiracy, criminal breach of trust, cheating, forgery and falsification of accounts. These are the cases suggested in the analysis that somebody has sent me, analysing the points of law and the whole report.

I do not want to go into details of the report, which are more or less well-known. What I felt was—these words came to my mind,—

एव प्रवर्तित चक्रं

The wheel moves in this way. Certain persons create a position for themselves in the society. With the help of their position, they get money from the public and also from the public exchequer. With the help of that money, they improve their position and with the help of the improved position, they get control over the Government machinery. With the help of the control over Government machinery, they get more money from the public exchequer. That is how the wheel moves. In the present conditions in which we are, it comes to this that there is a contrivance by which it may be made possible that public property and public money are utilised for private enrichment and private gain. That is what has been stated in the Sastri Committee's recommendations also:

"The Commission of Enquiry discovered a case where certain

persons, for their unjust individual enrichment contrived to have their own private concern...."

This is the conclusion they have come to.

How can this malady be remedied in the society itself? This new contrivance has got to be resisted somewhere. My idea is, this is possible in one way only. That is, at a certain stage, there comes into operation or comes into existence an unholy alliance between officialdom on the one side and the business people on the other. Otherwise, this thing can never happen and can continue to go on. That is my conclusion and that is the conclusion, I believe, that various enquiries have also come to it. Since the independence of India came, we have been let down by two elements in society: the official element on one side and the business element on the other. Had the two elements acted fairly to the people, India, would have been a much better place to live in than what it is today. That is my own inward feeling, which I speak out on this occasion.

Mundhras and Dalmias are not mere accidents. They are symptoms of a deep-seated malady in the society itself. The social fabric is being corroded by greed. It is the greed motive that is leading to the things which the Bose Commission investigated. This has not been done out of poverty, out of want, out of desperation for not getting the wherewithals with which a man can live. These are done out of greed and it is here that the remedy must be applied. Otherwise, while on one side we go on building this planned reconstruction of society, on the other side, this greed motive will begin corroding the entire basis of the society like an insidious poison and one day the whole thing will have to topple down. The fundamental remedy is not in legislation or commissions of enquiry. The fundamental remedy will be to reawaken the moral sense of the society, as Gandhiji used to do, which we have forgotten by

now. Only a day back the Prime Minister presided over the Moral Force Conference in the AIR hall. There he had stated that the influence of moral factors is everlasting and the influence of every other thing is transitory. This is what the Prime Minister stated and this is what we want to put into action.

In the end, I only make an appeal to my opposition friends. In all the speeches they deliver, in all the propaganda they make, they try to wean away the people from the inherent sense of morality or what I would call *Dharma Buddhi*. That they try to break and have broken to a certain extent, but they have not been able to give any substitute. They have persuaded the people not to follow the habitual moral rules that they used to follow; they have not been able to give substitutes. I am glad Prof. Mukerjee has come. I appeal to Prof. Mukerjee to accept my suggestion and join with me in appealing to the people in the way of the old moral preachers:

न जातुः कामः कामानाम् उपभोगेन
 शाम्यति ।

हविषा कृष्णवत्सैव भूय स्वामिवर्धते ।

"The desire is not satiated by the enjoyment of desire; it grows by what it feeds upon."
 Again, it is said:

यावद् अभियते जठरं तावत् सत्त्वं हि
 देहिनाम् ।

अधिक योऽभमन्येत सस्तेनो दण्डभाग्
 भवेत् ॥

"The individual in the society has a right only to that much which is enough to satisfy his hunger. One who wants more is a social thief and should be punished". I appeal to Prof. Mukerjee to join me in appealing to the people to go back to the spiritual moorings, so that these things can be made impossible.

Shri U. M. Trivedi: Sir, we have a very voluminous report before us. It is a most laborious document, and it is rather impossible to offer a fulsome criticism of what is contained in the report that is before us. Still, each of us is trying to make an attempt to give his views on it and I will not lag behind in doing so.

The disclosures that have been made by these reports show in clear language the human greed to make money, more money and more money. The malpractices that have been brought to light are really such as call for full attention on the part of Government to check malpractices in future. The enormity of the offence, if I may be permitted to use the word 'offence', is very great. But what appears to me as very strange is, who allowed this thing to continue? Who was responsible for this state of affairs? We have any amount of documentary evidence made available to us from various sources which go to show that it was this Dalmia who used to contribute large sums of money to the Congress funds.

An Hon. Member: Where are the documents?

An Hon. Member: *Jan Sangh ko nahi?*

Shri U. M. Trivedi: Here are the documents. You can take them. You have got them. I have also got them.

Is it because of this contribution that we were keeping quiet for so long or is it that things were allowed to drift because all round the same position was obtainable. The rich are rich. They may form a group of themselves. They have got better hold on the Press. They can praise the Government, they can praise the Ministers and try to draw a veil upon the actual things that are there. The hon. Member, Shri Daji, when he was speaking, narrated a few scandals. But he refused to talk about the jeep scandal, the pre-fab. scandal, the ammunition scandal, the fertiliser scandal, the

Mundra scandal, the Serajuddin scandal and so many other scandals.

An Hon. Member: He did mention jeep scandal and fertiliser scandal.

Shri U. M. Trivedi: He wanted to mention, but he did not. The whole difficulty is that somehow or the other we all try to shield some persons for certain aspects with which we see the political life. Everyone who does the nation in the eye or deprives poor people of the hard earned money, whether it is in the hands of the nation or in the hands of a managing director, is as great a rogue as anybody else. Dalmia used his brain in a perverted manner to make more money. There is no doubt about it as it appears. But, Sir, the wonderful part of the whole thing is, has he committed an offence under the law?

An Hon. Member: No.

Shri U. M. Trivedi: After having wasted these six years and producing this big volume, what is it that we have got? I am fortunate that this morning the hon. Minister was pleased to issue this so-called secret document to us. What does it convey to us? What is the sum and substance of this whole thing, this rigmarole? I do not read this report as a very valuable document. With all respect for the great judges who sat over this, I say it is a rigmarole. When we read it we come to this conclusion. One after the other they have said: further investigation is necessary in one case; in the other, further material is necessary; for the third, further investigation is necessary and ultimate success of the enquiry will depend upon that further investigation; for another, proof is lacking; for the interpolation of entries in the personal accounts, all this will be subject to further enquiry and so on. Then, the haphazard manner in which this recommendation has been made has surprised me very much. It is said:

"The balance-sheet of D. J. Airways for the period ending 30th

June has been signed by Dalmia and S. P. Jain and others, and an offence under section 282 of the Companies Act would appear to have been committed."

I was searching for it. This is a report of 1963. I was looking at the Companies Act, and I find that section 282 has no bearing with this. Then I thought that probably the hon. judges might be thinking of the old Act, and I found out that they were probably referring to the old Act in giving their opinion. Sir, such learned people to whom lot of money has been paid from the pockets of the Government have submitted this report without even trying to study what particular law will apply and in what year the offence is said to have been committed. It is from these people that we have to draw our inference whether or not the prosecution of these particular persons is possible.

After reading this report I can only come to one conclusion, that what they have in mind is that the result if effective against minor characters only it will have to be considered whether it is worth the trouble. After having wasted six years we again come to the conclusion that further investigation is necessary, and that without further investigation no prosecution is possible. Why have we wasted all this money? What for have we done it? What advantage have the Government or the public derived from all this investigation? A lot of money must have been spent. I was reading that the appointment of one Shri Petigara was made on Rs. 600 per day. What a tremendous lot of money must have been spent for getting this investigation done! We are talking of Dalmia; everybody concerned was also trying to fill his belly. So, when rich persons are to be prosecuted other people want to become rich at the cost of the rich. That greediness is not disappearing in the least.

I would ask, are there methods, are there officers, are their Acts avail-

able for us to catch hold of these people when they commit the wrong? Do we not get into the know of affairs that such and such persons, such and such rich merchants are doing this wrong? Very recently I received some intimation—I am trying to contact the Home Minister for that purpose—that certain persons entered into a conspiracy between the years of 1948 and 1957 and took away about Rs. 7 crores of foreign exchange by surreptitious methods. I fail to understand that. How is it that our big officers, the Reserve Bank, the Customs and others are not able to locate these things? These things go into the hands of nincompoops who charge as much as Rs. 32,000, as was disclosed today, for getting an evasion of income-tax to the tune of Rs. 7 crores.

Shri Balkrishna Wasnik (Gondia): This information can be had from big business houses.

Shri U. M. Trivedi: Very good. Wherever you may get it, the whole question is that you must get it. If it can be had from big business houses, it must be got from big officers also.

After studying this what further ridiculous thing comes to my notice is that a complaint was filed somewhere in the month of November, 1953—on 19th November, 1953—Shri Kanungo told us that it was in 1952, but I think it was done in 1953.....

Shri Tyagi: And, it has not come yet?

15 hrs.

Shri U. M. Trivedi: In 1953 this complaint was lodged by Shri B. R. Seth, Registrar of Joint Stock Companies, Delhi. It is a long complaint and a very full one as it is. This Commission was appointed in 1956. So, from 1953 to 1956 what investigation was carried out? What type of complaint is it? Any person who has learnt law, who has the rudimentary knowledge of criminal law knows the principle of *Actio personalis moritur*

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cum persona. It also leads one to the conclusion that *mens rea* is a necessary ingredient of an offence under the Indian Penal Code. If *mens rea* is to be imputed, there must be a person. To whom can we impute that this person has committed this mistake? What is the name of the accused and what is the address of the accused? Dalmia Jain Airways through the Chairman of the company and other members of the Jain concern? What type of accusation is it? During my study of criminal law I have never come across such a proposition. The only case where a body corporate has committed an offence is the fictitious offence which is created by law under the Defence of India Act. It is only under the Defence of India Act or the company law that a body corporate commits an offence. When a body corporate commits an offence, the punishment is not sending to jail. Here the offences are under sections 406, 420, 465 and 477. Who is going to jail? Is the Dalmia-Jain Airways to be sent to jail? What type of offence was committed by it? Why is it that the investigation has been going on for the last seven years, or rather I should say ten years, because this was started in November 1953? It is now nearly ten years since the offence was committed. Then we are asked to discuss it.

Then, this morning I raised this point. This document indicates that it is in the court of Shri Satish Chandra, District Magistrate, Delhi. It means that the document must have gone to the District Magistrate. If it has gone to the District Magistrate, it means that cognisance of this case has been taken by the District Magistrate. Is it fit and proper that the House of the People, the Lok Sabha, will discuss the pros and cons of this investigation and then come to a particular decision and thereby influence the conduct of the judiciary?

Mr. Deputy-Speaker: We are discussing the Vivian Bose Commission

report; not the investigation or complaint.

Shri U. M. Trivedi: I am coming to it. The Vivian Bose Commission also experienced some difficulty. The Commission of Inquiry which was appointed was not able to get hold of the documents. Then, this matter was placed before the district magistrate and warrants were issued to seize from all over India particular documents. Was that machinery to be used for the Vivian Bose Commission? I submit not. It is true that it has given us material. It is very true. They have come to certain conclusions; very true. They have found out certain things which show how greed for money acts. It is no joke. A man enters into a contract and then colludes to get some money from the company, because the money comes from the pocket of the poor shareholders. A man enters into a contract that for twenty years he will serve that company. After nine months, his services are terminated, an arbitrator is appointed to go into the case and a huge sum is paid as compensation. Whose money is it? It is the money of the shareholders. Certainly, it is callousness. Callousness apart, immorality apart, what is required in law is to see what offence has been committed. Are we to investigate the callous behaviour of the rich? We know the callous behaviour of the rich. If the behaviour of the rich is not callous, probably, the labour would not have suffered, and the country would not have suffered if the callousness of the rich is not there. But what is the offence that has been committed? What is the money that we have spent on this report? Should we not inquire whether the money was justly spent or not, especially when we are left in the lurch for the report has suggested further investigation? How long will this investigation after investigation go on? I do not understand it. There must be some limit to it.

We have also received some memoranda from various sources. I am not going to refer to them. What was the reason which prevented the Government from taking immediate action when this company was floated with 114 fictitious shareholders? At page 243 of this Report, Chapter VII, it is stated:

"Out of the first 121 names in the register of subscribers not less than 114, to whom share certificates were issued, were fictitious."

Therefore, they were non-existent persons. It further says:

"We made the following attempts to trace them."

Then they give the details.

Shri Tyagi: Sir, would you summon some of the Ministers here? There is no Minister present.

Shri U. M. Trivedi: One Minister is present.

The report further says:

"The number of shares issued to each ranged from 250 to 5,000. No less than 50 of these 114 persons are said to have invested sums ranging from Rs. 10,000 to Rs. 50,000 each; and 11 are said to have invested from Rs. 20,000 to Rs. 50,000 each."

A man who invests Rs. 10,000 to Rs. 20,000 is not to be found. How many are there in our country, or at least how many were there in our country in the year of grace 1948, who could invest Rs. 10,000 or 20,000 and who were not to be found? We allowed this fiction to grow and we tolerated this fiction. In 1948 one of the reports of the Public Accounts Committee indicates to us how we developed this habit of tolerating this fiction. There was a report that at the cost of Rs. 10 lakhs some buildings were constructed and the buildings were fetching good rent and we used

to get that rent. For three years we continued to get that rent. At the end of three years, the rent ceased. Then, investigations started why the rent had not come. I am only giving you an illustration as to how things are going on in our country. After three years it was found out that no such building was ever constructed. That building was simply not there. The rent was a fictitious thing and the investment was a fictitious thing. Then we tried to find out whether the gentleman who made this report was there. We found that he has gone to Pakistan and is not available in our country. We tolerated such a thing in 1948. This is a thing that we allowed to have roots and foundation in the year 1948. When we continued to tolerate these things in Government departments, certainly we have to tolerate them in the private sector.

Shri C. K. Bhattacharyya: May I remind the hon. Member that in 1948 this Government did not exist?

Shri U. M. Trivedi: I am sorry, the hon. Member's memory is not as sharp as mine. It was this Government which was in existence from July 1947.

Shri C. K. Bhattacharyya: It came into existence after 1950.

Shri U. M. Trivedi: No, the hon. Member is wrong.

Shri Tyagi: It was the Viceroy's Executive Council.

Shri U. M. Trivedi: May be, but the difference is that between Tweedledum and Tweedledee. The same person was holding office.

Shri C. K. Bhattacharyya: I do not dispute the hon. Member the advantage of having a convenient memory. But the fact is that Republic came into being in 1950.

Shri U. M. Trivedi: I am not concerned with convenient or inconvenient memory. I am concerned with

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historical facts. The question, therefore, is that we tolerated it. Does the hon. Member who just tried to intervene want to say that just because the report referred to was of 1948 it should not be looked into? Is it his contention that what has been stated by Shri Shanti Prasad Jain from November 1948 need not be gone into because this Government was not in existence then? Or, are we to say that we should not do anything because this report was not there? I do not think that that is his contention.

Then comes the question whether the vigilance that we want the company inspectors appointed under the Company Law to exercise should grow or should the same thing go on happening, namely, that the Registrar of Companies has nothing to do with the administration of companies. He will simply sit tight and the inspectors need not do any work except enjoy their lucrative remuneration. Very recently there were reports about some company in Belgaum. The reports are floating. They go to the Registrar of Companies and not a feather moves to take any action against the company. Who should do it? Should we have another commission waste another six years for this commission to submit its report, then after six years are gone should we have another opinion from a learned member of the profession who would then say, "Let there be further investigation"? How are we going to cure these things that are coming before us? It is therefore meet and proper that remedies must be found out. The evils have been disclosed to us and the remedies must be found. I do not want to be vindictive against anybody. If the Government feels that no useful purpose can be served by not prosecuting them, let them not prosecute them. I do not care. But the evils at least have been disclosed in this report. Are we going to sit tight having studied this report and not formulate the

remedies for the future so that these things shall not happen at least?

Big businessmen are there in our country today. They must be manipulating so many things. Some have been brought to light and some have not been brought to light. But are they different in any manner from what has been done by Dalmia or Jain or anybody who is concerned with this? I am not concerned with any particular man in this. But is it not being done all over India by the rich, by those who are managing companies? I had heard about a company, Standard Mills, where cornering was done by one particular person who is now reputed to be a very honest man. He cornered the whole block of shares and brought the price down to one-tenth of the face value and then purchased all of them. Now he is a very big man because now he is behind that company. These are the things that are happening. These are things which are understood by everybody. Everybody knows it. These are not things which are novel. Are these things not known to Government officers? They are known to them. Are these things not known to Ministers. They are known to them. If they are known to the Ministers and to Government officers, who are directly concerned with them, what prevents them from making a suggestion to the Government and through the Government to Parliament that action must be formulated to remedy these ills that have been disclosed. It is no remedy to have everything in the public sector. This is the public sector. What other sector is it? We are the public sector. This Parliament is the public sector. We are not able to do anything. What is there that this public sector will do? The public sector has already given us an example where by investing Rs. 920 crores you get a profit of only 1.29. What is this public sector doing except taking away the money of the public and not giving any return

whatsoever? So, the point for consideration is how best to control the investments that have been made in our country.

It may be that for certain reasons public sector would be necessary. Certain essential industries we cannot leave in the hands of ordinary persons. Some industries industries which have to deal with our defence, which are essential for our country, which provide public utility services, must be controlled and we must have them in the public sector. But then we may not spread our tentacles so much to all other things. Yet it stands to reason that, whether it is money taken from the taxpayer which goes to the Consolidated Fund and is then put back into the market or whether it is put into the market direct by the shareholder, the money has got to be protected. If that money is to be protected, a method must be found to do that. This report can, therefore, lay the basis for formulating such law by virtue of which we can protect the interests of the share-holders. It is with that end in view that this particular report must be studied by us. It discloses the various methods by which people are cumulatively doing such acts—I do not want to use any ism, Communism or capitalism—which are immoral in the sense that they just verge upon an offence against the public. I would submit most respectfully that to that extent this report has served its purpose, namely, it has opened our eyes and showed us that proper legislation ought to be forthcoming so that in future this may not recur.

But it is not sufficient that there should be legislation for this purpose. What is required further is that there must be an honest machinery to work that legislation. We have already legislated to some extent. Our Company Law is there. Offences under the Company Law are described. I was fortunately also one of the members of the Select Committee when this Companies Act was enacted. We did

discuss the pros and cons of the various sections of the Act. But what do we find? It goes on as merrily as ever. Every day each one of us sees advertisements that are there under the Companies Act saying that so-and-so is overage and that it is now being resolved to make him a director. This particular provision is there. Every day we see that. What action is being taken by the Registrar of Companies? What action is contemplated under the law? Why is this new provision under section 282 being flouted and why is this provision being made a wash-out? Should we get no benefit whatsoever from the provisions that have been incorporated? I will therefore say most respectfully, as I have said, that leave aside the personalities, do not consider the personalities, Dalmia or no Dalmia, Jain or no Jain, Shanti Prasad or Sreeyans Prasad, wash them out, what we are concerned with is that this Report has given an indication of what the ills are in the public limited concerns which are being handled by rich persons and which, with the knowledge of law in their hands, are being prostituted and how the public is deprived of its rightful share which it ought to earn from any sincere managing agent that may be there. Therefore the loopholes that are there in this law must be plugged and plugged so successfully that no further opportunity may arise in our country to run down X, Y or Z. It is merely just washing the dirty linen of somebody which I do not want. I simply want that the law must be so administered, manipulated and formulated that in our country such a thing shall not happen again.

Shri Mahesh Dutta Misra (Khandwa): Mr. Deputy-Speaker, Sir, I thank you very much for giving me an opportunity to say a few words on the subject under discussion. It is really a very serious thing being discussed and debated in a serious manner. So far as the corrupt practices in this country are concerned, we have had many references in this

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House in the form of questions, calling-attention notices and various other opportunities have been exploited by hon. Members to refer to mal-practices not only in the field of business but in other spheres of public life. Therefore when I view this report in that larger perspective I begin to think whether it would be very proper on our part to come to any conclusion about this report only. We find many lacunae in the reports that have come to us, not only in the Vivian Bose Report but also the Daphtary-Shastri Report and we find to our dismay that we cannot take any legal action against this particular business group, much less against any particular person belonging to that group. Therefore, at the very outset, I would like to say, or rather inform the House, that I do not wish to bring in any ideological colour while discussing these things because I find in this House, people belonging to different ideological moorings and throwing light on the mal-practices or corrupt practices, in the country from their own angle. I wish to tell the hon. Members of the House, through you, Sir, that I have a very broad national perspective in discussing these things. I believe that capitalism has a role to play in this country, in our national economy and they would continue to enjoy the advantages and privileges given to them by law in proportion to their contribution to national production and distribution. But I find, especially looking to the conclusions of this Report, that capitalism in this country continues to be unbridled. And this is not the solitary case of that; this is not the only business group which remains unrestrained by law.

I would like to say one thing more. It is not the fault of capitalism as such. Capitalism has a profit motive and the profit motive is that of money. They are not very particular about any political consideration. Maybe, formerly we had a business

morality; we had a sort of commercial ethics in the country and people abided by that and that has been referred to in the Daphtary-Shastri Report, that probably they have gone out of that former commercial ethical rut and committed certain errors that are not sanctioned by the commercial community.

We have also adopted a peculiar attitude towards this problem. I think we have adopted a policeman's approach towards this question. We have been hearing of this ever since we came into power in this country in an independent India. That is why I do not wish to go into the technical questions, whether this Government was there or not. By and large, Indians have been in power ever since 1947. These things have been happening in this country. We have been hearing about them. As early as 1947-48, the Congress Party passed a resolution about setting standards of public conduct. That also raised a peculiar controversy in this country. I was a bit associated with that. Ever since that, we have been discussing of corruption in this country. But we have not come to any particular conclusion. We have not come to any specific conclusion as to how we can check corruption in this country, whether it is in the business field or in the administrative machinery or other political walks of life. We have not come to any conclusion that we can take such and such an action against them. Therefore, here again, I feel that this discussion may not lead us anywhere until and unless we view the thing in a larger social perspective.

I would like to make a few suggestions. Before the Government takes any action about this Report, because it would need further investigation and the task might be again delayed, I would like to suggest to the Government that let there be a comprehensive sort of inquiry about the business groups existing in this coun-

try that are participating in the plan of production, consumption and distribution. I would like to suggest, let there be a general, comprehensive, inquiry into the conduct of all leading business groups. I understand from reliable sources that our Company Law Administration has suggested that the kind of things that have been mentioned in the Vivian Bose Report exist in other leading business houses also and that orders have been issued to the field officers to investigate into the conduct of these business groups. I do not know how far it is true. It is for the Government to find out. I think, there is some stuff in what is suggested by the Company Law Administration.

Some of the members of the Opposition have referred to the administrative machinery also. I am not going to hold any brief for anybody. But I would like to say that if it is found out that there has been a conspiracy between the official circle and the business groups in the country let this thing not go unchecked. It must be found out, let people know where the malady resides, where the actual evils exit. Therefore, I would like that there is a sort of comprehensive inquiry which goes into the details of these aspects of commercial dealings and business activities so that, after sometime we come to certain conclusions. Here again, I would request the Government not to allow things to drift for 6 years or 7 years. Let there be a comprehensive inquiry and let there be a time-limit fixed for that—maybe a year, or, at the most two years. Let us come to certain conclusions about these business houses. If it is a fact that the Government is aware of the malpractices existing in other business houses, then why single out DJ group only? I am not a friend of the capitalists but I know capitalism has a role to play in our mixed economy, in our national

life and to that extent I would like them to play their role. I would like to give them all the facilities under the law. But so far as this particular incident is concerned, especially after reading the petitions and after reading the telegram of Mrs Dalmia, I come to the conclusion that it is no use singling out particular business group, when we have definite information, and reasons to believe that these malpractices exist in other business houses also. Therefore, without going into details of these petitions and reports of these things, I would like to suggest that the malpractices of circular loans or under-writing or sale and purchase, all these things, have been there from 1946. Some people have tried to take shelter behind it, that in 1946 there was a peculiar psychology in this country, there was a psychology that people had reaped benefit during the War and they have got into that habit, and so, for some time, this would go on. In a nascent democracy, people become indulgent. They think that these things are common in a nascent democracy and that we should allow them to go on. Now, 16 years have passed and even now if we cannot check these things, then it is not only a danger to the democratic system but also to the capitalist community itself because they cannot go on in this manner for ever. They get a lease of life because they have a part to play in the national life. But they would not enjoy it, they would not be allowed to have it if the people become agitated, if the people are disillusioned, and if the people become desperate. All these things that we discuss here in this House are allowed to be published in the press and they agitate the public mind, the public conscience. Therefore, I would like the Government, as well as the Opposition to use restraint in discussing this report because, naturally, when we are not a court of law, we are not sitting upon judgement on this particular affairs, we have to take a broader view of the whole thing. Therefore, we must give up the policeman's

[Shri Mahesh Dutta Mishra]

approach. I would request the Government, as well as this House to give up the policeman's approach. We are not sitting upon judgement on the DJ group only. We have to think of this malaise if it is a part of the integrated social whole. If it is a part of the integrated social whole, if it has absolutely vitiated the society, then we have to set the whole machinery in order.

I would again repeat those few suggestions that the law be amended and, I think, the law will be amended—it has been amended in certain respects. Meanwhile let there be no witch-hunting. Let us tell the people participating in the national production and distribution: thus far and no further. Things might have happened and we might not be in a position to take action against the business community, against the officers and other persons involve in these affairs. But let us tell the country and all people concerned: thus far and no further. If we can tighten up the administrative machinery, the country shall be satisfied. The people shall be satisfied. If we tell them, hereafter there will not be any malpractices indulged in by anybody, that the Government machinery is vigilant and they are taking effective action against the people who indulge in these things, they would be satisfied. I would go further and even suggest that let us absolve all those who have committed offences in the past. I won't be sorry for that. Because, we have to run a democratic set up. If we allow these things to continue, then, democracy is in danger much more than socialism and other principles to which we adhere.

In the end, I would like to say one word about something that has been referred to by Shri U. M. Trivedi. He said that the public sector has not brought dividends, is not useful. In a gradualist democracy where socialism is the goal, the only way is to have a public sector. Wherever it has committed a mistake, it must be

rectified. Public sector can play the role of competing with the private sector, with the capitalist concerns, by making profits, by making people work honestly, efficiently, by running the whole thing in a business-like way. It is only the public sector, the co-operatives or other things that will put an end to all these malpractices. Because we want a democratic set up, we want democratic procedure to continue in this country, and we do not want to employ any other means as this is the only way available to us. Therefore, we must emphasise that there must be more and more scope given to the public sector. I would like that the public sector is allowed to compete with the private sector in a particular field of production so that people know that if things are made by the public sector, they are better, they are produced at a cheaper rate, they can compete with things produced by the private sector. Then only we can think of stopping the malpractices. Because, malpractices exist and they flourish on the consumers' money, on the people's money or on the shareholders' money. If we can compete with them, they would not be able to indulge in these malpractices.

I do not want to go into the details. The only thing that I want to bring out here is that there should be a comprehensive general social enquiry about all questions of malpractices, corrupt practices and inefficiency in business, in the administrative machinery, in the country in general, so that we can arrive at conclusions and we can take some effective action. Then, we can tell the people, hereafter, nothing will happen; you can say that the Government means business, the Government wants to put a stop to corruption and the Government wants to put a stop to all kinds of malpractices.

At the end, I would like to say a word to all parliamentarians that

we have to look within ourselves. Before talking of corruption, before criticising others, before talking of malpractices existing in business or administration or everywhere, everybody, here, including the Opposition Members have to look within themselves. Then, probably we will find an answer why and how far corruption is existing in this country. Are we not responsible for it? Have we not subscribed to it in some way or the other? Have we not supported it in some way or the other? Then, the answer would come from within ourselves and ultimately we will have to decide whether we are going to put an end to corruption or not. The answer would come. If 500 Members get the answer, then I can rest assured that the people will also be satisfied that the answer has come and action would be started.

Shrimati Renuka Ray: Mr. Deputy-Speaker, for some time past, we have been aware in this country that a number of malpractices are indulged in, particularly in order to defraud the exchequer of its legitimate dues. We have also been aware of the monopolist combines. I think, nevertheless, it would be true to say that when this report of the Vivian Bose Commission came out, the country was startled and shocked—shocked to find the type of things into which it was possible to indulge and the kind of malpractices that in detail took place not only against the Government exchequer, but against public companies in which so many people, so many poor people also had their shares. Naturally, the matter has created a great deal of interest in this country.

When the Minister was speaking, he said that many of these things cannot happen today because, these loopholes have been plugged, because of the Company Law Administration having come into existence and having been able to plug some of the loopholes. It may be true. But, it is also true to say that this is not a single instance of a single business combine or firm that we have seen.

There are instances which are coming to light in the other sections of the private sector in this country.

We have agreed that there should be a private sector as well as a public sector at least during the time of economic development. In view of that, I am not here to say that we do not want any private sector. But, I am here to say on behalf of the House and the country that, if there is a private sector, it must keep at least within the limits of what is known as business ethics. Because, in this country, the private sector believes in the law of the jungle. They do not even subscribe to business ethics in the U.S.A. They are not businessmen, most of them; they are not industrialists. They are merely speculators who are out to get rich as quickly as they can. Therefore, I do not want to enter into the details regarding the amendments that have been suggested by the Vivian Bose Commission in part II and also the suggestions of the Attorney-General and Shri Shastri. I only want to say that, I hope, very soon, very expeditiously these amendments to the Company law will be brought in. I do not want to go into the details because I do not have the time here.

I also want to point out to the hon. Minister and the Government that many years ago, when in 1955 or 1956, 10 years ago, the Act was amended, a great hue and cry was raised in the country by the private sector and they said, all industries would be finished, they could not possibly sustain these amendments. But, this has proved an illusory fear. I hope, this time, the Government will waste no more time than it has already wasted in bringing in these amendments.

This leads me on to another point which has also been ably pointed out by the Commission and that is in regard to administration. The tightening up of the administrative machinery is most important and is most urgently required. In fact, I daresay

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that the loopholes are largely due to the lack of integration of the administrative machinery. In order to administer the Companies Act effectively, it is essential to take other measures like capital issue control, stock exchanges, and financial institutions, for example, the I.F.C., the I.C.I.C., and the L.I.C. etc. are administered in a purposeful way by one Ministry. Unless this reform is brought about, how can we possibly prevent all these things when so many Ministries deal with the same subject.

I may add also that even within the Commerce and Industry Ministry, there is no coordination between the department of Company Law Administration and the department administering the Industries, Regulation and Control Act. It is essential that the provisions of these two Acts which deal with investigation into the affairs of companies should be dealt with by the same department, so that when action under the provisions of the Companies Act is taken, the corresponding provision of the Industries Development Act is also taken into consideration. Unless this is done, here again, there is a big loophole. Therefore, my second contention is that the administrative machinery must be tightened. It must be made stringent. No excuse can be pleaded that one part of the administration does not know what is happening in another administration in the same Ministry. These two things the Company Law Administration and the Industries Regulation Act must be administered by the same.....

Shri Himatsingka: They are under the same Ministry.

Shrimati Renuka Ray: They must be under the same department. The Company law and the Regulation of Industries Regulations Act are under the Commerce and Industry Ministry, but administered by two separate departments. I said, first of all, they must be brought under the same Ministry and these

two must be brought under the same department even within the same Ministry. Unless this is done, we shall continue to be faced with all those difficulties that we have been faced with so far.

Then, so far as corruption is concerned, we have to take some steps in this regard. We talk a great deal of corruption in this country. I agree that corruption is not, however, so great as we sometimes imagine, but it is far too much for efficient administration. Therefore, while I do not want any witch-hunting, I would say in all humility to the hon. Minister that when huge amounts of money are offered to minor clerks who can hardly keep up a standard of living, it is hardly fair, and it acts as a very great temptation. Therefore, it is very essential to see that when we are dealing with people who are willing to bribe up to any extent, even to crores of rupees, if it comes to that, the handling of the machinery must be by high-powered and responsible persons and persons also who have a technical knowledge of the subject. It often happens that lack of technical knowledge of the subject also makes it easy for the people who come under his administration to take advantage of the administrator's ignorance; it may be that he does not want to be taken advantage of, but his lack of technical knowledge sometimes stands in the way. I would, therefore, request the hon. Minister to take action to see that not only is the administration tightened up but it is in the hands of people who cannot succumb to temptation; it is true that circumstances are such that I do not say that they can never succumb to temptation, but the likelihood should be that they will not succumb to such big temptations.

15.42 hrs.

[DR. SAROJINI MAHISI in the Chair.]

From Chapter VIII of the report, as has already been pointed out, we find that the Vivian Bose Commission has said that the exchequer has been defrauded to the extent of

Rs. 145 lakhs, and the public companies to the extent of about Rs. 260 lakhs. That sounds bad enough by itself, but just think of the poor people who might have had shares in those companies, who have been defrauded because of the growth of these so-called private companies through which the money of the public companies has been drawn away. We would like to ask what Government are going to do about all these things, particularly in respect of the present offenders so that there will be a deterrent in the future to people who might want to tread or who might feel like treading the same path. In the course of his opening speech, the hon. Minister had stated that in regard to judicial action, the evidence will have to be proved in a court of law. It is quite right that it has to be proved in a court of law, and these things take time. Therefore, there are other measures that could be taken. There are people in this country, the so-called businessmen, who do not mind going even to jail if they can keep up their profits; they do not mind paying some fine if they can keep crores of rupees. Therefore, the only effective way is to think of other measures. I am not saying that you should nationalise all their companies, irrespective of whether they are good or bad. I would ask the hon. Minister to be very careful not to nationalise in any circumstances those firms which have deteriorated and which are no longer good. But there is one particular firm which is a very good firm, namely the Dalmia Dadri Cement Limited. What about this firm? Why should it not be nationalised immediately? I am not talking of the claims of nationalisation now. I am saying that as a measure of punishment, which will be more effective than sending the persons to jail, which will be more effective than their being made to pay penalties. If there is a judicial inquiry, and judicial action is to be taken through the courts of law, then it may take a long time, and the present incum-

bents may not even be there. Therefore, it is most essential that some action should be taken now which will really hit them. And the one way in which we can hit them is by seeing that good companies, companies that are giving good profits, are taken away from them. There might be more than one such company, but the Dalmia Dadri Cement Limited is one company about which everybody knows that it is paying good profits, and I would request the hon. Minister particularly to see that it is nationalised. I am not saying that all companies in the private sector must be nationalised at once. No, we have accepted a mixed economy, but we have accepted it subject to some regulation, subject to the condition that the mixed sector will be such a sector as where people will remain within certain limits, and if they can keep within those limits, certainly, let us have it. But when there has been so much offence by this group of companies, then, certainly, if there is any company belonging to that group which is a good company and which is paying profits, then it is time, and in fact, more than time that Government take immediate action to nationalise that company and take away the ill-gotten gains.

Shri Sonavane: The hon. Member said that a good company should be nationalised. To deteriorate or to improve?

Shrimati Renuka Ray: I say that good companies can be nationalised. There are many nationalised concerns which are doing well. It is wrong to say that they are not doing well. The steel industry which has hardly emerged is criticised. But it is wrong to say that nationalised companies do not do well. Take, for instance, the nationalised railway concern, the Chittaranjans. The Chittaranjan-built engines are cheaper in course of time and also better than those manufactured by the Tatas. There are many examples of nationalised industries which are al-

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ready proving that they are doing well. I daresay, therefore, that if the Dalmia Dadri Cement Limited is taken over by the Commerce and Industry Ministry, it can be run efficiently and well. And in any case, it should be taken over as a measure of punishment or penalty and as a deterrent in the future to all those who aspire in this country to defraud the exchequer and the people with impunity, people who do not believe in any regulated and controlled industrialisation but who believe in speculation, who do not wish to promote companies or industrial projects which will benefit the country even indirectly but who only wish to make money for themselves, in order to get rich quickly.

Therefore, it is more than time that we took every possible step on all counts, through the courts of law, through Government directions etc., to take suitable steps so that not only this group will have to pay the penalty for all its misdeeds, but in the future, nobody will come forward to traverse the path which they have trodden, and nobody will feel that in this country which is going towards a socialistic pattern of society anyone, even if allowed to function in the private sector, will have any right whatsoever to take advantage of the people of this country with impunity.

With these words, I hope that the hon. Minister will take action on the three points that I have made. The first is that he should bring forward amendments as suggested by the Commission and also by the Sastri and Daphthary Committee. Secondly he should tighten the range of administration and bring it under one control. Thirdly, he should take effective steps to bring in effective penalties as deterrents for the future against those who have transgressed the law.

Mr. Chairman: Now, Shri Surendranath Dwivedy.

Shri S. M. Banerjee: On a point of order. No Minister is present here.

The Parliamentary Secretary to the Minister of Food and Agriculture (Shri Shinde): I have been asked by the hon. Minister to be present here.

Shri Surendranath Dwivedy: It is a very serious matter coming up for the first time. And the Parliamentary Secretary also does not belong to that Ministry. This shows how seriously Government are taking up this important and serious matter. This Commission itself has spent over six years on this matter, and the public exchequer has spent about Rs. 27 lakhs on this. And for the first time, in this so-called socialist pattern of society and government, how the private sector, the unscrupulous businessmen in the private sector can reduce every code of conduct to a mockery has been revealed in this very report.

This matter should have been taken very seriously. But it so happens that the entire Government—many Ministries are concerned with it, the Finance Ministry, the Commerce and Industries Ministry; I would say even the Prime Minister, if he is true to his faith in socialism, should have been present here—is not represented here when the discussion is taking place.

Shri Kanungo: I am sorry I had to be away for a while.

Shri Surendranath Dwivedy: For this Report, I pay a tribute to the Vivian Bose Commission. Whatever may be their failings, whatever may be their limitations, whatever may be the ultimate outcome of this, the fact remains that this Report not only throws a searchlight into the affairs of private business, but also reveals the character of the present Government which professes socialism but functions in such a manner that under its very protection all these malpractices and frauds continue.

I am not very much concerned with individuals. Whether an individual is punished or not, is not the question

at issue. The whole question is this. In this country, we want to develop a socialist economy where we have purposely given a place to the private sector to play its part. But what is really happening? How have these things occurred? What are the reasons? What was this Government doing for so many years? I am not going into the details, but it is really a strange phenomenon in this country that we see. This applies not only to the Government. Here you find that the petition of Shri S. P. Jain has been sponsored by a Socialist. Here I find a paper, *Blitz*, which is of communist persuasion. Yet what does it say? Just see the page in the middle. It displays Dalmia's great sacrifices in the history of business houses, Dalmia's difficulties, how he is suffering, how he is being slowly killed by mental torture etc., etc. The same paper in the cover page goes to the defence of Shri K. D. Malaviya, Socialist, who is being charged today with being involved in some corruption. On the front Malaviya, inside Dalmia!

Shri Hem Barua (Gauhati): What a combination!

Shri Surendranath Dwivedy: This is the picture of the combination that is working in this country.

I was thinking that this Government would take this matter very seriously. It is not only a matter of ten companies. After all, what are these ten companies? There are many houses. As the Minister said in his opening speech, we have amended the company law in 1956 and in 1960. But after the company law was amended, is he in a position to say that such malpractices do not prevail in this country? Is he in a position to assure this House categorically about it? No.

Shri A. P. Jain (Tumkur): Very much.

Shri Surendranath Dwivedy: That is your difficulty. You feel that we have plugged all loopholes, everything is O.K.

From 1946 to 1963 is a long period. You have gone into the affairs of companies which started business in 1946. According to their own statement, they separated in 1948. According to the Commission themselves, all the money was transferred to some other company. All these years they are functioning. And what have you done? What action have you taken? If you really wanted to stop all that fraud, malpractice and manipulation, if that is your aim, then I would put this to you.

I say this: they wanted to conceal the whole thing. The first part of the Daphtary-Sastri report really exposes the Government more than anybody else. Therefore, they wanted to avoid laying it on the Table of the House, saying that it would not be in the public interest to do so.

After these long years of investigation, what has happened? What have they written? No legal proceedings can be taken without further probe. These eminent lawyers have gone into every single recommendation of the Vivian Bose Commission and have come to the conclusion that they have got only copies, they have based their conclusions on suppositions and therefore, they will not stand in a court of law. So a further probe is necessary. All these ten years what have you done?—Ultimately, further probe! You have not arrested anybody. These companies are functioning as usual; they are going merrily on. No action has been taken. I am told there were actually 9 companies, but the Commission took another in the course of their investigation into their jurisdiction. Of these 9, 5 were almost dead companies; 4 somehow or other manipulated their accounts. It has been borne out by the investigation and report that books were destroyed, accounts were manipulated, no evidence put forward, papers were concealed. All these are stated here. And yet what have you done? You have not taken any action. You have not started any prosecution. Nothing has

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been done against them, let alone other companies.

I ask Government to tell me this. Originally, as many as 20 companies were to be subjected to investigation by the Commission. Why only 10 were given and the others withdrawn from the communique? Now you are appointing an inspector to probe into five companies. I really cannot understand it. Why were these 5 companies not given to the Commission themselves to investigate, a Commission which had such an eminent Judge as its Chairman. They had already gone into several questions. They could have brought out many other factors.

And who is this person who is appointed? Mark this—that is also very significant. The Minister stated in the morning that in 1952, they appointed this very Chopra and Co. to inspect these companies. As soon as it was appointed, funnily enough, what did the Airways, anticipating that a certain inspector is going to be appointed, do? They filed a petition in the court for compulsory liquidation of the company. Chopra and Co. submitted their report in November 1953. You could not take any action. You only gave it to the police to investigate. By the time police investigated, many books were concealed somewhere. The police investigated for three years, and after the police investigation, nothing was completed. Then you appointed this Commission with limited terms of reference. Again the lawyers say that nothing can be done on the basis of the Commission's report. I was really surprised. When this Commission was appointed, whatever papers the police had were given to them. Again, the Minister said the F.I.R. is still there, they will further investigate. Into what? Do you expect any paper to be available after 10—15 years? Is it ever possible to get them? It is all eye-wash. You could have started proceedings. Have you not got powers? You are suggesting unless the company law is amended, there is no power in your hands, you are not in a position, to take

action. Why? There are sufficient powers in your hands. There are two things involved in the way you are proceeding. One is that really you want to give protection to such practices. Secondly, you do not really intend to take some stringent action against these malpractices, because you will be exposed to the charge that you are singling out some persons here and there in order to malign them for political reasons. What is your evidence to rebut this charge? This is a serious matter.

In this country we have seen Mundra deals. There you took immediate action. The Industries (Development and Regulation) Act is there. There are enough powers with you to take action. Why is it that on this particular thing you did not take action and after ten years you are merely appointing an inspector? By that time these five companies also would have transferred their money to somebody else.

16 hrs.

Shri Hem Barua: And we would not be here then.

Shri Surendranath Dwivedy: So, let the guilty persons be punished, whether there is constructive responsibility or individual responsibility, in all these matters. The real *modus operandi* has not yet been known. Let us know individually who are responsible. If they are responsible, take action. That is what is needed. Yet, you are going in a roundabout way, and I do not think anything will happen. You may amend the company law to any extent, but that is not going to stop these things actually. If you really want to stop these malpractices, the only course open to you is not to appoint an inspector who has no powers, but appoint some Commission which will take five or ten big business houses in this country who generally indulge in these things, as has been admitted by the Daphtari report itself. Let them have a thorough probe, not to punish them, but to see how to

stop these things, so that we know where we stand, and then we can fix the place of the private sector, the role they have to play in the economy of this country. That is what is needed.

I have a word for the private sector also. I am not one of those who say that we should immediately nationalise everything. That is not possible. We are wedded to a mixed economy. We want the private sector to play its part in the national interest, not for selfish interest. Such a great revelation has been made by this report. What is the Federation of Indian Chambers of Commerce and Industry doing? What is its role? It is a very respected body. Government gives it a special prestige, special dignity. The Prime Minister goes there, the Finance Minister goes there, when the annual conferences are held. This Federation is also very alert whenever anything is wrong with the public sector. They come out with facts and figures, statements, memoranda etc., stating that the public sector has failed, that prices have gone up, advising that the public sector should be done away with. They lose no time pointing their finger at the functioning of the public sector. But here, are they parties to this. I want to know. The great house of Tatas have contributed much to the industrialisation of the country, and what is their reaction? They have said: we do not want to sit in the Federation if Shri S. P. Jain is the President. Is that enough? Have they put a resolution condemning this thing anywhere in the Federation's meetings? Have they stated, not with a view to punish their own comrades, let them not do that, but have they stated anywhere that they themselves are taking steps to see that these malpractices are stopped for all time to come? I think they should come forward and help this Government and country in seeing to it that these malpractices are stopped for all time to come. If they do not do their part, then all facilities

that have been given to the Federation should be withdrawn. Government should place it in its proper place, because all are a party to these things, I would say. They would be charged like that if they themselves come forward voluntarily to stop these malpractices.

But I feel that no further evidence is necessary. That is my point. You should immediately take action. But the whole difficulty is that whenever this question of corruption or malpractices comes up, it is the policy, the mind, the attitude of our great Prime Minister that comes in the way. You want cent per cent. evidence. If Serajuddin has violated the Customs Act, has given lakhs of rupees, I have to prove it, give cent per cent. evidence. If Dalmias or Jains or Birlas or Tatas have committed anything, you want cent per cent. evidence. That is why we find corruption today at all levels. It is not possible for an individual, for anybody outside, to really adduce evidence to the Government. It is for the Government, when there is *prima facie* evidence to take action.

Was there not *prima facie* evidence in these cases? There was *prima facie* evidence on the case of the Vivian Bose Commission Report because you are going to have a further probe. So, I say that corruption at all levels is due to your attitude; that is the fountain head from which all these flow. Therefore, people feel that they may commit any amount of offences, that they can just ignore the law and yet they can go scot free because there is this big business, unscrupulous big business, I do not say all big business. They know that they have such influence today in the Congress Party, in the Government, that they can indulge in these things without any fear. That is the point.

Shri Daji was suggesting administrative tribunals. I would even go so far as to suggest that you can use the

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emergency powers. The enemy is laughing at you, that your affairs are in such ridicule. Why not invoke the Defence of India Rules if you are not able to invoke other powers? You can do that. But yours is a policy of masterly inaction, going on chanting the *mantra* of socialism. You simply go on stating that you are not going to tolerate these monopolies, monopoly press, monopoly capitalism, and yet you give all facilities, you give every protection, to see that they thrive in this country.

Then, I will draw your attention to two matters which are to me very important in this connection. Every year the Company Law Administration, in its Report, has been pointing out in the first page that the powers given to it are not enough. They have stated in their reports that if they are to go into the malpractices in the corporate sector, they must have the authority and the power to go into all aspects of the question. They have been crying for it, but never has that been done.

You know that in this House a definite complaint was made that in the markets of Calcutta imported zinc was sold by a firm called Kalinga Tubes Limited to the tune of Rs. 15 lakhs in the black market. The complaint was made, but the Company Law Administration could not do anything. The zinc did not go to the factory, it was sold there, a cheque was issued by the person who took the zinc, money was transferred, all this was done, but Government never thought it fit to find out in which train, in which wagon, in which truck, the zinc received at Calcutta port was taken away, how much amount was involved, on whose account, whether the zinc really went to the factory for the manufacture of tubes. That has never been done. So, you have powers, yet political considerations or other factors prevail so much in your mind. If you are serious about it, if you want to develop our economy, if

you want more money without depending much on foreign aid for development, then this field of administration should be given full powers. There should be a high power commission with authority to go into all these things thoroughly so that malpractices are stopped from the beginning, and we do not have to appoint commissions for this purpose later.

Lastly, I touch upon another aspect, that is the question of our industrial policy. As I have already stated, we Socialists advocate and believe that in the present state of our economic development, the private sector has a part to play. We accept that proposition. What is the function of the private sector and what is the function of the public or corporate or co-operative sector? These have to be defined clearly. In the initial stages many things might have happened in the public sector enterprises but that does not mean that it has failed or that it should not be encouraged. We must see that the public sector industries in this country develop as speedily as possible and as efficiently as possible. But at the same time what does this show? This shows that the private sector which is required to play a very great part in the development of the economy has not only failed but has made the entire business community reduced to a mockery on account of the malpractices. But how are they able to operate? If you analyse the Dalmia-Jain companies, you will see that they operate because they are monopoly transactions; banks are with them; insurance is with them. It began with insurance. The entire banking system is in private hands. The Tatas have banks at their disposal; the Birlas have banks at their disposal. They have general insurance also at their disposal. If you want to control these groups, it is time that you seriously took measures to control these institutions through which they take the money of the shareholders for their purposes.

Take the steel industry. I have been advocating for several years now that right from iron mines and iron ores till the end of manufacturing steel, the entire process should be nationalised. We may have competitions in other fields. But in time like this and in industries of this category we should decide which sectors should be completely under the public sector. Whatever may be their achievements, I suggest that even the Tatas should be nationalised, if you want the steel industry to grow in this country. You have to reconsider your entire industrial policy in the context of things that are happening in the country, the unscrupulous manner in which some of the big business houses have exploited the liberal attitude of the Government to subvert our economic development. If you take over banking and insurance at this moment, there would be little room for these things.

About the Company Law Administration, there are recommendations already. They are not new. The Shastri Committee, the Bhabha Committee all these committees have made ample recommendations. It is a waste. It is dishonest on the part of the Government to some extent to say that this report was meant mainly to unearth guilts and punish the guilty. It is not so. Ultimately that has not happened. If legislations are necessary, you must do them. The sooner you do it the better. After this exposure you will get unanimous support from the House and from the country. You must take steps to bring in legislation and modify your present laws, if you are not able to take them over. Executive and legislation action should be taken to plug the loopholes so that such things may not happen in the future. You are not taking any steps to punish these people to act as deterrent; you are still hesitant to take action probably because you think that when such things are found out in the other big business houses in the private sector, they are so powerful that they may

ultimately throw you a challenge and then you will find it difficult to manage your own affairs. That is what it comes to.

There are two ways how corruption could be stopped. At the highest level, measures should be immediately taken, whoever he may be, however high placed he may be in business or in Government or in public life, to find out things and punish guilty persons. I maintain that even the present laws give you enough powers to act and see that these things are stopped but you have to decide in your mind first. My complaint is that you are not only vacillating. It will not probably be wrong to accuse the Government that they are a party to the machinations of these big monopolies, big business houses that are in the country.

श्री शशिरंजन (पपरी) : एक गम्भीर विषय को लेकर आज हम इस सदन में उसकी समीक्षा कर रहे हैं। ऐसा विषय पहले कभी भी हमारे सामने उपस्थित नहीं हुआ है। लेकिन बजाय उसकी समीक्षा करने के हम लोग कानून के मुताबिक सरकार जो काम कर रही है, उस पर विचार अपने व्यक्त कर रहे हैं, उसी पर ज्यादा बोल रहे हैं। अभी हमारे द्विबेदी जी ने कहा है कि फेडरेशन आफ चैम्बर्स आफ कामर्स से हमें अपना सम्बन्ध विच्छेद कर लेना चाहिये क्योंकि उसके कुछ सदस्यों ने कुछ ऐसी बातें कहीं और उसमें सम्मिलित होने से इन्कार किया। यह जो चीज है, व्यक्तिगत चीज है। अभी उन्होंने टाटा का दृष्टांत दिया है और कहा है कि टाटा ने कहा कि मैं सम्मिलित नहीं हूंगा। यह उसका व्यक्तिगत व्यवहार है, व्यक्तिगत आचरण है और इसमें सरकार कुछ नहीं कर सकती है। यह एक बहुत बड़ा व्यापारी वर्ग का समूह है और इतने बड़े समूह में अगर एक दो भावमी, गलती करते हैं कुछ इस प्रकार का कार्य करते हैं, तो उसके

[श्री शशिरंजन]

लिये सारी की सारी गवर्नमेंट को दोषी दल ठहरायें, यह शायद उचित नहीं होगा।

दाजी साहब ने बहुत सी आदर्श की बातें कही हैं। आदर्श की बात सही हो सकती है, कैसा होना चाहिये, क्या होना चाहिये, यह सब जो उन्होंने कहा मैं उससे बहुत कुछ सहमत हूँ। लेकिन विषय यह नहीं है। विषय यह है कि अभी जो परिस्थिति हमारे सामने है, कानून के मुताबिक जिन कम्पनियों ने व्यवहार नहीं किया, उनके साथ हमारा कैसा व्यवहार हो, उनके प्रति हमारा क्या दृष्टिकोण हो, हम उसकी कैसी समीक्षा करें। आदर्श की बातों से शायद ही कोई व्यक्ति सहमत हो सकता है। कोई नहीं कहता कि लूपहोल्ड को प्लग न किया जाए। कोई नहीं चाहता कि इनकम-टैक्स का इंबेशन बन्द न हो, कोई नहीं चाहता कि ओहदे के प्रभाव से गलत काम बड़े बड़े दफ्तरों में जाकर कोई करवाये। लेकिन यह कहना कि हमारे प्रधान मंत्री अपना सम्बन्ध बिल्कुल विच्छेद कर लें, ऐसे विंग विन्निंग हाउसिस से, यह कैसे सम्भव हो सकता है या कहां तक उचित हो सकता है, इस पर हमें विचार करना चाहिये। अगर इस तरह से हम अपने को सब से अलग करते जायें तो कैसे काम चल सकता है? होना तो यह चाहिये कि जिनमें आदर्श हो जो यहाँ पर आदर्श की बात करते हैं वे उन लोगों के पास जायें जो इस तरह की गलत बात करते हैं और उनको समझायें, उनको बतलायें कि तुमने यह ऐन्टी नेशनल काम किया है और समाज के विपरीत काम करने का नतीजा सारे देश पर पड़ेगा। जब देश नहीं रहेगा तो वे लोग कहां रहेंगे। इस तरह से उनके पास जाकर और उनके मानस पर कुछ प्रभाव डाल कर, कुछ अपना ऐक्शन दिखावा कर और अपने में भी वही प्रवृत्ति लाकर हम काम करते तो मैं समझता हूँ कि उससे ज्यादा असर पड़ेगा। आज नहीं हो, कल नहीं हो, कुछ ज्यादा दिनों में ही, लेकिन इसका असर जरूर पड़ेगा। असल में इस

पालियामेंट ने कानून बनाया है और बहुत से सदस्य काफी दिनों से यहां हैं, कानून बदलना उनके हाथ में है, वे जब चाहें कानून बदल सकते हैं, लेकिन सरकार तो जो कानून है उसके मुताबिक ही काम करेगी और करना भी चाहिये। अगर वह ऐसा नहीं करेगी तो कानून की मान्यता नहीं रहेगी और कानून का कोई महत्व नहीं रहेगा।

अब इस रिपोर्ट की मैं कई रुखों से समीक्षा करना चाहता हूँ और सदन का ध्यान उसकी तरफ आकृष्ट करना चाहता हूँ। एक काल तो सन' १९४८-४९ का है जिसकी चर्चा इस रिपोर्ट में की गई है। आज की परिस्थिति में, आज के वातावरण में हम चाहें तो भी कह लें लेकिन जब हम उस समय की बात करते हैं, पुराने समय की बात करते हैं, तो उस समय में जाना पड़ेगा और उस समय की परिस्थिति को, उस वक्त के वाक्यात को भेदनजर रख कर विचार करना पड़ेगा। सन' १९४८-४९ में अंग्रेज तुरन्त गये थे, सत्ता हमारे हाथ में आई थी। हम लोगों को बहुत सी तब्दीलियां करनी थीं और हमें जीवन के हर पहलू में जूझना ही नहीं बल्कि उसे सुधारने के लिए भगीरथ प्रयत्न करना था। बहुत सी समस्याएँ एक साथ उभर आई थीं। सदियों की दासता से हम खुद बहुत कमजोर और जर्जर हो गये थे। अंग्रेज इसलिये हमारे देश से नहीं चले गये थे कि उन्होंने हम पर कोई मेहरबानी की थी, बल्कि इसलिये चले गये थे कि देश की परिस्थिति ऐसी थी जिसमें उनके लिये यहां रहना संभव नहीं था। सदियों की दासता ने हमें बहुत कमजोर कर दिया था और जब भी हमारी नजर देशी क्षेत्र में और अन्तर्राष्ट्रीय क्षेत्र में पड़ी तो हमने पाया कि हमें बहुत कुछ करना है। हीले हीले हमने कुछ प्रगति भी की और काम भी किया, लेकिन हम सब पहलुओं पर दृष्टि नहीं डाल सके। इसमें सरकार का ही दोष नहीं कहा जा सकता है बल्कि देश के हर एक रहने वाले का दोष था।

जो कुछ हुआ, जो अन्वेषणों आई उसमें भी हर एक का साक्षा है और जो खामियां रह गई उसके लिये भी हर एक दोषी ठहराया जा सकता है। उस वक्त अंग्रेज लोगों ने हमें जो शोषण की शिक्षा दी थी उस में समाज में एक दूसरे का शोषण करने की शिक्षा मिली थी, विजिनेस क्लास वाले जो लोग थे वे भी शोषण की प्रवृत्ति रखते थे। उस वक्त पैसे का महत्व था। राय बहादुरी, राय साहबी और सर की उपाधि किसी गरीब हलवाहे को नहीं मिलती थी बल्कि करोड़पति और अरबपति को मिलती थी। लोगों में उसकी लिप्सा थी, लोगों में उसके लिये ललक थी और वे चाहते थे कि उनके पास पैसा हो। उसके लिये वे गलत काम भी करते थे। कांग्रेस इतने दिनों तक लड़ी और उसने पैसे के महत्व को घटाने की और व्यक्ति के महत्व को बढ़ाने की बातें कीं। हम उसमें कहां तक कामयाब हुए यह दूसरी बात है।

सन् १९४९-५० जो वक्त था वह एक ट्रांजिशनल पीरियड था, हम एक जीवन से दूसरे जीवन में प्रवेश कर रहे थे। कम्पनी ला हमारे ऊपर अंग्रेजों द्वारा लादा गया था। हम लोग उसे मानते आये थे, हम उसमें तब्दीली नहीं कर सके, शायद वह हमारी नजर से छूट भी गया, में ऐसा मानता हूं। उस के बाद लियाकत अली की मिनिसट्री बनी। बाजार में जो शेरर थे उनके एक बार ही भाव गिरे। कुछ लोगों ने खरीदे और बेचे। गलत किया या सही किया, कुछ लोगों ने जान बूझ कर भी किया। लेकिन हमें वस्तुस्थिति को भी मद्देनजर रखना पड़ेगा और कार्य करना होगा। एक वह परिस्थिति थी।

दूसरी परिस्थिति यह आई कि डालमिया जैन का यह मामला समीक्षा के लिये एक कमीशन को सौंपा गया और उस कमीशन ने सात, आठ वर्ष का समय लिया। इस दरम्यान मैं बहुत सी तब्दीलियां हुई, हो रही थीं।

कमीशन को विचार करना था उस वक्त पर जो कि सन् १९४८-४९ का था।

16.27 hrs.

[Mr. Speaker in the Chair]

जो कार्य उस कमीशन को सौंपा गया था वह तत्कालीन समय के लिये नहीं था। उसके बारे में उसे सुझाव देने थे। सन् १९५३ में उसने विचार किया। सन् १९५३ में भाभा कमेटी भी बनी थी और उसने कम्पनी ला में कुछ अर्मेंडमेंट किया। फिर सन् १९५७ में कुछ अर्मेंडमेंट हुआ। श्री शास्त्री ने, जिन्होंने दफ्तरी साहब के साथ राय दी है, एक अलग रिपोर्ट पेश की थी। कुछ तब्दीलियां भी हुई थीं।

तीसरा जो वक्त आया वह उस सात या आठ महीने का है जिसकी रिपोर्ट इस सदन के पटल पर रखी हुई है। आज जो वस्तुस्थिति है उसकी परिस्थिति में भी काफी लोगों के दिमागों में बहुत सी बातें आई हैं। अब रिपोर्ट हमारे सामने पेश की गई है और दफ्तरी साहब और शास्त्री जी ने कम्पनी ला को फिर बदलने का सुझाव दिया है।

सवाल यह उठता है कि अगर डालमिया जैन ग्रुप वालों ने कम्पनी ला के मुताबिक कार्य किया, अगर कानून में लूपहोल्स होने की वजह से उन्होंने उसका नाजायज फायदा उठाया तो उसके लिये कानून ज्यादा दोषी है बनिस्वत उस आदमी के। हालांकि मैं उस आदमी को भी दोषी मानता हूं। अगर वह ठीक था तब फिर इस दरम्यान में कम्पनी ला को ठीक करने का सुझाव देना मुझे ठीक नहीं जंचता है। इस कमीशन के बारे में हमारा जो विचार था, उसके बारे में जो अहमियत थी, उसके बारे में हम लोगों ने जो नकशा बना कर रक्खा था, अगर उसमें तब्दीली आ गई तो उस दरम्यान में कम्पनी ला को क्यों अर्मेंड किया जाय ?

इन सब बातों को मद्दे नजर रख कर हमको इस पर विचार करना है, इन बातों

Report of the
Commission of Inquiry into
Dalmia-Jain Companies

certain companies
and opinion of additional Solicitor
General laid on the Table

[श्री शशिरंजन]

को ध्यान में रख कर हम अपनी राय दें। यह कह देना कि सरकार भी इसमें पार्टी है यह ठीक नहीं है। सरकार ने तो, जैसा मैंने पहले भ्रज किया, जो पालियामेंट का बनाया हुआ कानून है उस को मढ़े नजर रख कर काम किया। किसी की तरफ से थोड़ी कमजोरी हो सकती है, किसी की तरफ से कोई ढीलापन हो सकता है, लेकिन कम्पनी का को बासाये ताक रख कर कोई सरकार काम करे, ऐसा संभव नजर नहीं आता। अब हमें यह कानून कैसे बदलना है यह पालियामेंट के मेम्बरों के हाथ में है, उनको इस पर विचार करना चाहिये। इसमें तो कोई दो राय नहीं हो सकती कि कानून जो हम बनायें वह ऐसा नहीं होना चाहिये कि सारा पैसा एक आदमी के पास सिमट कर आ जाए। हम लोगों ने जो समाजवादी समाज की कल्पना की है उसको कैसे कार्यान्वित करें, कैसे अपनी योजना को सब जन हिताय और सब जन सुखाय बनाव, इस पर हमको विचार करना चाहिये।

कमीशन की रिपोर्ट के बारे में मैं एक दो शब्द और कहना चाहता हूँ। मैं बड़े भ्रदब से निवेदन करना चाहता हूँ कि यद्यपि इस कमीशन की रिपोर्ट प्राप्त करने पर देश का इतना पैसा खर्च हुआ, लेकिन उसमें हमको बातों का कुछ खुलासा नहीं मिलता। शायद इसका कारण यह हो कि इसमें कुछ कानून की भ्रइचन थी। इस रिपोर्ट से यह तो प्रकट होता है कि लोग एक दूसरे का शोषण करना चाहते हैं। हमको इसकी शिक्षा तो मिलती है। अब हम कानून को इस तरह बदलेंगे ताकि जिस तरह के समाज की हम रचना करना चाहते हैं वह सम्भव हो सके। लेकिन हमको इस रिपोर्ट को इस दृष्टि से देखना चाहिये कि उस समय जो कानून मौजूद था उसका डालमिया जैन ग्रुप ने कहां तक उल्लंघन किया और उसके लिये वह कहां तक दोषी है। इस तरह इसको नहीं देखना चाहिए

जैसे कि हमारी उससे कोई दुश्मनी हो और हमारा यह दृष्टिकोण भी नहीं होना चाहिये कि क्योंकि उसमें बहुत पैसा कम लिया है इसलिये उस पर लाइन लगायें या उसको परेशान और पामाल करें। हमें तो यह देखना है कि उसने कानून का कहां तक उल्लंघन किया और कानून के मूताबिक उसने क्या गलतियाँ कीं। मैं समझता हूँ कि जब इस सदन में बैठ कर इस प्रश्न पर विचार करें तो हमको निष्पक्षता से विचार करना चाहिये, जहां तक सम्भव हो। हमारा दृष्टिकोण निष्पक्ष होना चाहिए।

DOCUMENTS RE: CERTAIN COMPANIES
AND OPINION OF ADDITIONAL SOLICITOR-GENERAL
LAID ON THE TABLE

The Deputy Minister in the Ministry of Finance (Shri B. R. Bhagat):
Sir, with your permission, I lay the following documents on the Table of the House:

- (1) the charges sent to New Asiatic Insurance Company Limited and Ruby General Insurance Company, Limited;
- (2) the reports of the Government directors of the New Asiatic Insurance Company Limited; and
- (3) the opinion of the then Additional Solicitor-General, Shri H. N. Sanyal.

[Placed in Library. See No. Lt-1311/63].

Shri Daji (Indore): In this connection, I want to make a request to the Minister concerned through you. It is very good that the documents which were not available so far have now been placed on the Table. Since the Prime Minister is also here, I would like to submit one thing. It is not fair to lay on the Table only the report of the Solicitor-General which gives a clean bill to the parties concerned. The auditor's report, on the