

of the words "for the purpose of any" for the words "and no" is concerned, what my hon. friend wants to do is to couple the whole thing in one sentence without its being split by this conjunction. The purpose of the conjunction is quite clear. There are two purposes. The question of any suits being continued and maintained will not be affected because of the previous provision. As my hon. friend who preceded me mentioned, the suits will continue and then we will have to say: here is the indemnity Act which has been passed. But by reason of that provision the court must allow the suit against the defendant who might be an official in this particular case.

It may be my hon. friend has something else in his mind. But I am afraid he has not given us the proper wording, and I find neither myself nor my legal advisers are in a position to comprehend what he has in mind and frame a suitable wording for that purpose.

I might also mention in this connection that the predecessor of this House passed the Inflammable Substances Act, and section 6 of that Act, word for word, is the same as this. I therefore feel I would be embarking upon unknown seas if I accept the hon. Member's amendment and therefore I have to oppose it.

**Mr. Speaker:** Then I shall put the amendment as a whole—not in parts.

The question is:

In page 1,—

(i) line 22, for "as" substitute "deemed to be"

(ii) line 23, for "and no" substitute "for the purpose of any"

(iii) line 24, omit "shall be maintained or continued".

The motion was negatived.

**Mr. Speaker:** The question is:

"That clause 4 stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Enacting Formula were added to the Bill.

**Shri T. T. Krishnamachari:** I beg to move:

"That the Bill be passed."

**Mr. Speaker:** The question is:

"That the Bill be passed".

The motion was adopted.

## INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL

**The Deputy Minister of Finance (Shri M. C. Shah):** I beg to move:

"That the Bill further to amend the Industrial Finance Corporation Act, 1948, be taken into consideration."

The Industrial Finance Corporation was set up on the 1st July, 1948 and has during the course of four years of its existence proved very useful in supplementing the capital requirements of industrial concerns which could not be satisfied by recourse to the capital market. This period coincided with a time when industrial enterprise found that while on the one hand the capital required for their schemes proved insufficient on account of the rising costs, on the other it had become more difficult to raise fresh liquid capital from the market. Thus the establishment of the Industrial Finance Corporation was most opportune and it has been able to make a material contribution to the promotion and development of industry. It has so far sanctioned loans to 103 concerns of varying sizes all over the country engaged in all types of industries, and the amount sanctioned up to the end of October, 1952 is of the order of Rs. 15,22,70,000. The House will agree that this is an impressive record, particularly if it is remembered that the field of industrial finance was relatively new when the Industrial Finance Corporation was started and it was necessary that it should feel its way cautiously. With the experience it has now acquired it is possible for it to extend its activities. In the interest of the industrial development of the country also it is necessary that this Corporation should be placed in a position to render greater service to industrial enterprises. It is with this object that the present Bill is framed. This purpose is sought to be achieved by widening the scope of activities of the Corporation and enabling it to supplement its resources from loans from the International Bank for Reconstruction and Development. At the same time it is proposed to strengthen its financial position and to incorporate into that Act certain further provisions to make it possible for the Corporation to exercise effectively the power it has already given.

Taking first the question of extension of its activities, the two specific proposals in the Bill are, firstly the inclusion of shipping companies in the definition of 'industrial concerns' which

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could be financed by the Corporation, and, secondly, increase of the limit on individual advances. In view of the importance to this country of the development of Indian shipping, it is only proper that we should make shipping companies eligible for financial assistance from the Corporation.

As regards the proposal to raise the maximum limit of loans which the Corporation may grant to any single industrial concern, the Corporation has for some time found that in view of the increasing prices all round, and more particularly of capital goods, the present limit of Rs. 50 lakhs is inadequate in certain cases. As the bulk of the advance made by the Corporation is against capital goods, it is considered necessary that the maximum limit should be increased to one crore of rupees. It is proposed to allow this limit to be exceeded where the loan is guaranteed by Government.

Another direction in which the Corporation's functions are being extended is empowering it to act as agent of the Government and the International Bank for Reconstruction and Development for the supervision of loans granted by them direct to the industries.

The justification for these proposals will be more clear when I have explained the provision proposed to be made in regard to the loans from the International Bank for Reconstruction and Development.

**Dr. N. B. Khare** (Gwalior): On a point of order, this can be taken as read.

**Mr. Speaker:** The hon. Member would not then have the chance of reading it before the debate starts. That is the difficulty.

**Shri M. C. Shah:** As the House is aware, the International Bank for Reconstruction and Development has sanctioned loans for certain Government and semi-Government projects in India. In view of the place which the Industrial Finance Corporation occupies in the field of provision of finance to industrial undertakings, it would be appropriate to use it as a channel for getting for the private sector of industry the advantage of the financial accommodation given by the International Bank. This possibility was envisaged even when the original Act was passed and section 27 provides for borrowings by the Corporation. When this section was framed, however, the exact mechanism and pro-

cedure which would be involved in such borrowings were not clear. During the negotiations we have had with the World Bank for further loans, it became clear that they would be glad to assist the private industry through the Industrial Finance Corporation with whose working they were satisfied. It is therefore now proposed to amend section 27 in such a way as would enable the World Bank to grant loans to the Industrial Finance Corporation. The two main features of this amendment are (1) provision for a guarantee by Government and (2) provision to meet losses on exchange transactions. It is customary for all loans granted by the World Bank to third parties to be guaranteed by the Government of the country to which the loanee belongs. It is therefore necessary that such a guarantee should be provided for in respect of the loans by the Industrial Finance Corporation from the World Bank. As the House is aware, the Act already provides that the bonds and debentures raised by the Corporation in India shall be guaranteed by the Central Government and the guarantee now proposed to be given in respect of the following borrowings will be in keeping with the scheme of the Act.

As regards any loss or profit in exchange which might arise as a result of transactions in connection with the foreign currency borrowings, it seems appropriate that the Government should undertake both the risk of loss as well as the advantage of any profit that may accrue. It would be difficult for the Corporation to borrow from the International Bank for Reconstruction and Development on any large scale if it has also to undertake the risk of exchange loss. It must also be remembered that all the profits of the Corporation in excess of five per cent. accrue to Government. In order that India should get full advantage of any loan agreement between the Industrial Finance Corporation and the International Bank for Reconstruction and Development, it is desirable that the Industrial Finance Corporation should be in a position to grant loans in particular cases for even larger amounts than the maximum of one crore of rupees. Ordinarily, in the case of very large industrial enterprises, it should be possible to negotiate for a direct loan from the International Bank for Reconstruction and Development. Such cases need not, therefore, be included in the arrangement between the Industrial Finance Corporation and the International Bank for Reconstruction and Development. There may,

however, be intermediate cases where such separate negotiations would be unnecessary and could be avoided if the loan is initially given by the Industrial Finance Corporation so that it could fall within the scope of its loan arrangements with the International Bank for Re-construction and Development. It is for this reason, Sir, that the further provision has been made for a loan exceeding one crore of rupees to be given by the Corporation if it is guaranteed by Government. In order to ensure that the guarantee is not given by Government before the Corporation itself is satisfied that it is a good business proposition and it is in favour of such a loan being sanctioned, it has further been provided that the loan should be sanctioned only by guarantees given on the recommendation of the Corporation. The Corporation has already got supervisory staff for the purpose of inspection of concerns to which it advances loans. In order to cope with its increasing activities, it proposes to strengthen the staff, particularly of technical experts. Thus, the Corporation will be increasingly in a better position to scrutinise the industrial schemes for which loans are required and to supervise the functioning of industrial concerns. It will therefore be in the fitness of things if the agency of the Corporation is available to both the Central Government and the I.B.R.D. Either of them will give direct loans to the industry. The provision made in this regard in the Bill is discretionary and its utilisation will depend on the ability of the Corporation at any particular time to deal adequately with the work which would be involved in the discharge of this function.

The strengthening of the financial structure of the Corporation is sought to be achieved by the following measures. In the first place, it is proposed to make provisions which would ensure that the Corporation does not suffer any unnecessary losses of interest or by way of capital depreciation on its investments. The present position is that the Corporation raises funds by issue of bonds in the market. The money so raised cannot, however, be utilised in advancing of loans to industrial concerns for a considerable time because disbursement in respect of loans sanctioned is made only after scrutiny of title deeds and compliance with various other essential formalities and also because the money is paid in instalments as and when required by the borrowers. At the same time the Corporation has to cover itself in respect of loans sanctioned by making provision for the whole amount through

the issue of bonds but the amounts raised by bonds have therefore to be invested in the intervening period with the Reserve Bank or its agent under section 19 or in Government securities under section 20. The interest which the Corporation earns both in deposits and Government securities is much less than what it has to pay on the bonds and moreover, the realisation of Government securities when loans have to be advanced, sometimes involves the Corporation into loss. In order to get over these difficulties, it is proposed to allow the Corporation to keep its funds in deposit with a Scheduled Bank or a State Co-operative Bank in consultation with the Reserve Bank. It is also proposed to permit the Corporation to borrow from the Reserve Bank on short-term basis against Government securities so that it may not be forced to sell them at a time when such sale may not be desirable. It is further proposed to authorise the Corporation to borrow from the Reserve Bank up to three crores of rupees for a period not exceeding eighteen months so that the actual issue of bonds in the market need not be made by the Corporation long in advance. This will save any loss of interest. At the same time, the limitation of the period will ensure that the Corporation does not carry on its business on the basis of such temporary borrowings from the Reserve Bank, but issues its own bonds on the market.

3 P.M.

Another way in which the financial position of the Corporation is sought to be strengthened is by the provision of a special reserve fund to which the dividends earned by the Government and the Reserve Bank are proposed to be credited until the total reserve reaches Rs. 50 lakhs. It has not been possible for the Corporation to build up its reserve fund quickly on account of a provision in the Act which requires it to pay the guaranteed minimum dividend out of the profits from the very inception. This has further resulted in the Corporation having had to borrow during the first three years from the Central Government to meet this liability. It will, therefore, take a long time before the Corporation is able to have out of its own profits a reserve fund which would be adequate for its size and operation. The foregoing of their dividends by the Government and the Reserve Bank for a few years would seem, therefore, to be the best method of building up an adequate reserve fund in the shortest possible time. It will be remembered, Sir, that when the Reserve Bank was established, the Government made a special contribution of five crores to

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the reserve fund of the Bank and the present proposal is a more equitable deviation of the same idea. The position of the Central Government and the Reserve Bank vis a vis the other shareholders in respect of the special reserve fund is safeguarded by prescribing that no other shareholder will have any claim whatsoever to the balance at the credit of that special reserve fund.

I shall now take up the amendments which relate to the provisions required for enabling the Corporation to exercise these powers. Though the Act provides that in the event of certain contingencies, the Corporation shall have the right to take over management of the industrial concerns which have borrowed from the Corporation, there is no detailed provision indicating how the Corporation will exercise this power. It is accordingly proposed to insert five new clauses, clauses 30A to 30E in partial supersession of the provisions of the Indian Companies Act and the memorandum and articles of association of the industrial concern. These clauses authorise the Corporation to appoint directors of an industrial concern the management of which has been taken over. The powers and duties of such directors have been elaborated. On the appointment of such directors, all existing directors will be deemed to have vacated their offices. Similarly any existing managing agency agreement will be deemed to have terminated without any claim for losses or damages. The right of shareholders to nominate any director will be abrogated and no resolution passed by the shareholders will be given effect to unless approved by the Corporation. No winding up proceedings of the industrial concern will lie except with the sanction of the Corporation. Power is also being taken for the Corporation on the analogy of section 153C (5) (d) and (e) of the Indian Companies Act to move a court for the termination of any unconscionable contract subsisting between the industrial concern and any other party. If the object of empowering the Corporation to take over management of any debtor concern which is mismanaged and is unable to repay its loan is to be fulfilled, these provisions are absolutely necessary. The power of taking over is hardly likely to be exercised except in exceptional cases. But, when such a contingency does arise, it is necessary that the Corporation should be able to run the concern without interference. The rest of the provisions of the Bill, Sir, are based

on the experience gained in the actual working of the Corporation during the last four and a half years. I shall briefly indicate here the nature of these amendments.

In the first place, Sir, the number of directors to be nominated by the Government is being increased from ~~three to four~~. It is not intended to use this power for nominating more Government officials on the Board, but to enable the Government to have proper representation to all interests. In view of the responsibility undertaken by the Government on account of the guarantee of the principal and dividends of the debentures it cannot be said that the Government would be getting a disproportionately large representation. Secondly, section 10 is being amended to include a Deputy Managing Director of the Corporation in the directorate of the Corporation without voting rights. Thirdly, provision is being made for the removal of the Managing Director if such removal becomes necessary. Such a provision exists in the Reserve Bank of India Act in regard to the Governor of the Bank and it is clearly necessary that there should be some power for the termination of the Managing Director's services during the period of his appointment. In order, however, to ensure that this power is exercised only when absolutely necessary, it is laid down that the Managing Director should be removed only if the Board recommends such a course by a two-thirds majority and after he has been given a reasonable opportunity to show cause against such action. Fourthly, Sir, section 34 of the Act is proposed to be amended to bring it in line with section 37 of the State Financial Corporation Act, 1951, with a view to associating the Comptroller and Auditor General of India more closely with the audit of the affairs of the Corporation. This will be in accordance with the wishes expressed by the Public Accounts Committee in respect of the audit of statutory corporations.

Lastly, various minor amendments are being made to bring the Act in line with the State Financial Corporation Act, 1951. The Select Committee which considered that legislation, which itself was based on the Industrial Finance Corporation Act, made certain improvements in the Bill. We are taking the opportunity to embody those improvements in the Industrial Finance Corporation Act. As I have already explained, Sir, I expect that the working of the Corporation will be considerably improved and its usefulness in

the sphere of industrial development in the country will be enhanced by the provisions which are proposed to be made in this Bill.

Sir, I commend the Bill for the acceptance of this House.

**Dr. N. B. Khare:** Faultless delivery.

**An Hon. Member:** Perhaps he has not been able to follow.

**Mr. Speaker:** Order, order.

Motion moved:

"That the Bill further to amend the Industrial Finance Corporation Act, 1948, be taken into consideration."

**श्री क० सी० सोबिया (सागर):** मान्यवर अध्यक्ष महोदय, अभी हाल में इंडस्ट्रियल कॉर्पोरेशन ऐक्ट (Industrial Corporation Act) को संशोधन करने के लिये जो बिल पेश किया गया है उस के सम्बन्ध में आप का ध्यान थोड़ा सा उस कॉर्पोरेशन की कार्याहियों की ओर आकर्षित करना चाहता हूँ।

मान्यवर, जब यह ऐक्ट पास हुआ था उस वक्त देश के लोगों को इस से बड़ी बड़ी आशाएँ थीं कि इस से आगे चल कर हमारे देश में नये नये कारखानों के लिये पूंजी प्राप्त होगी। मेरे सामने इस कॉर्पोरेशन की चौथी सालाना रिपोर्ट है। इस रिपोर्ट में यह बात बतलाई गई है कि भिन्न भिन्न कारखानेदारों को किन किन प्रकार के कामों के लिये कितना कितना पैसा इस कॉर्पोरेशन ने इस कार में दिया है। लेकिन अगर आप देखेंगे तो उस से आप को यह साफ नहीं मालूम हो सकता कि किन किन नये कारखानों को इस में से पूंजी दी गई है। इस में यह नहीं मालूम होता कि इस में सिर्फ पुराने कारखानेदारों ने ही जो कि देश को कपड़ा आदि बना कर देते हैं, पैसा प्राप्त किया है या नये कारखानेदारों ने भी कुछ पैसा दिया गया है।

दूसरे आप देखिये कि सरकार इस कॉर्पोरेशन से सवा दो रुपया सैकड़ा सालाना का ब्याज लेती है। लेकिन पिछले साल में इस कॉर्पोरेशन ने एक पैसा भी ब्याज के रूप में नहीं दिया है और २४ लाख रुपया जो कि ब्याज का होता है वह अपनी तरफ नाम में लिख दिया है।

तीसरी बात यह है कि इस ऐक्ट के सेक्शन २२ के मुताबिक इस कॉर्पोरेशन पर यह फर्ज आयद होता है कि इस को पबलिक से डिपॉजिट (Deposit) प्राप्त करने चाहिये। पबलिक से किसी कम्पनी या कॉर्पोरेशन को डिपॉजिट सिर्फ इसीलिये नहीं मिल जाय करता कि सरकार ने उस की गारंटी दी हुई है, लेकिन उस की कारगुजारी से, इस बात से कि उस न पूंजी पर इतना ब्याज पैदा किया है, उस को डिपॉजिट मिलता है। पिछले चार सालों में चूँकि इस कॉर्पोरेशन ने एक भी पैसा पैदा नहीं किया है इसलिये यह सही बात है कि पबलिक इस को एक भी पैसा डिपॉजिट में नहीं दे सकती। इसीलिये पिछले साल में, हालांकि सेक्शन २२ में यह साफ लिखा हुआ है कि कॉर्पोरेशन का कर्तव्य है कि लोगों से डिपॉजिट प्राप्त करे, इस कॉर्पोरेशन न डिपॉजिट के नाम पर एक पैसा भी पैदा नहीं किया है, और अब इस की पूंजी सिर्फ वह डिबेंचर (debentures) हैं जो कि सरकार ने अथवा रिजर्व बैंक ने या और बैंकों ने लिये हैं। इस के अलावा और कोई जरिया इस के पास पैसा पैदा करने का नहीं है। अब आप देखिये कि १५ करोड़ रुपये का ऋण दे दिये जाने पर भी और जब कि यह कॉर्पोरेशन अपने कर्जदारों से साढ़े पांच रुपया सैकड़ा सालाना का सूद लेता है, यह सरकार को एक पैसा भी ब्याज का नहीं दे सका है जब कि सरकार की ब्याज की दर केवल सवा दो रुपया सैकड़ा सालाना

[श्री के०सी० सोबिया]

हैं। अब तक इस ने सिर्फ इनकम टैक्स (Income-Tax) का पैसा दिया है और वह भी एक हाथ से दे कर दूसरे हाथ से ले लिया है। इस ने तीन साल में २४ लाख रुपया इनकम टैक्स का दिया है और २४ लाख ही अपने नाम में लिख लिया है। इस से क्या फायदा हुआ अर्थात् जिस तरह से कि इस कॉर्पोरेशन का काम चलना चाहिये उस तरह से नहीं चल रहा है।

मैं आप के सामने एक और बात पेश करूँ कि पिछले साल में इस कॉर्पोरेशन ने चार करोड़ रुपये का कर्ज दिया, लेकिन इस चार करोड़ का कर्जा देने पर अगर आप इस का कुल खर्चा देखें तो आप को मालूम होगा कि वह ३० लाख रुपया सालाना खर्चा हुआ है। अब आप सोचिये कि बैंकिंग के सिद्धान्तों के ऊपर काम करने वाला कोई कॉर्पोरेशन चार करोड़ रुपये का ऋण देने में अगर तीस लाख साल का खर्चा कर दे तो उस कॉर्पोरेशन के दिवालिया होने के सिवा और कोई रास्ता नहीं रहता। इसलिये मैं आप से अर्ज करना चाहता हूँ कि इस कॉर्पोरेशन के काम को सरकार चाहे किसी दृष्टि से देखे लेकिन हम लोग इस पर लानत भ्रजन के सिवा और कोई काम नहीं कर सकते। इस देश के करोड़ों छोटे छोटे आदमियों का जमा किया हुआ पैसा जो सरकार के पास जाता है उस पैसे को इस तरह से बरबाद होता देखना यह बाजब बात नहीं है।

अब दूसरी बात आप देखें कि इस कॉर्पोरेशन के पास ऐसे ऐसे कर्जदार आते हैं जो महीनों और वर्षों इस के साथ सर जपाते हैं और उन के ऊपर यह सैकड़ों और हजारों रुपया खर्च करने के बाद उन की कर्ज मंजूर कर देता है। लेकिन वह हज़रत ऐसे

हैं कि महीनों और वर्षों कर्ज की रकम नहीं उठाते हैं और इस तरह से कॉर्पोरेशन को ब्याज का नुकसान हुआ करता है। आप ही बताइये कि ऐसा कौन सा साहूकार हो सकता है जिस के पास ऐसे ऐसे कर्जदार आवें और अपने कर्ज की रकम को मंजूर भी करा लें और फिर घर जा कर सो जावें और वर्षों तक कर्ज की रकम को उठाने के लिए न आवें। इसलिये अगर सरकार चाहती है कि इस का काम बाजब तरीके से चले और इस को और नई नई पूंजी दी जाये तो भेरी सरकार से दरखास्त है कि वह इस बात को देखने की कोशिश करे कि कॉर्पोरेशन बाजब खर्च में अपना काम करे।

आप देखिये कि देश भर के कारखानेदारों के वास्ते पूंजी लगाने के लिये यह कॉर्पोरेशन है। काश्मीर से ले कर कन्या कुमारी तक और आसाम से ले कर गुजरात तक इस देश में सैकड़ों कारखानेदार काम करते हैं। और यह कॉर्पोरेशन उन को कर्जा देता है। लेकिन क्या इस के पास कोई ऐसी मशीनरी है कि यह देख सके कि जिन कारखानेदारों को इस ने पैसा कर्ज दिया है उन्होंने उस को बाजब तौर पर लगाया है या नहीं और वह आगे चल कर उस का कर्जा चुका सकेंगे या नहीं। इस काम के लिए इस कॉर्पोरेशन के पास कौन सी मशीनरी है यह मैं जानना चाहता हूँ।

मान्यवर समापति महोदय, मुझे यह आशा है कि इस कॉर्पोरेशन को और ज्यादा फंड देने से पेश्तर और इस के अधिकारों को बढ़ाने से पेश्तर इस बात की जांच कर ली जायेगी कि इस कॉर्पोरेशन के काम में जिस तरह कि वह आज चल रहा है कहां



कहाँ संशोधन करने की मुंजायश है। सरकार अगर इतना कर ले तो मुझे खुशी होगी कि वह फिर इस कॉर्पोरेशन को जितना चाहे उतना अधिकार दे दे।

**Shri S. C. Samanta (Tamluk):** On a point of information, Sir, I find in the lists of amendments, there are three motions for reference to the Select Committee. May I know whether those motions will be taken first or not?

**Mr. Speaker:** If the hon. Members are eager to move them, I should put them along with this so that there may not be a double debate. They will get a chance to speak when they move their amendments.

**Shri M. S. Gurupadaswamy (Mysore):** I beg to move:

"That the Bill be referred to a Select Committee consisting of Dr. Syama Prasad Mookerjee, Shri Umashanker Muljibhai Trivedi, Kumari Annie Mascarene, Shri S. V. Ramaswamy, Shri C. R. Basappa, Pandit Thakur Das Bhargava, Shri Arun Chandra Guha, Shri A. V. Thomas, Shrimati Renu Chakravarty, Dr. Lanka Sundaram, Shri Sarangadhar Das, Shri Radhelal Vyas, Shri Daulat Mal Bhandari, Shri M. Ananthasayanam Ayyangar, Shri Hari Vinayak Pataskar, Shri T. R. Neswi, Shri K. M. Vallatharas, Shri Jaipal Singh, Shri Hirendra Nath Mukerjee, Shri N. C. Chatterjee, Shri M. C. Shah, Shri P. N. Rajabhoj, Shri Sivamurthi Swami and the Mover, with instructions to report by the 30th January, 1953."

**Mr. Speaker:** Amendment moved:

"That the Bill be referred to a Select Committee consisting of Dr. Syama Prasad Mookerjee, Shri Umashanker Muljibhai Trivedi, Kumari Annie Mascarene, Shri S. V. Ramaswamy, Shri C. R. Basappa, Pandit Thakur Das Bhargava, Shri Arun Chandra Guha, Shri A. V. Thomas, Shrimati Renu Chakravarty, Dr. Lanka Sundaram, Shri Sarangadhar Das, Shri Radhelal Vyas, Shri Daulat Mal Bhandari, Shri M. Ananthasayanam Ayyangar, Shri Hari Vinayak Pataskar, Shri T. R. Neswi, Shri K. M. Vallatharas, Shri Jaipal Singh, Shri Hirendra Nath Mukerjee, Shri N. C. Chatterjee, Shri M. C. Shah, Shri P. N. Rajabhoj, Shri Sivamurthi Swami and the Mover, with instructions to report by the 30th January, 1953."

**Dr. S. P. Mookerjee (Calcutta-South-East):** May I ask for one clarification from the hon. Mover of the Bill? The hon. Minister stated that the amount sanctioned by the Corporation during the last four or five years is Rs. 15 crores upto October, 1952, but so far as we have been able to find out, they have actually paid only about Rs. five crores. Will he give us the complete figures, as to how much has been paid by the Corporation?

**Shri M. C. Shah:** The amount sanctioned up to the end of October was Rs. 15,22,70,000/-. Of this Rs. 145 lakhs were however not given; the applications were either withdrawn or the amounts were reduced. So, out of Rs. 15,22,70,000/-, Rs. 1,45,00,000/- are to be deducted, and it will come to Rs. 13,78,00,000/- or so, out of which money paid upto now is Rs. 7,96,00,000/-.

**Shri T. K. Chaudhuri (Berhampore):** Sir, I must at the outset thank the Government for having provided this House an opportunity to review the entire position with regard to the provision of industrial finance in this country and also the role which the Industrial Finance Corporation has been playing since its inception about four years ago. The principal aims which the present Bill seeks to achieve are three-fold. Firstly to authorise the Central Government to guarantee loans arranged in foreign currency, particularly in view of the fact that negotiations have been just concluded with the World Bank or the International Bank for Reconstruction and Development, because a loan by the World Bank can only be granted subject to a guarantee being given by the Government to which the loan is made; secondly, to authorise certain changes to strengthen the financial position of the Corporation; and thirdly to carry out certain other technical amendments, so as to improve the operation of the Act.

These, it seems from the Statement of Objects and Reasons to be the purpose of the Bill and it is necessary that this House considers all these three aspects in all detail very carefully.

Now, I want to know from the hon. Minister the exact terms of the negotiations that have been just concluded with the World Bank. Apparently it may seem that the World Bank is a very innocent type of international organisation, but I think on the economic plane it stands on the same par as does the United Nations Organisation on the political plane. So,

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before we accept loans from that Bank, it is very necessary to examine the exact terms on which those loans are being granted. Our Government are going in headlong for getting such loans and welcoming them with open arms. But it is necessary to be more cautious in this respect because of what might be called the Bank's politics. It is not in its real nature just an innocent international organisation or a philanthropic organisation which goes out to help undeveloped or underdeveloped countries of the world out of purely altruistic motives. Already negotiations are under way for certain loans being granted by the Bank for the biggest of our steel corporations.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

There were certain press statements to the effect that the hon. Minister of Commerce and Industry, when he was asked to give an indication about the terms of those loans, somehow or other evaded the question. I understand that the negotiations for these loans have not yet concluded. But it seems the negotiations for the loans that will be advanced to the Industrial Finance Corporation have already been concluded, and I would like the hon. Minister to take the House into confidence in this matter, because impartial observers—even American observers, I do not mean propagandists belonging to the Sino-Soviet bloc or the so-called Communist blocs—have commented on this. I would refer the hon. Minister to a book written by an American Professor Mr. Larry Leonard, Assistant Professor of Political Science in the Pennsylvania State College, on 'International Organisations', published by the McGraw Hill Company, which is a very respectable capitalist publishing firm, and the hon. Minister need not be under any apprehension that I am quoting from Communist or subversive literature. In one section of the book dealing with the Bank's politics, this American gentleman says openly and very frankly:

'In fact, the Bank reflected the political tension between the East and the West...'

You know Sir, what the terms 'East and West' means these days. He goes on to say:

"The United States, as the principal stockholder would probably not have looked favourably at granting a loan to Communist countries of East Europe or to China; and together with several

countries which controlled a large block of votes prevented them from being granted."

If you look at the thing from the other angle, while it was to the interests of the United States which is the principal stockholder of that Bank to prevent loans from being granted to certain countries, it is equally to the interests of the very same United States to encourage the advancing of loans by the Bank to certain other countries.

The Minister of Revenue and Expenditure (Shri Tyagi): Perhaps, the credit of the loanee has something to do with it.

Shri N. Sreekantan Nair (Quilon cum Mavelikkara): And his subservience too!

Shri T. K. Chaudhuri: Yes, it must have some such confidence in the loanee, because it has got its own axe to grind. The United States is the principal stockholder of that Bank, and as a matter of fact, the present Governor of the Bank is also a citizen of the United States. And we all know what sort of views he has been expressing and what sort of objectives he has in view when he goes about and negotiate these loans, or when his officers on the Mission do it. And the closest examination of the terms and conditions of any loan from the World Bank becomes all the more necessary, particularly in view of the fact that Mr. Chester Bowles the U.S. Ambassador in India in an article in the well-known American journal 'Foreign Affairs'—not in 'Blitz', and so it is not a forged one—clearly states what the objectives of United States economic activities or financial operations in India should be. He goes on to say in 'Foreign Affairs' of October, 1952:

"The success or failure of their effort being made in India and other countries to create an alternative to Communism in Asia, may mark one of those historic turning points which determine the flow of events for many centuries."

Then he proceeds to give his views as to how he would like democracy to work in this country and, how he would like the Indian leaders to work the economic system in this country, etc. He has given the plainest indication of American aims in India in this article. At one place he says:

"In theory at least, most Indian leaders would prefer an economic system based on democratic socialism."



But here comes the confidence in the credit of the loanee and he goes on to say:

"Fortunately, more and more Indian leaders are beginning to recognise that our American system of private enterprise is far more efficient than socialism. American businessmen who have visited India in the last two months have seen tangible evidence of this new understanding. The three oil companies which are now building refineries in India, for instance, were given 25 years guarantee against nationalisation and offered other inducements which scarcely would have been considered a year or two ago. Many observers believe that India Government could afford to go further in offering practical inducements to new investors, domestic and foreign alike, for example, a tax moratorium on new investments, or loans given by the Government of Puerto Rico."

He also suggests that there should be a close integration between the Japanese and Indian economies. Presumably he has in mind the fact that the Japanese economy is now under the heels of his own country and the Government he represents.

Now, in view of this clear enunciation of American objectives in India, I have the greatest apprehension—and the hon. Members of this House and the public at large outside the House equally share in that apprehension—about the terms of the loans that are being negotiated. These apprehensions become all the greater in view of the fact that in some cases it has been the practice of the World Bank to require that the borrowing country undertake economic and fiscal reforms before the loans can be granted. Already, Mr. Bowles looks with approving eyes to the type of guarantees against nationalisation which is being offered here, and before we give our seal of approval to the Corporation's accepting these loans we should like to know what are the exact terms or the type of economic or fiscal reforms we have been required to undertake because of these loans which are being proposed to be granted to us. It is clear, Sir, that loans from the World Bank, controlled as it is by one country which is looming very large today in the world imperialist horizon, cannot be of an innocent nature.

Then, Sir, the type of Industrial Finance Corporation we have here; its set-up; its control, ownership and organisation—these also make us

greatly apprehensive. Leaving aside all other aspects, the fact remains that this Corporation is a semi-private one in which the Government has only a share in the ownership and control of its management and nothing more. The majority of the shares are held by private corporations, joint stock banks, investment trusts and insurance companies. In this connection, I may quote what a Member of the Constituent Assembly (Legislative) had said when the original Bill which we are amending today was being discussed four years ago. I am reading from the speech of Shri Khurshed Lal, who is no longer alive:

"I am afraid that the bringing in of these scheduled banks, investment companies and insurance Companies which are more or less managed and operated by half a dozen groups and syndicates would be bringing in the influence of people who would be mostly interested in getting money from this Corporation."

This was the apprehension expressed at that time and to a very great extent that apprehension has been justified. It is absolutely true that the entire joint stock banking system together with investment trusts and other financial organisations which have grown up during and after the second World War are as Mr. Khurshed Lal had said "controlled by half a dozen groups". These groups control not only the economic destinies of the country but having secured a controlling voice in this Corporation they are likely to use the influence of this Corporation to bring the industrial economy of the country entirely under their thumbs. When we bear in mind at the same time that one of the main objectives the present amending Bill is to enable the Corporation to secure foreign loans from the World Bank and think of the likely consequences of this tie-up between American capital and Indian capital, we have to shudder at the future of India and her economy. I suggest therefore, Sir, that this whole Bill should be examined primarily from this point of view.

This Corporation is in the eyes of the law an autonomous body and therefore, it would not behave us to go into the details of its administration, but I would be failing in my duty if I do not refer to the widespread complaints that have come up against its administration. The complaints in brief are that the resources of the Corporation have been managed and disbursed in such a way that gives rise to the

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suspicion that the prestige of Government association with the Corporation and Government guarantee have been utilised by one particular group of capitalists under the leadership of one who is very high in the administration of this Corporation. It would not be proper for me to mention the name, but the expectations that were initially raised in our minds that the long-felt need for providing industrial finance to our big and medium industries all over the country would be met by this Corporation have been completely belied.

Then take the classification of the loans and advances that have been sanctioned. One of the clauses of the present Act requires that the annual reports of the Corporation together with a classification of the loans should be laid on the Table of the House. This has been done, but after going through the four reports that are available to us I wonder whether any hon. Members can find out what concrete development has taken place as a result of the working of this Corporation. In the first report we find that certain criteria were laid down for the sanction of loans, and the Board of Directors expressed their regret that they could not exactly lay down a scheme of priorities. But if we look at the industries to which loans have been granted from year to year and the quantum of these loans, any attempt for deriving the basis on which the loans have been granted baffles all sort of logical argumentation. All kinds of industries have been mentioned. In 1951 and 1952, we find the cotton textile industry has been sanctioned loans worth Rs. two crores. I do not know whether the full amount of these loans were utilised by the concerns to whom they were granted. Further more, we have to bear in mind that cotton textiles are one of the old established industries in India, having evolved their own arrangements for finance. Why should they be given such a big loan? Why should not other new industries which have opened up new fields, which have come forward to take bigger risks, be given proportionately greater amounts of loans? Moreover, there is open talk in this country of the rivalry between 'big' textiles and 'little' textiles and I wonder whether the resources of the Corporation have not been utilised for the benefit of the 'little' textile group which is headed by one who is very high in the administration of this Corporation and to whom I have already referred more than once. This figure of Rs. two crores given to cotton textile mills naturally arouse some

such suspicion in our mind. Sir, the predecessor of this House and the whole country, many hon. Members, several old and experienced Members of this House and I think several prominent Members in the Congress Party as well, wanted that this Corporation should be a State corporation. Disappointment was expressed by no less a person than our present Deputy-Speaker, the hon. Mr. Ananthasayanam Ayyangar; that the Industrial Finance Corporation that we got at last was not a State corporation, or a nationalised corporation. But even then, it was expected that this corporation would take a broad view of the industrial development of the country and its needs, particularly in this difficult period of post-war phase of our industrialisation. But unfortunately this Corporation has been transformed practically into a private capitalist organisation. We have been surprised to find that whatever voice or influence which the Central Government has over this Corporation have worked to the benefit of one particular set of capitalists and Government nominees on the Board of Directors have rather represented this particular capitalist group to which I refer than towards the furthering of broad national interests as it should have done.

A view was expressed when the original Bill was under discussion that Government nomination should ensure two things; first, that persons from under-developed areas should be nominated on the Board of Directors, so that they might take care of the special needs of their regions or localities; secondly, that the different class or sectional interests should be represented. After all industrial development of the country is just not the monopoly of any one particular capitalist group. It is a national concern and all classes and communities in the country have a claim on it. So, Government nomination should have ensured that all different interests who have their special stake in the industrial development of the country, not merely stakes of ownership and proprietorship.....

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** Does the hon. Member refer to Government nominees on the Board of Directors?

**Shri T. K. Chaudhuri:** Yes.

**Shri T. T. Krishnamachari:** There are only three nominees. They do not represent any interest except Government interest.

**Shri T. K. Chaudhuri:** If the hon. Minister refers to notes on clauses he will find that notes under clause 3 read as follows:

"In view of Government's responsibility on account of the guarantees given by the Government in terms of the Act and also to enable proper representation being given to all interests..."

**Shri M. C. Shah:** That is the reason why we want to raise the number on the Board of Directors. Today there are three Government nominees. As we are going to give further guarantee for these loans, we want to add one more. At the same time it has been made clear that we do not want to have Government officials only. We want to give representation to interests.

**Shri T. K. Chaudhuri:** That exactly was the intention in the original Act that all interests should be represented through Government nominees.

**Shri M. C. Shah:** That is followed. All the three are not Government officials.

**Shri T. K. Chaudhuri:** I know that. Our point is that why the directors nominated by the Government or even one should represent a particular group, or particular section of Capitalists?

**Shri Tyagi:** One of them represents labour.

**Shri T. K. Chaudhuri:** Yes, labour from the I.N.T.U.C.—I know that.

Sir, now I come to the clauses of the Bill designed to improve its operation. On the face of it these clauses appear to be innocent technical clauses, but if you read between the lines they are not really so. As a matter of fact, the most important thing about this Bill is that the resources of the Corporation are going to be immensely augmented. Apart from its own stock and capital resources, it could borrow in the market up to a limit of Rs. 100 crores.

**Shri M. C. Shah:** I shall explain the matter, if the hon. Member will allow me. The paid up capital of the Corporation is Rs. five crores. They can issue bonds and debentures up to five times the paid-up capital, that is Rs. 25 crores. They can take deposits for a period of more than seven years for Rs. ten crores.

**Shri T. K. Chaudhuri:** They have reserve funds also. They can borrow on the basis of reserve funds as well.

Anyway it has been deduced by competent economists—it is simple arithmetic—that ultimately the resources, both loans and stocks, together may go up to a hundred crores and if you take into account the expensive capacity of the loans that could be granted by this Corporation in its turn and secondly the augmentation of its resources that are going to be effected by loans from the World Bank, if all these factors are taken into consideration, this Corporation is certainly going to play a very vital part in our economy. There is no doubt about that fact.

4 P.M.

And eventually the time will come when the entire industrial future of the country will come to depend on this Corporation. Government have left the development of the industrial sector of our economy—the Draft Five Year Plan also leaves it—to be taken care of by private enterprise. Here it is that the role of the Industrial Finance Corporation becomes very vital indeed. As a matter of fact, the Draft Five Year Plan makes a reference to the resources that would be made available to the private sector by this Corporation. When we consider the fact that the resources at the disposal of this Corporation are now being augmented by the Anglo-U.S. dominated World Bank and from other sources internally, we have to make sure that we do not mortgage the industrial future of our country to the Anglo-U.S. imperialists who dominate the World Bank or the International Bank for Reconstruction and Development. I may mention here, though I need not elaborate it, that not only America but the United Kingdom of Great Britain, the Sterling Area countries as well as the Atlantic Pact countries also hold a considerable share in the World Bank. Ultimately it comes to this that United States imperialism which is leading the capitalist and imperialist world today, secondly the British imperialism, and thirdly the Atlantic Pact powers—it is these that control the Bank. As Mr. Leonard has made it clear, the Bank is not innocent of politics. As a matter of fact, the Bank is nothing other than an instrument of power politics in the present day world. And we must make sure, in view of the fact that Mr. Chester Bowles and his Government have certain specific objectives in view, that the loans advanced by this Bank to the Industrial Finance Corporation or to our Steel Corporations or may be to other Corporations which are standing in the queue for doles of loans, do not mortgage our country's industrial and

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economic future and that our country is not reduced to the position of a colonial slave country. That is first thing about which we must make sure.

The second point is that we must not likewise mortgage the industrial future and the economic future of our country to one group, to one particular section, of our national monopoly capitalists. Mr. Khurshed Lal predicted four years ago that the way the Corporation was organised, with the type of organisation which was set up and the type of administration which was set up, would surely hand over the control of the Corporation to half a dozen financial capitalist groups. We would have objected to that, but we would have had some solace even then that after all half a dozen capitalist groups would be controlling the Corporation and certain amount of checks and balances would have operated in the process of their mutual competition. But the fact remains that the Corporation has developed in such a way that it has come under the thumb of one single monopoly capitalist group led by one who has been placed very high on the administration of the Corporation by the Government itself—the Government which is claiming to be national, the Government which professes to give equal representation to all sections and all classes of interests in the community, the Government which is professing in theory the ideal of a classless society and *Ram Rajya*.

**Mr Chairman:** I do not want to interrupt the hon. Member, but he has already taken forty-five minutes and how he is repeating his arguments.

**Shri T. K. Chaudhuri:** I am concluding, Sir. These are some of the apprehensions that are in my mind and I may tell you that these apprehensions are shared by a large section of our countrymen. I hope that the Government would at least take into account these apprehensions in the minds of the people and try to allay them as best as they can.

**Shri A. C. Guha (Santipur):** Sir, on several occasions I have brought before this House some of the objectionable features of the working of the Industrial Finance Corporation, and so it is very difficult for me to accept all that the hon. Minister has been pleased to say about the soundness of the proposals contained in this amending Bill. I have mentioned several times that this Corporation is worked in a way which does not benefit the comparatively poorer section of our industrialists and business-

men. I mentioned several times and I made definite allegations that unless an industry can get some of the influential directors of the Corporation to be interested in their particular concern, that concern can hardly expect to get any loan from the Corporation. At least that has been our experience in Bengal. On a previous occasion I mentioned this thing in this House and the hon. Finance Minister in reply to my allegations said:

"I think he is entirely under a wrong impression when he says that a loan was given merely because a Director of the Industrial Finance Corporation was associated with it. It may be that people who are Directors of the Industrial Finance Corporation, are people with a good deal of reputation for good management so that when they are associated with a particular enterprise, obviously that enterprise gets more credit-worthy than if they are not so associated."

It is in a way an admission of the existence of the practice which I alleged to have been predominant in the working of this Industrial Corporation. The Finance Minister then gave me some assurance that he would look into all those things but I am afraid nothing has been done. My definite allegation is that when a comparatively poorer man starts a business, because of his engineering or scientific ingenuity, he can develop only to a certain extent; but when the question of big finances comes, he cannot develop it and the business goes out of his control and then these big people take possession of the business. That has been the experience of many industries started by middle class Bengalis in Bengal. I mentioned the case of the electric fan industry. It was started by a Bengali. It was first manufactured in India by a Bengali scientist but he could not proceed with it. He had to give it up.

Now about this Industrial Finance Corporation—I do not know what is its purpose,—if it is only to help the big industrialists, the big capitalists, then I think it is working all right but if it really wants to help the comparatively poorer section, to help the undeveloped regions of the country or to have somewhat like an equal economic development of India, then I am sorry that this Corporation has not been working all right. During the last debates, several Members

on the Congress side, including the Deputy-Speaker, who was then in the Chair, supported my contention and I moved an amendment to the State Financial Corporation Bill to add a clause that the Director of that Corporation might not in any way be benefited out of the loan given by the Corporation. Several Members on this side of the House supported me but I am sorry I could not persuade the hon. Finance Minister to accept my point of view. I was then challenged and I can say I was almost provoked to mention names but I did not. It would not be quite proper and quite decent to mention names here but I say with all the sense of responsibility that that has been going on.

Sir, you will find in the list that the accommodation given to ceramic and glass industry is Rs. 1,19,00,000 and to the rayon industry Rs. 50 lakhs. I would ask the hon. Deputy Minister—as the Finance Minister is absent—to enquire who are the parties benefited in this one crore and nineteen lakhs in ceramic and glass industry.

I would also like to make certain other points as regards textiles. Sometimes those big bosses of this Industrial Finance Corporation may not themselves be in the Board of Directors but they put their sons, sons-in-law, nephews and some other relatives to be in the Board of the industry concerned which has to get benefit; and in most cases it is not only putting a Member on the Board of Directors but practically the entire business or a considerable portion of it is transferred to the nominees of the big bosses of the Industrial Corporation.

Then, this Bill is going to give more power to the Board so that they may still more utilise the funds available with them for their own personal and family benefits. Sir, in clause 20 of this Bill, the amendment sought there is to put a new section in the principal Act—30A and it says:

“That the Corporation may appoint as many persons as it thinks fit to be the directors of that industrial concern”.

And then the explanation goes:

“The power to appoint directors under this section includes the power to appoint any individual, firm or company to be the managing agents of the industrial concern”.

I think the hon. Minister is not unaware of the fact. ....

**Shri M. C. Shah:** May I intervene? It is in regard to that undertaking that industrial concern has been taken over.

**Shri A. C. Guha:** I know that. At any time they can take over an industry.

**Shri M. C. Shah:** Under the said clauses?

**Shri A. C. Guha:** The clause is quite wide enough. That has given them wide power to take over any business. I know of a definite case in South India where pressure is being put upon that company so that that concern may be handed over to another interest.

**An Hon. Member:** Son-in-law possibly.

**Shri A. C. Guha:** Not son-in-law but some other interest. Sir, I think the hon. Minister is not unaware of the Company Laws Enquiry Committee's recommendations and I think his Department must have been preparing also a Bill to be placed before this House. All that has been said in that Report about the system of managing agency is not quite palatable and yet why should there be a managing agency to be imposed by the Corporation on that industrial concern which the Corporation might be pleased to take over?

**Shri B. Das (Jajpur-Keonjhar):** This is a good point.

**Shri A. C. Guha:** It may be embarrassing for them to nominate their own nephews and sons in the Board of Directors but it will not be so embarrassing for them to nominate some firm—the name of that firm may not expose the character or composition of the firm—as managing agent of that industrial concern. I hope this House will take serious notice of this provision which is sought to be imposed by clause 20 which is going to put a new section 30A.

In the original Act section 25 gives authority to impose certain conditions for accommodation. May I enquire on how many of these industrial firms the Board has thought it fit to impose those conditions and nominate some of their nominees on the Board of Directors? I think in almost all the concerns which have been started by some poorer people or middle class people, the Board has suggested some of their nominees to be put on the



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Board of Directors or to have some business interest arranged between their nominees and the old management of the industrial concern. I should like again to refer to some cases in Bengal. I know of only one really Bengali firm that has had some accommodation from this Corporation. And that firm has a man who is so big that even the big bosses of this Corporation cannot simply afford to displease him. Therefore, simply out of fear for that man, they must have given that firm some accommodation. But, in all other cases, all applications have been turned down unless some nominees of theirs have been taken in the Board of Directors and in most cases, practically, the business of these concerns have been transferred to the management of some of the big men of this Industrial Finance Corporation.

It is surprising, Sir, that repeatedly this allegation is made in the House and Government are not taking any serious notice of this allegation and have not been making any enquiry into this allegation. I belong to the Party which is running, the Government.

**Babu Ramnarayan Singh:** (Hazari-bagh West): That is most unfortunate.

**Shri A. C. Guha:** When I make this allegation, I know my responsibility and I expect that my Government will take this allegation seriously and make serious enquiries into this allegation.

**Babu Ramnarayan Singh:** No, no.

**Shri A. C. Guha:** Surely they will have to. He may ask Shri Tyagi about this.

Then, it has been sought by this Amending Bill to raise the amount of a loan from 50 lakhs to one crore. The original provision was, in any case, not more than ten per cent. of the paid up capital of that concern could be given as a loan.

**Shri M. C. Shah:** The hon. Member is mistaken. It is ten per cent. of the paid up capital of the Corporation and not of the concern.

**Shri A. C. Guha:** Even that is not here now.

**Dr. M. M. Das** (Burdwan—Reserved—Sch. Castes): Any amount can be given.

**Shri M. C. Shah:** The hon. Member said, ten per cent. of the concern. I wanted to correct it.

**Shri A. C. Guha:** All right; I stand corrected. I am sorry I was wrong. In any case, now there are also some limitations. The paid up capital of the Corporation is only five crores and ten per cent. of that would not have been more than 50 lakhs. Now, they are making it one crore perhaps to help big capitalists. There is no condition attached.

This amending Bill seeks to provide for a Deputy Managing Director to be nominated by the Government. This functionary has been given a big name. He is called the Deputy Managing Director. But, it seems he is not even a Director according to the provision here. He has no power to vote except when the Managing Director is absent. In the subsequent clauses also, he has been treated only as an official and not as a Director. If he is treated only as an official, he should be plainly be given a common name and not such an imposing name as Deputy Managing Director. If he is really to be a Deputy Managing Director, he should be given all the authority that this name signifies and should be allowed to function, when the Managing Director is absent, with all the authority of the Managing Director.

**Shri M. C. Shah:** He is allowed that under this Act.

**Shri A. C. Guha:** No.

**Shri M. C. Shah:** The section is there.

**Shri A. C. Guha:** No; he is simply an official. Only in certain meetings he has the right to vote. Even when there is a casual vacancy in the office of Managing Director, this Deputy Managing Director is not to function in his place. The Government will nominate another man to function as the Managing Director.

Then there is a provision to remove the Managing Director. That is, I think, a very good provision here. But, it has been hedged in with certain conditions which have practically made this provision nugatory. If the Government really intend to take this power of removing the Managing Director, then, it is better that there are no conditions imposed. I think the Government will agree that hardly will there be any case where there will be a two-thirds majority against the Managing Director, even if the Government want to remove him. Apart from that practical point of view, if the Government think that a certain Managing Director has not been work-



ing properly and discharging his functions properly, it should not be left to the discretion of the Board to ratify the Central Government's directive that the Managing Director should be removed or not. Either it should be put that Government may simply propose to the Board of Directors and the Board of Directors will decide whether that Managing Director should be removed or not, or the Government should take the power forthwith to remove the Managing Director if and when he is found to have been behaving not properly. Of course, he should be allowed the chance to explain his conduct: that I do not object to. But, I think that the condition that there should be a two-thirds majority practically makes the power nugatory. It will hardly be available to the Government. Moreover it is an insult for Government to ratify or confirm its decision.

There is also a provision about a special reserve fund. Here also, I think the Government should take the more straightforward course of giving a subsidy rather than a special reserve fund. During the last three years, Government have already given about 24 lakhs....

**Dr. Lanka Sundaram** (Visakhapatnam): Twenty-six lakhs.

**Shri A. C. Guha:** No; 23,89,000 and odd. They are proposing in this Bill that any dividend accruing to the Government and to the Reserve Bank should not be paid to the Government and the Reserve Bank, but should be credited to a special reserve fund, which practically means that the Government are making a fresh donation to this Corporation to build up a reserve fund. That should have been plainly stated instead of saying that the special reserve fund should be built up only from the dividends. I do not know what the purpose of this special reserve fund is. If the Corporation cannot build its own reserve fund, how long are the Government going to spoon-feed this Corporation. The hon. Minister stated that it is only for a few years. There is nothing in the clause that it is only for a few years. The clause says:

"All dividends accruing on the the shares of the Corporation held by the Central Government and the Reserve Bank shall, instead of being paid to them, be credited to a special reserve fund until the aggregate of the sums standing in the reserve fund established under sub-section (1) of section 32 and

the special reserve fund exceeds fifty lakhs of rupees."

**Shri Tyagi:** If it is done in one year, it is over.

**Shri A. C. Guha:** It will not be one year. In three years, I think, you have been able to earn only three lakhs or four lakhs, a year, by way of dividend.

**Shri Tyagi:** The limitation is not, by years, but by the sum.

**Shri A. C. Guha:** Yes; the sum accruing as dividends and it would take some years. In fact, it is giving another 50 lakhs to the Corporation, to be made into a special reserve fund.

There is a provision for arrangement with the International Bank for Reconstruction and Development. I think the Government should have placed at least a gist of the terms that have been settled, what would be the amount given and what would be the rate to be charged. I think on several occasions...

**Shri B. Das:** They have never given loans at less than four and a half per cent.

**Shri A. C. Guha:** On several occasions in this House the question was raised about the rates charged by the International Bank on loans given for the Damodar Valley Corporation and for Railway reconstruction, and the House has not been quite happy about the rate charged. Anyhow, the terms and conditions and the amount should have been placed before us along with this Bill.

**Shri B. Das:** They can give us a memorandum.

**Shri A. C. Guha:** We are proceeding on the lines of a planned economy, and the Planning Commission has also given a sort of priority as regards the industries to be developed. I do not know whether this Industrial Finance Corporation has been following any scheme of priority, or whether they have been going according to their convenience and interest. From the list of industries that has been given, it does not appear that this Corporation has given any consideration to priority of industries. I think Government should make this Corporation conscious of this point, and see, whenever any loan is given to an industry, whether that industry deserves to be given a prior consideration over other industries from the point of view of national interest.

There is another Bill pending before the House which seeks to amend the

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Reserve Bank of India Act. The Bill under consideration and the Reserve Bank (Amendment) Bill have some inherent connection. The latter seeks to give greater credit facilities for agricultural operations. This Industrial Finance Corporation, I know, cannot give any help to agricultural operations, but I think it should take some cognizance of the state of affairs and of the demand that is growing in the country as regards the improvement of agriculture. It has been stated in the amending Bill that the funds of this Corporation can be deposited with any Scheduled Bank or with any State Co-operative Bank, but I think it should also be provided here that this Corporation may also deposit its funds with any land mortgage bank. I should also like to remind the House that about three years ago the Rural Credit Enquiry Committee laid great stress upon the importance of land mortgage banks as a machinery for extending credit facilities to rural areas and to agriculture. So, this Corporation also should take some notice of this development, and there should be a provision that its funds may also be deposited with land mortgage banks.

I should like to mention here one thing about the tea industry. During the last session in reply to a question of mine, the hon. Minister for Revenue and Expenditure stated something to the effect that credit facilities were available from the Reserve Bank and also from this Corporation to these tea gardens, but that they were not taking advantage of these facilities. I think, since then, he must have received some communications from the tea garden owners and tea companies as the present position in the tea industry in Bengal and Assam—I think I can say in the whole of India—is very precarious. It was expected that this Corporation would render some help to the tea industry. I am told a conference was convened on 1st November at Calcutta in which the representatives of the Reserve Bank and this Corporation along with representatives of some Scheduled Banks and of some tea interests were to participate. That conference was convened by the Secretary of the Central Tea Board which is almost a Government organisation. But the representatives of the Reserve Bank and this Corporation did not appear for the conference. So, it practically came to nothing. Nothing could be discussed and nothing could be achieved. I think Government ought to take some steps as regards the feasibility of this Corporation extending its credit facilities to

the tea industry. According to the definition given in the original Act, an "industrial concern" means a public limited company or a co-operative society. I welcome this definition and I really want that industries owned by private persons should be treated with discrimination as against public-owned industries. When the hon. Minister stated in the last session in reply to my question that there were certain facilities available to the tea industry from this Corporation or from the Reserve Bank, he perhaps meant really the theoretical position. But, most of these tea gardens are not public limited companies, and so whatever facilities may be available to them theoretically are not practically and really available. Only British-owned tea gardens and companies are public limited companies. Most of the Indian companies are either private limited companies or private concerns which are mostly small. So, whatever facilities the hon. Minister might have in his mind are not really available to these small Indian-owned tea gardens. I hope, the hon. Minister would take into consideration this aspect also.

As regards the two other amendments to extend the scope of this Corporation by putting shipping industries within the purview of this Act and introducing the Comptroller and Auditor-General's authority in respect of audit, I welcome them.

My predecessor has said much about the International Bank and any help taken from it. I do not share his misgivings about the International Bank. I do not share also any misgiving about taking any foreign help. I think we are living in a world now in which it is not possible to live an exclusive life without international economic co-operation and collaboration. No country in the world can do that. The question may be from whom we shall take economic aid. He may not like the source from which the India Government is now taking help, and he may like India to take help from other sources. There may be difference of opinion on that, but I cannot think that any country in the world can do without international co-operation and collaboration in economic and industrial spheres. I do not think there is anything wrong in having any arrangement with the International Bank, and in taking some help from them, but I think that the terms and conditions should have been placed before the Members when this Bill came up for discussion.

**Shri S. V. Ramaswamy (Salem):** We have once again been treated to the familiar theme of Anglo-American imperialism. It is nothing new, coming as it does from the Opposition benches, because I have been sitting fairly quietly here during the session listening to speeches, and oftentimes this same remark is being repeated.

**Kumari Annie Mascarene (Tiruvandrum):** Naturally.

**Shri S. V. Ramaswamy:** I see nothing natural about it.

The point that my hon. friend Mr. T. K. Chaudhuri was driving at was that he smells a rat in everything American or Anglo-American. (An hon. Member: A dead rat?) That seems to be not a fair attitude to take. We have got to judge things, each on its own merits. Talking of the International Bank, they see something very dangerous about it. I do not know whether there is anything dangerous in the International Bank giving us aid by means of sending us capital goods and so on to improve our country. This is nothing new. If you read the economic history of other countries, you will see that for the development of backward countries, other countries which are well-placed have come forward, and those backward countries have availed themselves of that aid, and thus they have also come forward. That is the general proposition. So there is no reason why we should not accept this help from the International Bank or from England or America, as the case may be. The questions that would be relevant would be whether the terms under which we take those loans are favourable to us, whether there are any political strings attached to them, whether we will be placed in a position in which our sovereignty will be jeopardized, whether our independence will be affected. These are the considerations which are really relevant, and not the abstract question that merely because the loan comes from America or England, or the International Bank, it is dangerous etc. Such an attitude is an irrational one to take, and to say the least, it is not helpful to us. With these few preliminary remarks, I would also join my hon. friend Mr. A. C. Guha in saying that the rate of interest that the International Bank charges seems to be somewhat high—I speak subject to correction. I understand that it is about four per cent., which is a very high percentage for an International Bank to charge while advancing a heavy and large sum of money. In that regard, I believe we might negotiate for a lesser interest.

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The second point that I wish to urge is that this Corporation, instead of being made a private one, may well be made a State Corporation. My hon. friend Mr. T. K. Chaudhuri spoke about that, but I believe there is full support for the argument in the fourth report of the Industrial Finance Corporation itself. I invite your attention to page 1 of that report where it is stated:

"The Central Government, in pursuance of Section 5 of the above Act, have guaranteed a dividend of 2½ per cent. per annum on the Share Capital. It is proposed to utilise the above amount of Rs. 8,25,290/9/- towards the payment of the dividend and to call upon Government for the balance of Rs. 2,99,709/7/- to make up the guaranteed dividend. The total amount already drawn from Government by way of subvention to meet the guaranteed dividend declared for the first three years amounts to Rs. 23,89,416/13/6."

So, money is drawn from the taxpayers to pay the dividend guaranteed to the shareholders. If the Corporation were a State Corporation, my humble submission is, that we would not have to pay dividends into the hands of private individuals, as it is taking place today. Moreover, if it were made a State Corporation I am sure the dividend will go to the State and in turn reach the people of this country and in turn benefit them.

The other point that I wish to urge is this. I have tabled an amendment to clause 13 which reads thus:

"In pages 3 and 4, omit clause 13."

I was hoping to get some light from the speech of the hon. Deputy Minister, on that point. Clause 13 reads:

"In Section 24 of the principal Act, for the words "for an amount equivalent in the aggregate to more than ten per cent. of the paid up share Capital of the Corporation, but in no case exceeding fifty lakhs of rupees", the following shall be substituted, namely:

"for an amount exceeding one crore of rupees in the aggregate:..." "

I was looking for some reasons as to why this amount should be raised from Rs. 50 lakhs to rupees one crore. I find from the fourth annual report that the Capital and Liabilities, and the Property and Assets of this Corporation are about Rs. 11,38 lakhs. I find from

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Section 4 of the Industrial Finance Corporation Act, that the authorised capital is Rs. ten crores, but the issued and paid-up capital is only about Rs. five crores. Section 22 of the Act says that the deposits shall not exceed Rs. five crores, and in any case, the loan raised shall not exceed five times the paid-up capital. As a matter of fact, the capital and liabilities are only Rs. eleven crores and odd. If on each loan an amount of Rs. one crore is to be granted, this will work out to an average of not more than eleven applications which can be entertained, if this point is actually put into practice. But what I find from the report is as follows:

No. of Applications		Amount
		Ra.
(i) Loans not exceeding Rs. 10 lakhs	53	2,99,45,000/-
(ii) Loans exceeding Rs. 10 lakhs but not exceeding Rs. 20 lakhs	21	3,21,00,000/-
(iii) Loans exceeding Rs. 20 lakhs but not exceeding Rs. 30 lakhs	Seven	1,95,00,000/-
(iv) Loans exceeding Rs. 30 lakhs but not exceeding Rs. 40 lakhs	Five	1,95,00,000/-
(v) Loans exceeding Rs. 40 lakhs but not exceeding Rs. 50 lakhs	Eight	3,93,00,000/-

Again, on page 3 of that report we find that the number of applications received is 54 for an amount Rs. 7,30,25,000, which comes to about Rs. 15 lakhs on an average. The number of applications sanctioned was 33, for a total amount of Rs. 4,45,25,000, which also comes to about Rs. 15 lakhs roughly per application.

When that is the position, I do not see why it should be necessary to raise the maximum amount of loan from Rs. 50 lakhs to Rs. one crore. It has not been made clear by the hon. Deputy Minister. I shall bring out another figure also which does not seem to justify this increase. I hope, in the course of the reply the hon. Deputy Minister will clear the point, and

satisfy the House as to why he wants to raise the maximum.

The other criticism that I would like to submit is this: seeing the way in which the amounts of loans have been disbursed, it seems to me that the small industries have been neglected completely. On page 4 of that report is given the list of industries which have received grants from out of the funds of this Industrial Finance Corporation. It is all big industries; there is no mention of small industries at all. And looking at other figures also, certain provinces alone have benefited. I see from Appendix A that there have been eight applications upto June, 1952 from Bombay and the sanctioned amount is 83 lakhs. The total upto-date number of applications from Bombay is 29 and the total sanctioned for Bombay alone is four crores and 15 lakhs. This, Sir, is out of 14 crores. The other provinces have not received any considerable amount. I could see that Madras has received 35 lakhs on only one application in 1952 and the total upto now is only one crore and 21 lakhs. My humble submission is that in the actual working, it seems the provinces which do not seem to have a pull—I use that term in the best sense—have nothing sinister about it.

**Shri K. K. Basu (Diamond Harbour):** Why be nervous about it?

**Shri S. V. Ramaswamy:** I do not seem to get the benefit out of this Industrial Finance Corporation; nor do those backward industries which are in urgent and pressing need of financial help receive any such help at all. It is the big business, big industrialists, who seem to be deriving the benefit out of this Industrial Finance Corporation. I wish the role of this Corporation in reconstructing the economy of India will be different hereafter at least so that there may be a fair distribution of the funds of this Corporation over the several States and also that funds may be made available for the development of small-scale industries.

**Shri M. S. Gurupadaswamy:** Sir, when this Act was under consideration by the Constituent Assembly (Legislative) in 1948, many Members criticised it on the ground that it might be misused; and by the experience gained during these four years of the working of this Corporation that apprehension expressed by several Members in 1948 was more than confirmed. The Corporation that has been envisaged by this Act is based on an assumption that there is going to be a private sector in industry and that sector needs

fostering and nursing and for that purpose, there should be a Central Fund to help that private sector. The implication is that by helping this private sector, it should be allowed to subsist and continue to exist as an integral part of the industrial economy of the country. So, the Act as it stands today, is a sort of endorsement of private capitalism in the country. Some of the Members in 1948, particularly Shri K. T. Shah, made out a very cogent case in favour of nationalising this Corporation. According to the provisions of the Act, the State guarantees the capital of the Corporation. That is the shares which are subscribed to the Corporation are guaranteed by the Government. But the State has not full say in the management and control of this Corporation. That is the analysis of the position of the Finance Corporation. When the State guarantees fully and completely the capital of the Corporation, it is but logical to expect that it should have complete sway in the matter of ownership and management of this institution.

**Shri Velayudham** (Quilon cum Mavelikkara—Reserved—Sch. Castes): It is only guarantee.

**Shri M. S. Gurupadaswamy**: Sir, You are aware that this Government are tinkering with planning. They have almost finalised a Five Year Plan. It may be coming before this House within a few days. If you accept planning as the basis of your economy, then why should you support a policy which means that this Corporation which is to help the industries of the country should be partly privately-owned? Sir, the development of the entire country is the responsibility of the State and State alone and in all matters of development of the country, the State should have full say. But here is a case where the State guarantees the entire capital of the Corporation which is mostly controlled by private capitalists. If the Corporation runs into loss, then the State will come and straightway meet the loss of the Corporation. Why should there be such a thing at all? If the intention of the Government, or the sole purpose of the Government is to promote economic development uniformly in every corner

of the country, then it is necessary that the Corporation should be owned, managed and controlled by the State alone.

Sir, my hon. friend, Mr. Guha, was referring to certain cases of favouritism in the operation of the Corporation. He said that certain concerns were inviting the relatives of the Directors to become the Directors of those concerns with an ulterior motive—with a motive to get financial help from the Corporation. I have seen many instances, and many people, who are trying to get the relatives of those Directors somehow or other to their concerns in some capacity so that they may get the financial help easily. This should not happen.

Sir, nationalisation policy should be made the corner-stone of our economy.

**Mr. Chairman**: I take it the hon. Member will continue for sometime, more.

Secretary will now read a message from the Council of States.

#### MESSAGE FROM THE COUNCIL OF STATES

**Secretary**: Sir, I have to report the following message received from the Secretary of the Council of States:

"In accordance with the provisions of sub-rule (6) of rule 162 of the Rules of Procedure and Conduct of Business in the Council of States, I am directed to return herewith the Bill further to amend the Indian Tariff Act, 1934, which was passed by the House of the People at its sitting held on the 14th November, 1952, and transmitted to the Council of States for its recommendations and to state that the Council has no recommendations to make to the House of the People in regard to the said Bill."

**Mr. Chairman**: The House will now stand adjourned till 10-45 A.M. tomorrow.

The House then adjourned till a Quarter to Eleven of the Clock on Wednesday, the 26th November, 1952.