

*Clauses 1 and 2, the Title and the Enacting Formula were added to the Bill.*

**Shri Biswas:** I beg to move:

"That the Bill be passed."

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

"That the Bill be passed."

*The motion was adopted.*

### COMPANIES BILL

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to move:

"That the Bill to consolidate and amend the law relating to companies and certain other associations, be referred to a Joint Committee of the Houses consisting of 49 members, 33 members from this House, namely Shri Hari Vinayak Pataskar, Shri Chimanlal Chakubhai Shah, Shri Awadheswar Prasad Sinha, Shri V. B. Gandhi, Shri Khandubhai Kasanji Desai, Shri Dev Kanta Borooah, Shri Shriman Narayan Agarwal, Shri R. Venkataraman, Shri Ghamandi Lal Bansal, Shri Radheshyam Ramkumar Morarka, Shri B. R. Bhagat, Shri Nityanand Kanungo, Shri Purnendu Sekhar Naskar, Shri T. S. Avinashilingam Chettiar, Shri K. T. Achuthan, Shri Kotha Raghuramaia, Pandit Chatur Narain Malviya, Dr. Shaukatullah Shah Ansari, Shri Tekur Subramanyam, Col. B. H. Zaidi, Shri Mulchand Dube, Pandit Munishwar Dutt Upadhyay, Shri Radhelal Vyas, Shri Ajit Singh, Shri Kamal Kumar Basu, Shri C. R. Chowdary, Shri M. S. Gurupadaswamy, Shri Amjad Ali, Shri N. C. Chatterjee, Shri Tulsi-das Kilachand, Shri G. D. Somani, Shri Tridib Kumar Chaudhuri and the mover and 16 members from the Council;

that in order to constitute a sitting of the Joint Committee, the quorum shall be one-third of the total number of members of the Joint Committee;

that the Committee shall make

a report to this House by the last day of the first week of the next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to the Council that the Council do join in the said joint Committee and communicate to this House the names of members to be appointed by the Council to the Joint Committee."

Now, Sir, hon. Members will recall that the Bill was introduced in the House of the People on the 2nd September 1953. It has had a long history and in one form or another it has been before the public since the end of 1949. In the Statement of Objects and Reasons the various stages through which the Bill has passed since 1946 has been summarised and I need not recapitulate on this occasion the circumstances in which the then Government of India took the decision in early 1946 to initiate an enquiry into the reform of our company law.

I would remind hon. Members that between 1946 and 1948 the entire field of company law was carefully reviewed by two distinguished company lawyers who were appointed to recommend the broad lines on which the present Act should be revised. Their recommendations were examined in the then Ministry of Commerce and certain tentative departmental views which emerged were circulated in a comprehensive memorandum to all recognised trade and industrial associations, bar associations, the High Courts and the State Governments. That brought us to the end of 1949.

Many representations on this memorandum were duly received from Chambers of Commerce, trade and industrial associations, State Governments and the general public. And at the end of 1950 the Government of India appointed a Committee under the Chairmanship of Shri C. H. Bhaba to

[Shri C. D. Deshmukh]

go into the entire question of the revision of the Companies Act, with particular reference to its bearing on the development of trade and industry in this country.

This Committee examined a large number of witnesses in many parts of the country and submitted its report in March 1952. This report again was circulated to all State Governments, Chambers of Commerce, Trade Associations, High Courts and many other bodies. At the same time a Special Officer was appointed in the Department of Economic Affairs, Ministry of Finance, to examine the report, in the light of the views received from the interested public and to submit proposals to Government for the revision of the present Act.

The Bill now before the House is based largely on the recommendations of the Company Law Committee modified in a few particulars by the comments received from the trade and industrial associations to whom the report was circulated. Hon. Members will notice that so far as public relations go, the Bill has covered adequate ground. In a measure like the Companies Bill, however, which covers the entire field of the operation of joint stock companies, the limits of consultation and discussion can never be exhausted, and I would like to inform hon. Members that although the Bill was introduced in Parliament over seven months ago our officers have been engaged throughout this period in further studies and informal discussions with the interests concerned, and on occasions I have also participated in such discussions. I have also given some further thought to some of the issues arising out of the Bill and I propose at the appropriate stage to bring before the Select Committee any changes in the provisions of the Bill which seem to me to be worthy of consideration in the light of this further examination.

Now, hon. Members will have noticed that the Bill contains 612 clauses and

12 Schedules. I think it is probably one of the longest legislative measures in recent legislative history. But its size might be regarded as misleading unless I make a few comments.

The Bill is both, one must remember, a consolidating and amending measure. As mentioned in the Statement of Objects and Reasons, this is the first opportunity which has occurred since 1913 for the consolidation of the Companies Act. Advantage has, therefore, been taken of this opportunity to redraft the Act comprehensively. In the redraft several long and complicated sections in the present Act have been split up into a large number of shorter clauses. This is the largest single factor accountable for the increase in the number of clauses in the Bill. New clauses embodying substantial changes in the present law would hardly constitute more than a small fraction of the Bill.

11 A.M.

I would also draw attention to the structural changes in the Bill to which a reference has been made in the Statement of Objects and Reasons. The redraft of the Bill and the rearrangement of the existing chapters in the Companies Act in a more logical order have, I think, resulted in a noticeable improvement in the form of the Bill and I hope will facilitate the better understanding and appreciation of the scheme of the future Indian Companies Act.

Now, Sir, I pass on to some of the principal features of this Bill, as embodied in its operative clauses. I feel sure that hon. Members will not expect me to summarise in the course of my speech all the principal changes in the present Act which we have introduced in this Bill. Even if I were able to do so, it would hardly serve any useful purpose. The detailed provisions of the Bill will be duly examined by the Select Committee and it is only such a Committee that can give them the close and careful scrutiny which they need. Nevertheless, by tomorrow I hope I shall be able to circulate a list showing

the major changes made from in the existing legislation.

**Mr. Deputy-Speaker:** The hon. Minister just now said that he would make certain suggestions to the Select Committee for being incorporated in the measure. If he can circulate those suggestions also, it would be useful to other hon. Members who are not on the Select Committee, to consider this measure.

**Shri C. D. Deshmukh:** I have not quite made up my mind on all the suggestions that have reached me. I am still discussing certain things. It might be I would be able to do it at a little later state. I have also heard only some of the interests concerned.

Of course, I hope to be able to circulate a copy of my speech, in case it would help hon. Members to furnish their observations in the course of the debate. Now what I propose to do is to elucidate the basic principles underlying some of the main provisions of the Bill. These changes relate to the following aspects of the company Law:

- (a) Company promotion, formation and capital structure of the companies;
- (b) Company meetings and procedure;
- (c) Presentation of company accounts, their audit and the powers and duties of auditors;
- (d) Inspection and investigation of the affairs of companies;
- (e) Formation of Board of Directors and the powers and duties of the Directors;
- (f) Terms and conditions of the appointment of managing agents, their powers and duties.

In regard to company promotion and formation, the provisions of the Bill make considerable changes in the matter of prospectuses, allotment of shares, terms and conditions on which companies may be floated and the share structure of companies. The main changes concerning prospectus are contained in clauses 50 to 59, read with Schedule II to the Bill. This Schedule replaces the present section 93 of the Companies Act and greatly enlarges

the particulars that will have to be disclosed in future in a company prospectus. For example, the Bill now requires that previous consent of experts should be obtained before their views can be reproduced in prospectus issued to the public, and that in the case of companies managed by managing agents, the subscribed capital of the managing agency company should also be disclosed.

Similarly, disclosure is required of all material contracts into which a company promoter may have entered or proposes to enter on behalf of the company.

As regards the allotment of shares the new provisions are designed to improve the machinery of the new issue market.

They include the form and the manner in which an application for allotment of shares should be made and the regulation of commissions to be paid to the promoters and underwriters of the new issues. The effect of all these provisions under the general head relating to company formation is to impose on directors and others concerned with the promotion of a company a much higher degree of vigilance than is at present required of them and to place the investors in a much better position than they are at present to assess the intrinsic merits of a new issue. It is not necessary for me to argue the point whether the principle of disclosure underlying these provisions would or could adequately safeguard the interests of prospective investors or ensure sound company flotation. But I am sure all hon. Members will agree that disclosure of essential information is the first step in this direction and cannot by any means be said to impose an unreasonable burden on private enterprise or their promoters.

The most important changes relating to the next item, that is to say the capital structure of a company, are contained in clauses 79 and 82 of the Bill. They provide that in future the share capital of companies should be only of two kinds, namely, equity capital and

[Shri C. D. Deshmukh]

preference capital, and voting rights should ordinarily be conferred only on the holders of the former type of capital. Disproportionately excessive voting rights are sought to be eliminated, except where the conferment of such rights is considered necessary in the public interest by the Central Government.

Then we go on to the provisions regarding company meetings and company procedure. They are contained in clauses 158 to 189. The general effect of these clauses is set out more precisely than in the present Act—the place, the time and the manner in which a general meeting should be called and conducted in future. I am sure my lawyer friends in the House know that the present company law on this point is a prolific source of litigation. To no small extent this has been due to the uncertainties of the present law. The provisions of the Bill attempt to remove the existing obscurities and to try and hold the scales even as between company managements and shareholders, in regard to the exercise of their voting rights in company meetings.

Two important changes in which hon. Members might be interested are that it is proposed to abolish extraordinary resolutions, so that in future company resolutions will either be ordinary or special resolutions. Also, it is proposed to increase the period of notice for general meetings from fourteen to twenty-one days.

Next we come to company accounts and audit. The provisions of the Bill on this subject and the position of auditors are contained in clauses 195 to 218. Here again the principle of disclosure is applied to require the presentation, in balance sheets and profit and loss accounts, of such additional items of information as would reveal the true financial position of a company and its state of affairs as a going concern. Unlike the United Kingdom, our law in this country has always prescribed a standard form of balance sheet. The revised form of balance sheet is set out in Part I of Schedule VI, and

the new requirements as to the profit and loss account are enumerated at length in Part II of that Schedule. The Company Law Committee's recommendations on this subject were largely based on the advice which it received from the accountancy profession. Lately some further discussions have taken place on this subject between our officers and the representatives of the profession. In due course we shall place before the Select Committee our ideas on one or two issues which, if accepted, will involve some minor changes in the provisions of the Bill. Meanwhile I should like to take this opportunity of recording my appreciation of the help and guidance which the Company Law Committee and our officers have received from the accountancy profession in formulating their proposals on this subject. These are in my view such as are calculated to promote sound financial practices by joint stock companies and also to ensure a higher standard of auditing of company accounts in future.

Then we come to clauses 209 to 218 of the Bill which deal with the appointment, qualifications, duties and powers of auditors. These provisions are intended to secure the independence and the integrity of the auditors. The two basic qualifications required of auditors are their professional competence and their integrity and independence of judgment. Hon. Members will appreciate that no law, however well designed, can ensure these qualities. But the object of the provisions of the Bill is to create conditions under which auditors would be able to discharge their statutory functions without fear or favour.

Now, Sir, I come to the very important question of the inspection and investigation of the affairs of companies. Perhaps no other aspect of the present company law has attracted so much adverse comment from the public as this one. Clauses 219 to 230 of the Bill which deal with this subject greatly enlarge the powers of the Central Government and of shareholders to ini-

tiate investigations into the affairs of companies, while clauses 367 to 377, which deal with the reliefs which a court of law can give in cases of oppression and mismanagement, introduce some new principles in company law on the analogy of the provisions of the well known section 210 of the English Companies Act, 1948. In this connection the House will recall that the Indian Companies (Amendment) Act, 1951, passed about three years ago, anticipated some of the provisions contained in these later clauses. Under these new clauses it would be now open to the Central Government not only to initiate investigations on its own motion in suitable cases but also to apply to a court of law for redress in cases where a company acts in a manner prejudicial to its interests or in a manner which is oppressive to any part of its members. The existing powers of shareholders to apply for investigation or to seek relief in a court of law are also enlarged.

In clauses 231 to 234 power is taken under certain circumstances to investigate the ownership of shares in a company. In such cases an Inspector is given power to call for and obtain such information as he may need, not only from the companies concerned but also from the related managing agency firms or companies, and also from companies under the management of the same managing agents. Some recent cases have exposed the inadequacy of the powers now conferred on Inspectors and demonstrated the necessity for the enlarged power now provided for in the Bill.

Now I pass on to another set of controversial issues, namely, the provisions relating to directors and managing agent. Clauses 236 to 306 which deal with directors are designed to ensure, firstly, the constitution of independent Boards of Directors consisting of representatives of the management as well as the shareholders but without dominance of the former over the latter; secondly, the selection as directors of active individuals who can devote sufficient time

and thought to the working of the companies which they are supposed to direct; thirdly, the adequate exercise of control by directors over managing agents where the day-to-day management of a company is in the hands of the latter; and, fourthly, the prevention of misuse by the directors of the powers which they are entitled to exercise on behalf of a company. Past experience has shown that some control is needed over the exercise of some of these powers, namely, the power to make loans, the power to enter into contracts, the power to sell, lease or otherwise dispose of property, the power to remit or extend the date of repayment of debt and the power to borrow on behalf of the company. The House is not unaware that some of these provisions have already given rise to acute controversy and it has been argued on behalf of the management that they unduly restrict their initiative and enterprise and may in the long run prove to be detrimental to the interests of the companies themselves. To what extent these fears are justified will depend on the view one takes of the detailed provisions of this Bill relating to these matters. I do not like to anticipate the recommendations of the Select Committee. But, I am sure that I shall have the support of the House in saying that nothing is farther from the thoughts of any one here than to impose unnecessary restrictions on *bona fide* business. Our proposals on this subject have been formulated only to prevent abuses and malpractices and not to hinder sound and honest management of companies. I am always prepared to give further thought to representations on this matter. Of course, I hardly need assure the critics that I shall welcome the fullest considerations of this and I hope that the Select Committee will be able to give that consideration.

I mention in passing two other provisions in the Bill relating to directors which have received prominence in the current discussions quite out of proportion to their importance in the scheme of reform envisaged in this

[Shri C. D. Deshmukh]

Bill. I refer to clause 258 relating to the age limit of the directors and to clause 253 relating to the number of directorships which a person can hold. Clause 258 follows very closely the provisions of the English law on the subject, while the limitation of the number of directorships which a person can hold to 20 is intended to ensure that adequate attention is paid to the affairs of the company by these directors. The *pros* and *cons* of these issues have been fully set out in the report of the Company Law Committee and it will be for the Select Committee to weigh them carefully in due course, in the light of such guidance as the House gives now, and to make recommendations.

Clauses 307 to 359 of the Bill deal with the terms and conditions of appointment of managing agents, their remuneration, powers of managing agents *vis a vis* directors and the powers and duties of the managing agents in regard to borrowing, loans, contracts as well as purchases. The object of the proposed reform is to prevent widespread abuse of the powers conferred on the managing agents on these subjects which took place all over the country, more particularly, since the commencement of World War II. I am sure, all of us will agree, irrespective of our attitude towards the managing agency system, that these provisions are of key importance in the scheme of reform envisaged in this Bill. Government are in agreement with the unanimous view of the Company Law Committee that in the present economic structure of the country, managing agency will continue to have its use for some time to come and that cleansed of the abuses and malpractices which have disfigured its working in the recent past, the system can yet prove to be a potent instrument for tapping the springs of private enterprise. This view is not based only on history and tradition, but on an objective assessment of the present structural organisation in our trade and industry and the obvious gaps in our institutional set-up, particularly, in the closely related fields

of company investment and company finance, gaps which it will take some years to close. It is therefore of the utmost importance that the system should be purged of the evils which have crept into it as early as possible so that it can play a worthy and useful role in the future development of the private sector. Here again, as in the case of directors, the problem before the House is one of striking a balance between the admitted case for regulation and control and the need for preserving the initiative and resilience of the honest managing agent. This is not the place to go into the details. But, by and large, the provisions of the Bill under this head embody, in our judgment, a reasonable compromise.

I shall not take any further time of the House with the other provisions of the Bill, important as some of them are, to, the future of corporate activities in this country. But, hon. Members will expect me to say a few words about our plans for the administration of the Companies Act in future. Mr. Cohen, Chairman of the Cohen Committee in the U.K., himself a great authority on commercial and mercantile law in the country, once observed that no modern system of Company law can be satisfactorily administered except through a strong and competent civil service, for, it was of the essence of any such system that effective powers must be given to the executive and a large measure of discretionary authority must of necessity be vested in the organisation responsible for the administration of the Companies Act. I share these views and I am therefore fully seized of the importance of building up such an administrative organisation. The Companies Bill makes no special provision on this subject except to provide in clause 568 that the Central Government may for the purpose of registration of companies under the Act appoint such Registrars and Assistant Registrars as it thinks fit. Government have, however, already accepted the recommendation of the Company Law Committee that the

Central Government shall resume this responsibility for the administration of joint stock companies which it had delegated to the State Governments. This was the first necessary step in this scheme of our reorganisation. But, it was explained in the Statement of Objects and Reasons that although the Company Law Committee had recommended the establishment of a statutory authority at the centre, under the new Act, for the administration of the company law, and for the discharge of other related functions, for instance, capital issue control, regulation of stock exchanges, when a Central measure for this purpose was passed, Government considered that for the time being, at any rate, it was desirable to set up an organisation directly under the administrative control of the Government and to defer the conferment of statutory status on this organisation to a later date. In pursuance of this decision, a Central organisation has been set up under the Department of Economic Affairs. This organisation will have regional offices in important centres of trade and industry and will be in over-all charge of the administration of the Companies Act through its regional offices. The Registrars of Joint Stock Companies will be under the direct control and guidance of this Central organisation. This organisation is now in the process of being built up and it is my hope that when it is fully established, it will constitute an important administrative reform and will be a major step in strengthening and improving the administration of the Companies Act all over India.

I would repeat that the hurried review of some of the principal changes introduced in the Bill which I have made does not attempt to summarise all the important provisions of the Bill. It is only a bird's-eye view of the nature and scope of the reform contemplated in the Bill before the House. The objects underlying this reform were succinctly set out in para 16 of the report of the Company Law Committee. I can do no better than draw the attention of the House to the

observations of the Committee. They said:

“Company law is primarily concerned with means and not ends. It attempts to provide a legal framework for the corporate form of business management in which organisation, capital and labour are brought together in a particular form of relationship which constitutes the essence of private enterprise. The operation of private enterprise under modern conditions must, however, be subject to the acceptance of certain broad social objectives and of some recognised standards of behaviour.”

In the words of the Planning Commission, again, private enterprise has to visualise for itself a new role and accept in the larger interests of the country a new code of discipline.

In this view, the basic problem of company law is to consider to what extent it is possible to adjust the structure and methods of the corporate form of business management with a view to weave an integrated pattern of relationship as between promoters, investors and the managements, so that the following ends may be secured: (1) the efficiency of corporate business may be increased as measured by accepted standards, (2) managerial efficiency may be reconciled with the legitimate rights of investors, and (3) the interests of creditors and other partners in production and distribution may be duly safeguarded and (4) the attainment of the ultimate ends of social policy, including labour relations, may be helped and not hindered by the manner in which the corporate form of business organisation works in this country.

Hon. Members will appreciate that the fundamental problem underlying the Bill is thus a problem of balancing private and social interests—a problem which is never easy of solution, and in the case of company law, has been rendered more difficult by the complicated nexus of relationship which has been built up over the years between the

[Shri C. D. Deshmukh]

promoters, the investors and the management of a company.

It will be easy enough to take one particular position in this grouping of interests and then try and pick holes in the Bill from that point of view, but at this stage in the consideration of the Bill when we are concerned with the basic principles underlying it, I would venture to suggest that we should constantly bear in mind the wider perspective in which the Bill needs to be viewed. We should not at this stage, at any rate, forget the wood for the trees. At a later stage we shall have ample opportunity of going into the details of the Bill, Clause by Clause. I would, however, suggest to my hon. friends that if at a later date they feel that in some matters the Bill has not gone far enough to safeguard the social interests and company management, it will be for them, not merely to point this out to me, but also to suggest to what further extent it could have gone without tilting the scales too much in the other direction. Similarly, I would ask hon. Members who may have a different point of view that it would not be enough to say at the appropriate time that some provisions in the Bill unduly restrict the freedom of promoters and management. It would also be necessary for them to show which of these provisions can be suitably amended, so that such freedom can be much better reconciled with the requirements of our economic and social policy.

I do not claim that the Bill as a whole, much less some of its provisions, will not bear further scrutiny and examination. Indeed, as I have said more than once, I am looking forward to the Select Committee in due course to help us with its guidance and, after hearing all interests concerned if they deem fit, to indicate to us specifically how best we can achieve a better balance between the private and the social interests. Since the issue of practical policy is to determine how the unsocial elements in business management can be controlled without

unduly restricting the freedom of enterprise of legitimate business, I venture to think that it will be possible for all of us to get together regardless of our ideologies and to make a worthwhile contribution to achieve the limited object before us. In any case, it is of the utmost importance that we should do all we can in this House to expedite the progress of the Bill.

The Bill is the first comprehensive attempt, after prolonged investigation and deliberation, at a basic reorganisation of the private sector of our economy. Too often in the past we have complained in the Legislature and outside it of anti-social activities in the private sector. Critics have not been slow to point out how its present disorganised state makes it difficult for it to fulfil its assigned role in the economic development of the country. Now that this comprehensive effort to reorganise the private sector has been made, it is up to all of us in this House to assist in the fulfilment of this effort within the shortest possible time, and I am sure I can count on the fullest co-operation of all sections of the House.

**Shri Joachim Alva (Kanara):** Before you put the motion to the House, may I suggest that the names of two other men who are able and can make more constructive suggestions—Dr. Lanka Sundaram and Mr. Tek Chand—may be added on to the Committee?

**Mr. Deputy-Speaker:** A suggestion has been made. But I shall first place the motion before the House.

Motion moved:

“That the Bill to consolidate and amend the law relating to Companies and certain other associations, be referred to a Joint Committee of the Houses consisting of 49 members, 33 members from this House, namely Shri Hari Vinayak Pataskar, Shri Chimanlal Chakubhai Shah, Shri Awadeshwar Prasad Sinha, Shri V. B. Gandhi, Shri Khandubhai Kasanji Desai, Shri Dev Kanta Borooah, Shri



Shriman Narayan Agarwal, Shri R. Venkataraman, Shri Ghamandi Lal Bansal, Shri Radheshyam Ramkumar Morarka, Shri B. R. Bhagat, Shri Nityanand Kanungo, Shri Purnendu Sekhar Naskar, Shri T. S. Avinashilingam Chettiar, Shri K. T. Achuthan, Shri Kotha Raghuramaiah, Pandit Chatur Narain Malaviya, Dr. Shaukatullah Shah Ansari, Shri Tekur Subramanyam, Col. B. H. Zaidi, Shri Mulchand Dube, Pandit Munishwar Dutt Upadhyay, Shri Radhelal Vyas, Shri Ajit Singh, Shri Kamal Kumar Basu, Shri C. R. Chowdary, Shri M. S. Gurupadaswamy, Shri Amjad Ali, Shri N. C. Chatterjee, Shri Tulsidas Kilachand, Shri G. D. Somani, Shri Tridib Kumar Chaudhuri and the Mover,....."

What about those two names? Hon. Minister might consider.

**Shri C. D. Deshmukh:** This list has been made up with the advice of the Minister for Parliamentary Affairs after a great deal of deliberation. The hon. Members whose names he suggested are very valuable Members, and I have no doubt that in due course they will be able to make their contribution. It is not possible to include names suggested like this, especially when one belongs to the party and the other belongs I think to the Opposition.

**An Hon. Member:** Independent.

**Mr. Deputy-Speaker:** Unattached group.

**Shri C. D. Deshmukh:** Now, there is a kind of proportion maintained here between party members and unattached groups, and each independent group has been asked what their nominations are.

**Mr. Deputy-Speaker:** Also between this House and that House I believe.

**Shri C. D. Deshmukh:** As between this House and that House too. It is very difficult now to make any change.

**Pandit K. C. Sharma:** (Meerut Dist.—South): It is a bad procedure, too.

**Shri Tek Chand** (Ambala-Simla): If it is no discourtesy to my learned friend, I beg to be excused because, in view of the length of the measure, I may not be in a position to lend such services as might otherwise be possible.

**Shri Ramachandra Reddi** (Nellore): I would like to know the procedure that has been followed in selecting these names. I know that groups have been advised to send a panel of names, but I am sure that the advice has not been taken properly. I would like to know from the hon. Minister for Parliamentary Affairs exactly the principles that have been followed in the selection of these names to the Committee.

**Mr. Deputy-Speaker:** I do not know. I can only ask the Mover, so far as the Mover is in the picture here.

**Shri Ramachandra Reddi:** But he referred to the name of the Minister for Parliamentary Affairs.

**Mr. Deputy-Speaker:** That is all right. That Minister will take notice of this and will explain to the House.

I shall complete the placing of the motion.

"...and 16 members from the Council;

that in order to constitute a sitting of the Joint Committee the quorum shall be one-third of the total number of members of the Joint Committee;

that the Committee shall make a report to this House by the last day of the first week of next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to the Council that the Council do join in the said Joint Committee and communicate to this House the

[Mr. Deputy-Speaker]

names of members to be appointed by the Council to the Joint Committee."

There are 32 Members excluding the hon. Mover. Normally, the practice is not to call on any of the Members included in the Select Committee to take part in the debate except on exceptional matters which need not be left only to the committee but must also be discussed on the floor of the House. I will consider such exceptions. But normally, hon. Members whose names are in this list will kindly not stand up and put the burden on me of finding out whether the name is in the list or not.

**Shri Heda (Nizamabad):** rose—

**Shri Vallatharas (Pudukkottai):** I have got an amendment.

**Mr. Deputy-Speaker:** Yes. He may move his amendment.

**Shri Vallatharas:** I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 31st July, 1954."

**Mr. Deputy-Speaker:** I thought the hon. Member did not want to make a speech.

**Shri Vallatharas:** I am very serious on it.

**Mr. Deputy-Speaker:** Then, he must have continued.

**Shri Vallatharas:** I shall continue now.

**Mr. Deputy-Speaker:** The practice is this. Whenever notice of a motion is given, the Mover moves that motion and then makes his speech. In this case, the hon. Finance Minister had given notice of a motion for reference of the Bill to a select committee; he made his motion and then spoke; thereafter, I placed the motion before the House. Likewise, whoever moves an amendment should make his speech after moving it, and then leave it to me to place it before the House.

**Shri Vallatharas:** I am submitting this amendment for eliciting public opinion. When I saw the notice of the motion of the hon. Finance Minister for reference of this Bill to a select committee, I thought very much over it. Ordinarily, this is a stage in which the best of our opinions are expressed only for the guidance of a future formulation. I read the Statement of Objects and Reasons very carefully, tracing from 1946 up to 1952, the various stages in which the consideration of this matter had taken place; of course, these are fully known to us.

In 1946-47, two expert lawyers who were entrusted with this business, had submitted their reports. The first lawyer had not done it completely, but the second lawyer had done it fully. Government had printed a memorandum thereafter and sent it to the State Governments and certain selected industrial concerns and interests for their opinion. It was not at all a circulation for public opinion, in the sense in which it must be considered, so far as our parliamentary business is concerned.

I understand that several hundred pages of printed matter, containing opinions came from all directions, both called for and uncalled for; and how they were considered by Government is a matter of secret to Government themselves so far. In 1948, the report of the Cohen Committee of the United Kingdom was available. In 1950, the Company Law Committee in question was appointed. In 1952, they submitted their report. Thereafter, in 1953, this Bill was placed before us.

[SHRIMATI KHONGMEN *in the Chair*]

The hon. Minister referred to certain opinions elicited from State Governments and other places. But the provision for eliciting public opinion implies that Parliament Members must be made to know the exact opinions which are available from the nation. All the opinions that were received from the private as well as the public bodies should be printed and placed before Parliament. A copy of that should be in the hands of hon. Members, so that

they may study them, and then offer their best opinions. But now the Members of Parliament are not in a position to know what the opinions that were received during the last seven years are. This is my first point.

If Government ask us to place complete and absolute faith in them, I do not dispute their *bona fides*. But my point is, that we, the Members of Parliament, want to know what those opinions are. If Government want to rush through this legislation, I do not say that they want to rush through with a view to avoiding us but on the other hand, things have happened in such a manner that so much of time is taken up before a matter comes on to the preparatory stage. For the last eight months or so, this Bill has been pending before us, and if it had been the interest of Government to see that on this important matter of an all-embracing nature, and of very great future substantive concern to the nation, the opinion of the whole nation must be made known to Parliament Members, an opportunity must have been taken earlier to see that the Bill was circulated for eliciting public opinion thereon. Now, I have got a conception of the abuses existing in the practice of the existing company law. Those abuses are too many, and they ought to be condemned at the earliest possible instance. If the hon. Minister pleads that because it is too late already, we should see that no great time is taken and that the Bill must codify the law very soon, I agree with him. But he does so with a reservation which is peculiar to government procedure in a democratic government.

Without going into the details, I would like to submit that this company law is a very technical subject. The hon. Finance Minister had some time earlier observed that the interest in the company law will naturally be confined to a few lawyers, and especially to the very few who have got some experience of the company law or who are experts in it. If that is his conception, I do not feel any grievance when a criticism is being levelled at, that this Companies Bill as it is, is a bureaucratic pendantsry imposed upon a democratic Parliament.

Some of us here are lawyers, but many of us are laymen, and many of us are coming out of the regular mass itself; and how are we to understand the implications of your law? You are a Government appointed by us with popular will, and therefore, you must make the law popular, easy, and simple to understand, and not make it a *Vedic* secret and make the interpretation of the law very difficult. I am a lawyer, and I was able to follow your speech, because I had studied this matter a bit before. But how can you expect the other hon. Members to follow it?

When a general decision is given on a matter of such vital importance as this, we must know how the nation receives it, and it is only with that view that I have moved this amendment of mine. I also want to submit on this occasion that in cases when comprehensive Bills of a very vast and far-reaching importance concerning the future interests of the nation are brought forward, the first question that should be considered must be whether it must be circulated for eliciting public opinion or not. There is no question of waste of time in circulating it for public opinion. I have been happy to hear that this Government is a poor man's Government, for the poor man; the poor man must pay, and the poor man must bear the burnt of it. Nobody can say at this stage that the common man in this country can ever build up his edifice of prosperity upon the concessions of capitalistic interests in the country. We want to build our interests upon our own strength. So, whenever the private sector begins to operate under the first Five Year Plan, the second Five Year Plan, or any other plan it must be financed by the capital of the common man and not that of the capitalists; the poor man and the middle-class man must contribute his capital to build up the private sector, to the total exclusion of the capitalist interests. But as it is, the joint stock enterprises in this country have been built up largely out of the contributions made by the capitalists. This law is only to regulate the form in which the capital so far entrusted by

[Shri Vallatharas]

the capitalists will be promoted and managed. There have been so many abuses so far, and it is our desire that they should be condemned at the earliest possible instance. We want to build a fortress for the common man against the capitalists that have been operating in this country so far. They have managed to build a fortress for themselves so far; and this we want to be lowered at the earliest possible instance. In view of these considerations, I am not against any of the provisions in this Bill. I am one with you in regard to the reasons for introducing this Bill, and for having it enacted at the earliest possible opportunity, and for seeing that the design is made so complete that no loophole is left for any abuses, and the private sector will be worked with the greatest possible efficiency. So, if this legislation is not going to succeed in the manner envisaged, certainly, there will be a collapse in the working of the private sector. So, feeling the grave importance of this legislation, I wish to submit another point. This Bill, just like the factories law that we dealt with yesterday, is only a copy of the English law. It needs no originality to copy an alien Act, or the principles laid down by an alien law. When the Englishmen entered into this country, they were businessmen, and they introduced the company system here, so that they could loot the country and the internal resources in the country as much as possible by exploitation and other commercial means, by introducing managing agencies etc. So, when a company was to be formed, originally, there was not the legal requirement by law that directors must be appointed or that a Board of Directors must be constituted; it was just enough that a managing agent or a manager was put in charge of the business of the company. But the Englishmen were not able to find an adequate number of efficient and competent industrialists to be transferred to this country to manage the British capital invested in their industries here. So the first stage was the con-

ception of company law, the conception of joint enterprise, the conception that it must be managed in this way or that way; this was introduced by the English concerns in this country. Later on came the necessity that Board of Directors must be constituted. The managing agency system was introduced by the British businessmen. They wanted to exploit the resources of this country, not to build the national strength and stability of this country. So we must look at it from that background. As it is, in England the Cohen Committee made recommendations. The Act of 1929 was comprehensively revised. So this Government had also felt in 1946, 1947, 1948 and 1949 that the company law in this country must also be revised on the basis of the English law. So inspiration was drawn, in the post-war period from the English statutes, the activities of commercial people and industrialists in England. We are now copying that structure; it is not of our own original genius; but the structure that was already in existence arising out of the necessities of the British. We are simply copying that, as a matter of fact, the super structure, not the foundation itself. In 1946, 1947, 1948 and 1949, there was not the conception of the planned economy which must strictly form the justification for our conception in this country. In the year 1950 when the Bhabha Committee was constituted, people might have got some idea. But even after three years of the Five Year Plan, it is very difficult for many of us to have a proper conception of the internal structure of the planned scheme itself. In 1950, they wanted these people to have a proper conception of the structure; but it is too much; in an immature age. As a matter of fact, one critic had observed that this Bill, this legislation, was thought of at a very very confused time; it must have been brought in a cooler moment, in a normal time. But apart from that, the Bill is before us. Now, we have got a planned economy. There is justification for the existence of these enterprises. Even according to the Planning Commission's observa-

tions, which the hon. Minister was pleased to refer to, the private sector has a place. So the private sector and the public sector are the two important elements in the constitution of the Plan and industrial development depends upon these two factors. Now, Sir, 2 per cent. of the national income is invested in these enterprises of the private sector—I speak subject to correction. Would you be satisfied with this investment? Won't you like the public to come forward, just as you have invited the public to contribute to the National Plan Loan, and become shareholders in some enterprise or other? In that way if they give their wealth for the establishment of these enterprises, there is a chance of a democratic touch being given in the establishment of industries in the private sector. We are not having the voice of the common man. The voice will be predominantly that of the so-called stock industrialists, if I may put it like that. Some people in this country may say: 'I have got experience of industrialism and commerce during the last 25 years or 50 years and there are only a few people like that' and they at once say industrial leadership is very meagre or very weak. Unless you give a stimulus by which the people can come forward and be in constant touch with the movement of things, how can you expect the popular background to get itself stimulated? It is only in that way that it can be done. When such an important and comprehensive legislation is brought forward touching the welfare of the nation totally, it is always desirable that it should be submitted for public opinion so that we may be able to know their opinion. Now, you have got a few opinions of industrialists and of some State Governments. The lawyers and judges are a very important section in this atmosphere. They are the people who are directly concerned with the working of this law; their opinion should have been expressed. I do not know what is the quantum or what is the quality of the opinion that you received in the year 1949 or 1947. Simply because two expert lawyers have made their

recommendations, it does not mean that the whole thing is perfect. I do not say that it must be altogether absurd or weak. But we want to know all opinions. Now the business class has not only become enlarged; it has become very potent in the country. The middle-class people and even the lower middle class people have entered into business in a large and extensive way so that much of their money is invested in Industry. So their opinion is very important. It is on these two grounds that I submit that this Bill should be circulated for public opinion. But I leave it to the Minister because in such an important matter he feels that there should be no delay, I do not stand in his way. But my grievance is very strong in this matter because the Government has always been lethargic and a bit indifferent also, in the initial stages when they wanted to formulate legislation. It has been lying for over 8 months. What would be lost if it lies for two months more? The whole country's economy is not going to be upset. But that is not the view I am taking. There must be a certain cautiousness, foresight and insight into this question. We have been seeing everyday, in regard to the efficiency of Government officers and these experts, how pitfalls arise out of confusion in the minds of these experts. It is not as if we are distrusting the administrative agency, but on the other hand, we want to assert our rights that we must be put in possession of all the necessary and relevant matters which according to the law and convention, must be available to us. So in this matter we are not satisfied by your saying that public opinion was received. That was inadequate, a farce of a public opinion. Public opinion must be in our hands; we have no public opinion now. Now, you are sending this Bill to a Select Committee; they will make some prunings here and there, because the foundation is not ours, the growth is not ours, but the present control is ours. That is the only thing. It must be considered from the background of a planned economy. So it is desirable in future cases that

[Shri Vallatharas]

the question of circulating any comprehensive Bill for the consideration of the public must be taken up. If it so, the Government may be able to know what they feel and Parliament Members also may know.

. Coming to the merits of the law, I will only touch on one aspect. This Bill is too much. One cannot drive his eyes from the first page up to the 325th page. All these things are really frightful. Of course, we are going to give our consent to this, because we believe in you and in the necessity and utility of this Bill. But this is not the way a democratic Parliament must be treated. To make a law easy and simple is a process which must engage the psychological morality of the law-drafting section itself. If they think they are great experts, the language also will be expert language. If they think that it should be easy for the public to understand, the language will be easy for the public. I can redraft this Bill in simpler language; I can get some of its provisions deleted. In regard to managing agency, from 307 to 359—52 sections—are added, whereas in the previous law it was only 9 sections. I may see the necessity coming up, but on the other hand, imitation is the very greatest danger possible. I will have to attack the report and the authors of the report as well as the Bill for this reason, that much of their concentration has been on how to avoid all possible loopholes that have been found so far. Their eyes are concentrated on the already existing literature—of the Cohen Committee or of the African Inquiry Committee or of the Canadian legislation or of the Australian legislation. Suppose there had been some originality in this, it would have been simple and also to the point. But here we have introduced the precedents, laws and policies of the other countries in this matter. The volume has swelled up. I cannot imagine how this Government can swell this like this. It is a bloated mass of rank unwieldy woe. The common public cannot understand it. No person can understand it except the ex-

pert, the lawyer or the expert of age-old industry. As it is, it is not understandable to the poor man. I would request the Government to look into this matter of the simplification and codification of language and the ideas sought to be imposed upon it from this point of view.

So far as the managing agency system is concerned, one beautiful thing has been done. But, even though we are condemning it, even though you are blasting it by 52 sections or even by 200 sections, you are not going to put an end to the evils of the system. In my humble opinion, I must say that it is absolutely necessary that the managing agency system must be eliminated from private enterprise in this country. Of course, I heard the Finance Minister saying that the Law Committee had recommended that this system must be continued. I cannot imagine the reason, the utility...

**Shri C. D. Deshmukh:** I did not say 'Law Committee'. 'The Expert Committee on the amendment of the Company Law'—that was what I said.

**Shri Vallatharas:** I am sorry. That is the committee I was referring to—the Company Law Committee. So when I read it, I was pervaded by a feeling that the law was not original. When I want to argue a case and convince the judge as to what should be done or what should not be done, I simply go and run over the pages of Digests and case laws and say 'An American judge has written like that, an English judge has written like that; so you do like this'. I never argue: 'This is the original interpretation. I am putting according to my commonsense; I take the conditions in my country and the psychology of my people'. It is not in that way that this is approached. So they wanted all possible loopholes to be plugged. What are the possible loopholes? As you find stated in the Cohen Committee report. What are the loopholes in this country? Sir, the people of our country are inexperienced in industrial development, the people of our country are inexperienced,

in accountancy, the people are inexperienced in business. All these people had been placed during the second World War in control of large movement of trade and commerce. So whatever came, they began to loot. What is the unnatural thing about it? Black-marketing has become the regular order of the day since the last 8 years in the government and its departments and what have you done during the last four or five years by your leadership? So the war was the reason. So in that way, fraud, dishonesty, betrayal, treachery and everything appeared. That was the basis on which these abuses developed. And who are these managing agents? They are not angels coming from above. They are ordinary men who are placed on a particular pedestal. So, even before the war ended, in 1945, the Government was shocked by the abuses. Did the Government lose its breath by the abuses which were existent even in its own internal administration? Why should you forget that particular moment? You should have thought of these abuses. The managing agency system has been so bad that it has been criticized much. Once you place the Agents in managements, in power, they wield great power, and others are to turn to them. If we go to you, a Minister, who is one of our members, we talk with you about some subject. You are in power. Suppose you express a bit hotly. We feel nervous. This is all human weakness. If it is found everywhere, even from Member to Member, with the change of events and circumstances. If the managing agents are in direct management of the company under, say the supervision and control of the directors, the managing agents could dominate very well. But what is happening now? What are these directors doing? It is only sharing of these spoils of the company that is being done by the directors as well as the managing agents. These directors are just recommended by the managing agents. They are not independent people. There is only a pretence of their being elected by the shareholders.

But they are really the vested interests of the managing agents. They are the people who manoeuvre in the elections. What did the managing agents do, on the other hand? They had forced these directors to declare false dividends excessive dividends. They never cared for the company. In that way, the directors submitted to the influence of these managing agents, and declared false dividends. Many companies became bankrupts in this way. Whether it is accountants or auditors—even they were appointed by a resolution of the committee. The nominations were all manoeuvred by the managing agents. So, even the auditors, who hold a vital place in the whole machinery,—they are the pivots in the machinery—come through manoeuvring of the Agents. And yet the auditors who are expected to be independent act under the influence of the Agents. Further there is always friction between the directors and the managing agents, in spite of all this. Every section, every aspect and every point in the entire machinery of the Company Law bristles with so many doubts and difficulties, so that there is always friction between the controller and the man who exercises the right of management. How are you going to anticipate that the director is going to be a high, superior type of human being, to be evolved during the course of this year 1954? How are you going to ensure that the managing agent will be endowed with a high sense of superiority and integrity—to be like a *sanyasi*, with the greatest detachment from pecuniary gains. These people who have cheated the public so far will again continue to cheat them. Any amount of sincerity and any amount of your restriction on them will not meet with happy results. How can you prevent such things being committed by people who are prone to do it? How can you control them? You have heard stories of Vikramaditya, where we are told that a prostitute will continue to be so for all time. You cannot change a professional prostitute and her wicked mind. Even if you put a habitual thief in jail for 15 years, as soon as he

[Shri Vallatharas]

comes out, he will indulge in his old deeds. I have got a very bad conception of this managing agency system.

**Mr. Chairman:** I very much appreciate the hon. Member's enthusiasm and his concentration on the subject. But I shall appreciate him even more if he addresses the Chair, as he ought to.

**Shri Vallatharas:** Thank you, Sir.

**Shri A. M. Thomas (Ernakulam):** Say, 'madam.'

**Shri Vallatharas:** Yes. Man includes woman. So 'Sir' includes 'madam.' I am very sorry.

**Mr. Chairman:** I am sorry to have embarrassed the hon. Member!

**Shri Vallatharas:** Madam, we are dealing with some trained people of two decades' experience. I have got a very great glamour which amounts to a sort of madness, so far as my love and attachment for the Finance Minister are concerned, because he wants all the 36 crores of people to assume that they should have that degree of superiority and constructive mentality as he himself possesses. I would like to suggest to the Members on that side—because we do not possess such a quality—to bring a Bill just like the one Sterilisation Bill which was brought in this House some time before, a Bill to say that children of a lesser intellectual calibre than that of the Finance Minister or some other should not be born in this country. Or else, what is the meaning of this bulky hard legislation, the language and import of which is very difficult to understand. It is pooh-poohing the public.

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So, it is not at all going in the proper manner. How are you going to expect from the people that they would co-operate with the Government in bringing to book these time-honoured and traditional system of the managing agents and their directors? That is the position. If you have got

the co-operation of the people, the thief will be caught. But our policemen will not be able to do it. How many theft cases have been detected in Delhi? I know there are a few cases of theft, where certain people caught hold of the robber and took back the money and sent the thieves away! The co-operation of the people is an important element about which the Government has not cared to study. Please excuse me for using such a language. So, in his sense, the managing agency system which has led to so much of abuse during the war years, is sought to be continued in this Bill. What do you expect from it further? One of the critics very recently said that these frictions and scope for conflict between the supervisory board of directors and the people who are placed in actual management, that is, the managing agents, are not good. One man says that so long as this law remains, it is a paradise for the lawyers, because there is always a conflict between the managing agents and the public. Do you mean to say that this view is absurd, or, it is not to be considered? I see some meaning in it. So, I submit that the Government, from this moment, must abandon their idea to retain the institution of managing agents. It is a system which was brought from the British people in order to escape from a sort of scarcity of trained industrialists to be placed in charge of the capital invested in British India. Now it is our capital, and even if it is abused, so to say, it comes back, in some form or other, to the person who needs it for national purposes. This is the view which the committee must have taken; but it did not take that view.

One point more. The Government will see that they should not have so much of faith in the recommendation of the Law Committee in respect of the managing agency system. They must now prepare to find out a proper substitute for the agency system. If that is done, so much of criticism, which is launched against this Bill, can certainly be met.



Lastly, I shall refer to the resolution of 1950 which appointed the Company Law Committee. There were two terms of reference. You know the first term of reference in the resolution is about the design of management. The design of management is sought to be made perfect. Look back over the past seven years. The greatest effort of the people engaged in reviewing the company law had picked up section after section and precedent after precedent from the English Law and put them in this Bill just to plug the holes. Loopholes may arise, and I am not worried. The second term of reference is this:

“Consider and report any other matter incidental to the administration of the Company Act, in its bearing on the development of Indian trade and industry.”

I feel that the Committee had not considered the second term. If it is considered, I would like the hon. Minister to inform this House as to how that term had been complied with by the Committee. The Committee was working under four limitations. The authors of the Bill have not made any exceptions to the Committee's report. So, I have to say that all the limitations that were attached to the Committee's report attach also to the present Bill. The first limitation is:

(i) A statistical assessment of the role of the joint stock companies in the economic development of the country was not available to the Committee. The preparation and utilisation of the statistics was left for the future.

This task is left over by the Committee to the future research. The Committee says that they were precluded from making an attempt in this direction by shortness of time and inadequacy of data. I need not emphasize the importance of the statistical assessment of the role of joint stock companies in the economic development of the country. So, the Committee had not had the advantage of working its own recommendations on the basis of statistical assessment of the role of joint stock companies.

The second limitation was:

(ii) Specific problems of economic policy were left off without consideration as being outside the purview of the Committee.

So, the question of planned economic policies relating to it and the resolution on industry which was passed in 1948 which specified the industrial policy of this country were not considered. They are on the records. I understand that this Committee had not devoted any attention towards analysing those policies and applying them to formulate their recommendations.

Thirdly, the Committee exclusively concerned itself with the structural and procedural improvements under item (i). To put it in a student's or a layman's language, it was a totally *Ee adithan* copy. Suppose a person attempts to copy the contents in a paper. Accidentally a fly that sat on it was beaten and it struck dead to the paper. The person who copies the contents draws a diagram copy of the dead fly also. Without understanding that it need not be copied. That is a faithful type of copying!

**An Hon. Member:** Will you repeat it?

**Another Hon. Member:** We have not been able to understand what he said.

**Shri Vallatharas:** 'Ee' is a fly. A fly that has been killed on the paper is sticking to it. Some other man who wants to copy the writing in the paper i.e., that is written on the paper goes on copying the impression of the dead fly also without knowing what it is. (*Interruption*)

**Shri N. C. Chatterjee** (Hooghly): What is the Tamil for it?

**Shri Vallatharas:** *Ee adithan copy*. The man who copies not only the writing but also the fly that was sticking to the paper.

**Shri Algu Rai Shastri** (Azamgarh Distt.—East cum Ballia Distt.—West): *Makshika sthane makshika*.

**Shri Vallatharas:** That is how the English law, policy, precedents and all are all copied exactly and embodied in these 612 sections. Are we to be enamoured of the bulk; are we to be enamoured of the quantity? If another bill, a consolidating bill were to be brought ten years later, then it will be twice or thrice this. I think people who have learnt much and who have got degrees in the English language should know how to use that language. I would request Mr. Chatterjee to say whether all these 612 sections could not be reduced to at least 300 sections. Precision is the better part of knowledge. So, nothing beyond copying work has been done by the Committee and nothing but copying the Committee's report has been done by the authors of this Bill.

(iv) Problems of industrial management and industrial relations having direct bearing on the development of India's trade and industry *vis-a-vis* the basic economic logic under term II have no influence to shape or to adjust the structure and management to achieve the desired end. So the Company law is a new mechanical device to define and regulate the relationship between the shareholders and directors and managing agents and nothing more.

There are a great many things to say but I am not going to enter into them. There are four days before us and there are lawyers and others who will speak on this. So far as the poor man in the country, the man who is desirous of democratising capital and vested interests in this country, the man who wishes that the democratic opinion takes charge of the investment of capital and the management itself is concerned, I am inclined to say that there are very serious defects which must be looked into from a different angle altogether. Having said this much, I will wait till the end to see whether I should withdraw my amendment or not. When the hon. Minister tables a resolution we know what it is. Supposing he wants to persist, he has a strong majority. It is not that fear or apprehension that I have. Whatever must

be told must be told on the very face. That is why I say these are things which we feel. There are thousand and one odd things. This is only one link in the chain of grievances which can be brought out in respect of this Bill. If we have 612 clauses, multiply it by ten, we will have 6120 grievances. As the volume grows the evils also increase in quality and quantity to that extent. This is not a proper Bill at all; this is not the way in which the managing agents and directors are going to be controlled. The Finance Minister said that this is a poor man's government. We should try to see that it really is a poor man's government. We have seen democracies saying that racial discrimination should end and when the time comes, when the real situation comes for the abolition of discrimination these very countries come and say we should not. This is not the way in which legislation should be done. If really it is the poor man's government, then the poor man must invest, the poor man must manage and the capitalist must be diluted. From that angle we must look at the management of the joint-stock companies in the private sector. The private sector is the most potential sector in this country which is going to establish the strength of the nation for the future welfare state. This cannot be done without the private sector coming up to this level. Certainly, the capitalist interests are not going to advance the progress of this country any further. Probably they may come up from 0.2 per cent. to 0.4 per cent. If a Bank puts in Rs. 10,00,000 or so in the National Loan, it is not an indication of the popular man's support. On the other hand, if you get about Rs. 1,00,00,000 from the National Savings Certificate, it is certainly an indication of the poor man's co-operation. This Bill shuts out the common man, this shuts out the lawyer, this shuts out the middle-class businessman, any man who wants to see the democratisation of the private sector.

I would submit to the Government that this is a Bill which requires very serious reconsideration and I request

that the Select Committee should not only go through the various clauses of the Bill but they must go to the background. We drafted this Bill in 1952 and we must now change it and integrate it with the Plan which was not there then. This Bill must be changed in structure and prospect to give encouragement for the private sector.

**Mr. Chairman:** I will place the amendment before the House. Amendment moved:

“That the Bill be circulated for the purpose of eliciting opinion thereon by the 31st July, 1954.”

**Shri Heda:** Madam Chairman, before I come to grips with the subject-matter of this Bill, I should like to say a word with regard to the motion just moved by the hon. gentleman on that side. No doubt, this Bill is very important. We knew for the last few years that such a Bill is coming. As he himself stated, there are no revolutionary changes made in this Bill. Rather, different amendments have been adapted and though it is not a faithful copy, to some extent it has been adapted on the lines of similar enactment in the United Kingdom. Therefore, I do not find any reason for us to delay this matter further by circulating this Bill for eliciting public opinion.

I know it is important as it is going to set up an industrial and commercial pattern for our country. Therefore, I would like to make two suggestions. Firstly, as we had done in the past in respect of certain Bills, we should consult the public in the Select Committee by calling in witnesses—people who are concerned—to give their evidence. Questions were asked of them and they replied and that way it helped those interests, to represent their own viewpoints. It also enabled the Select Committee members to understand and learn the different aspects of the problem. Therefore, I would suggest to the Government that in this case also, witnesses should be called for before the Select Committee.

So far as the witnesses are concerned, I always felt one difficulty. It is this. The interest that is enlightened, the interest that is predominant always gets the benefit of such measures. Therefore, I am quite certain that so far as the class that represents the managing agents, the class that represents big business, the big industries and big commerce and all that, they would come in good number and represent their grievances. They would submit their memoranda, but the class which is vitally affected, the class of the ordinary shareholder who purchases a few shares of the value of Rs. 5 or Rs. 10 or even Rs. 100 with a view to help the private sector or the industries to build our country and profit himself also, or the class that grows the raw material, or the consumer class. These may not come before the Select Committee to give their views. These types of interest may not come to the Select Committee and give their evidence. Therefore, I would request the Government to take particular care to see that the representatives of the producers of raw materials, the representatives of the lower middle-class or what I would call the ‘general shareholder class’ and the representatives of consumers are particularly called for and that their view-points and their opinions may also be considered.

The second suggestion in this connection that I would like to make is this. Some time before, one of the hon. Members on this side suggested two names to be included in the Select Committee. What is the idea behind it? The idea is not that the number of members on the Select Committee is not sufficient, but it is that the Bill is so important that some more members would be interested in the Bill. I suggest that those of us from this House and also those from the other House, who feel interested in the Select Committee proceedings, should, on their writing, be provided with the proceedings of the Select Committee from meeting to meeting, so that at whatever meeting and in whatever portion of the Bill they feel interested

[Shri Heda]

or it is convenient for them to attend the Select Committee meeting, they may be allowed to attend and express their view-points. Of course, they will have no right of vote and generally speaking, they, the members of Select Committee do not go by vote there. All of us who feel interested in the Bill would like to contribute something while the Bill is in the Select Committee stage. I suggest that they may be associated in that way.

I may also give another suggestion to the Government that the minutes of the Select Committee proceedings from meeting to meeting and sitting to sitting be supplied to those Members who feel interested and who intimate their desire in that way.

Now, I come to the subject-matter itself. The Industrial Resolution that we passed in 1948, certain provisions in our Constitution, various pronouncements made by Government from time to time and lastly the ideological portion of the Five Year Plan make it very clear that we have adopted a particular pattern of economy, and that economy is certainly not socialistic; nor is it an unbridled capitalistic economy; that economy is following a middle path. It adopts certain aspects of socialistic economy and at the same time it accepts certain patterns of the capitalistic economy. It is a sort of controlled private economy, and in this type of mixed economy, the pattern of managing agency system that we have is going to influence us enormously. This Bill is not, in my opinion, going to test all our pronouncements but it will shape the things to come in the fields of commerce and industry, and those are very important sectors, on which our future development depends. Let us see how the managing agency system developed so far. There are certain houses in the country that have made their name as being very efficient—I need not mention them because they are on the lips of everybody. My own observation makes me to divide these houses of big businesses into two classes. One of them I would

call industrialists, or industrially minded—they look after the industry, rather they love the industry, put into it all their vigour, energy and experience to see that the industry is expanded and well-established and gives the highest profits, which they would like to divide among their own shareholders. There is also a class of managing agents whom I would term as 'speculators'. Their main concern is how to earn more and more, and they adopt different measures to achieve their end. I know certain cases where they adopt somewhat following methods. First, they get into the Press which comes out with a statement or advertisement that they are going to float such and such a concern. They gauge the public mind as to whether the public will purchase their shares or not. Suppose the share capital is Rs. 50 lakhs or a crore of rupees; then they see whether their shares are going to be in the premium from the very outset, that is, when they float the company. Suppose the value of a share is Rs. 10, and they feel that very soon it will fetch Rs. 11 or Rs. 12, then, they have 50 or 60 or even 70 per cent. of the capital reserved in the names of their own family members and friends. In the beginning, they sell the shares on premium in the free open market, and in that way they gain about 10 to 20 per cent., probably without putting any money into it. After that,—the matter does not end here—the company is floated and money is called for; the full money is called for. After about a year or so, they come out saying that the company is not well-established because the first site chosen has since been changed, there is delay in getting the necessary machinery and so on and so forth. The result is that in one or two years, since nothing has been done and no production has started, the shares are quoted in the market at a discount, and the value of the shares may probably go down to Rs. 8 or even Rs. 5. At that time, they again purchase the shares, and within three months thereafter, the whole thing is changed again. The machinery comes, production starts

and big emporia are established all over the country. The sales are begun and again the shares go up. My own feeling is that in this way certain houses in the country earn many times more in the course of the first two years than what they would earn as 'the managing agents' remuneration, whether in the shape of percentage of profits or in the shape of salaries or both put together for 10 to 15 years. I call this class of managing agents as 'speculators'. It is very difficult to bring in a law to stop these people from doing this or have a check over them. The hon. friend who preceded me has used strong language about these people and he said it was loot. In fact, it is nothing but loot and it may be something more. It is cheating and, therefore, we have to stop this. How to stop it is a very big problem, and I feel the whole Bill does not solve the problem. But I know it is a very difficult problem to solve. The best guarantee that we can have is that the Government should be very vigilant and take a strong line against those managing agency houses who, in the name of industry, are more concerned with the speculative side rather than the industrial or commercial side. There are other managing agency houses and what they do is this. Suppose a managing agency house has a few textile mills. I have seen in certain cases the big business has purchased the textile mills with a view to having a freer and safer scope in the speculation of cotton. They purchase cotton in somebody's name, and if the prices go up, the profit is collected by them, but if the prices go down, the loss goes to the particular individual mill as then it is that mill in whose name it is bought. Therefore, if there are profits, they take it, and if there are losses, the individual mill bears it and thus the cost of the cloth in the textile mills increases in that way and the country suffers. They have no worry over the sufferings in the country. When a very big concern or any concern for that matter is floated, Government should encourage the healthy type of managing agents, who never purchase more than the neces-

sary quota of shares and who are the last persons to sell their shares, the persons who never speculate with their shares. Hard and fast rules may not help us, but Government should be vigilant to see which are the houses to be encouraged and which to be condemned. And when they decide to condemn, they have sufficient ways and means of condemning them.

After this, I come to other aspects of the managing agency system. There are certain managing agents who come forward as if they are well-wishers of the country. They tell us: "Look at us, we are manufacturing, we are producing so much, but what is our gain after all? We do not gain even 1 per cent., sometimes we get hardly 1½ per cent. We give 50 per cent. to labour, so much to our other men, this that and the other." But the point is not whether they are gaining 1 per cent. or 5 per cent. or 10 per cent., whatever it may be, though that in itself is an important factor. The point is how much that 1 per cent. comes to. If that 1 per cent. comes to say Rs. 10 lakhs, it is not a small sum, it is a handsome one. Whether a managing agent is getting 1 per cent., or 1½ per cent. should not be a material thing. The material thing should be how much that 1 per cent. becomes in the last analysis.

Another important consideration is what is the proportion of what he gets as remuneration in the shape of commission or salary to the dividend that is paid to the shareholders. I think in no case should it be more than 10 per cent. Whatever return the ordinary shareholders get in the shape of dividends, not more than 10 per cent. of it should go to the managing agents. Some such criteria should be there. With this criteria if we look at any concern, I do not think there is any managing agent in this country who can say: "I give 5 per cent. to the shareholders while I have taken less than 1 per cent." I do not think there is any example like that. Therefore, in some way or other we have to control, we have to put a check over the remuneration that the managing agents get.

[Shri Heda]

Then there is another point and that is the control over these managing agents. Mr. Vallathars was very vociferous over the matter and I think if we look at the different concerns he was quite right. What we see is that the whole Board of Directors is generally, if not in the first instance, dominated by the managing agents. In many cases, the directors who appear to be independent, who appear not to be related or connected with the managing agency houses, are really so associated, that the whole thing becomes rather a tame show. If one has attended a few ordinary meetings of these companies, he would see that here is a company which boasts that it produces say Rs. 10 million worth of articles. If you look at their meetings you will see no controversy, nothing; somebody comes, reads the report, somebody tables a resolution and it is passed. Everything goes according to plan. The domination of the managing agents gives them a sort of feeling that they can do anything they like. There are many ways to do the things in that way.

One of the industries, which for some reason or other, has no good name in our country is the sugar industry. We have seen how one Food Ministry after another has come, but they have not been successful in solving either the sugar problem, or controlling the sugar industry. What is the reason? The reason is not that we have to control the industry, but we have to control the commercial aspect of the industry. What the managing agents do in most cases is this. They sell the sugar is some name; the names in many cases are fictitious, and sugar disappears. Then, that sugar appears at some place in somebody's name. In between the price of sugar goes up by Rs. 10 per bag. This is not a rare happening; this is a thing which happens every day. In my constituency there is a big sugar factory. I had been watching as to how the sugar was appearing and then disappearing, where it was appearing and where it was disappearing, and

how all this happened. If you ask the factory-owner he says: "We have sold the sugar at such and such rate on such and such date; registers are quite clear; the account books are there; entries are there. So you cannot have any doubt. But if you just try to find out when that sugar went away, when the wagons were found, when the lorries were found, how it went and where it went, then you will find that the names and the dates given are fictitious. Many times sales are effected; delivery is shown as having been given; still the article is in the warehouse. Many times the article is not there at all; it had already disappeared, it had been sold and money was somewhere else. But in the books the articles are shown as in the warehouse. After the prices have come down the sales are shown. Many such things happen.

Therefore, if we have to control these unscrupulous type of managing agents, who indulge in all sorts of methods with a view to make huge profits, we have to see that a system is evolved by which the Board of Directors is so elected as to safeguard not only the interest of the ordinary shareholders but also the interest of the country as a whole, the interest of the producers of raw materials and the interest of the consumers. With that end in view, the Finance Minister should give very serious consideration to this matter.

I may tell him that there are certain people who have got a very good name, who have got a very high name. Therefore, people feel that if such and such gentlemen are included in the Board of Directors, the interests of the shareholders would be safe. In this belief they purchase shares. Such people have got a good name and they rightly deserve it. I have a temptation to mention the names of one or two, but that would not be proper. Government should see that such people are elected under some law or rule on the Board of Directors. But under the system as it obtains, it is very difficult

to ensure their election, because the meetings are made up. The only man who can upset the managing agents' plans is another big man who would have purchased a good number of shares beforehand, got proxies with a view to out-vote them. In that case the change of managing agency does not benefit either the country or the people in general. Therefore, Government should see that at least in the cases of concerns with a share capital of more than Rs. 25 lakhs, they should have a right to nominate or to appoint or suggest appointment of a few directors. They should not be high Government Officers who are already over-burdened with work. Such directors are not able to attend meetings. Such directors should be the people who feel honoured by the appointment, and not attend the meetings for the sake of travelling allowance or daily allowance of say Rs. 50 or 100. They should consider themselves as the guardians of the interests of the people of the country. A certain percentage of such directors should be appointed by Government on the Board. If this is done we may be able to have some control over the managing agents.

Another matter is that many times a shareholder wants to get some information about the working of the industry or the commercial company. The replies that he gets, as it happens in government offices also, are dilatory. They are delayed, and many times they are very vague. It should not be so. If any shareholder wants any particular information he should have a right under the statute, after giving information, to go to the office and see the things for himself. He should have easy access to the files, to the account books and all that. Well, somebody may say: then the working of any company would be impossible. It would not be so. Who has got time to waste? Only those would go in whose case enormous interests are at stake. If the person loses something little he is not going to bother himself. The middle class person, the ordinary shareholder, is a very busy person. He has so many things on

hand and is hard-pressed for time. It is only when his whole money is—to use the word that was used by Shri Vallatharas—looted or when he is cheated or something like that, then alone he will spend that much of time for that work. Therefore, some provision should be there, some rules may be made under which an ordinary member may be allowed to have free access to the files, to the account books, to the agreements or the concerned matters where money is concerned, where the question of profit or loss is concerned. If it is not possible for the whole of the year, it should be possible, say, in the period of three months before a general body meeting is held. This is adopted particularly by all big concerns that their general body meetings are held in particular months. People know when the general body meeting is going to be held in respect of a particular industrial concern. So in that period of three months before the scheduled date of the general body meeting, ordinary members should have free access to these things.

Shri Vallatharas has referred to the elimination of the managing agents. I know there are many people who think in those terms. It is not so easy to do that, at least in the sector where we have to establish, to grow, to build, to start a new industry. In the industry or trade, in the sectors which we can call already established sectors, I think we can work there without the managing agents. Take for example banks, insurance companies and big established companies like textile, cement, jute or iron companies—of course not every company among them—but such of the companies as have shown very good progress and whose paid up capital is, say, more than Rs. 50 lakhs or something like that. In such companies by persuasion Government can if they so desire, take such steps as to eliminate the managing agents, and the Board of Directors or some other body may directly manage the whole affair. And thereby they can set a

[Shri Heda]

new and, I think, a more healthy pattern to look after our industries and trade. The same thing can be applied to others.

The main point in this regard is that we have to see that the interest of the ordinary shareholder is upheld and that the healthy type of managing agents class is respected. If that is done, then this type of people would be able to start more factories, and thereby we would be able to develop our country in a better way. If we curb the other type of managing agents whom I have called speculators, people would not be sorry or repentant over it.

One more point, though it may not come strictly under this Bill, and that is this. When Government gives permission to float any company I think it should be the duty of Government to see whether there is any genuine need to start such a company or not. In our country, unfortunately, if somebody has started a new industry or a new company and has started making a good profit, so many people come into the same field and they start imitating that venture. That is why we have a greater number of oil mills and a greater number of ginning and pressing mills than we require. In certain States we have got four times more number of them than we require. All this capital has been blocked. No doubt the primary fault is of those people who floated those companies, but to some extent Government should also be held responsible for this. It should be the duty of the Government to see that the capital, of which we are short and which we need for starting so many industries and factories, should not be blocked in such a way. Not only unhealthy type of competition gets allowed, but many times practically all of them, or many of them, have to remain closed for the whole of the year. That type of development should not be allowed to come in, and I hope that Government will also consider that point.

With these words I support the motion for reference to Select Committee.

Shri Barman (North Bengal—Reserv- ed—Sch. Castes): I rise to support the motion generally. While supporting it I would like to place before this House certain incidents about the company affairs, their formation, management, etc. for the consideration of the Select Committee. I shall generally mention these matters and I hope that when the Select Committee goes into the detailed provisions of the Bill they will try to remedy, as much as possible, the defects that I shall point out.

First of all, I would like to impress upon the hon. the Finance Minister that though we are much in need of development of industry, commerce, etc., for want of funds, for want of capital we are not able to proceed fast. But from my limited experience I would like to suggest to him that if he can, with the help of this Bill and subsequent amendments that may be necessary, purify this institution of ours, namely, the formation and management of companies, much more capital than we can expect from the capitalists now will be forthcoming. I can say that though there was a great depression in this country, by the steps that Government have taken all these years after Independence, some amount of money has gone to the rural areas. Whereas in former years the rural areas were absolutely drained, within the course of the past few years I hope and think that there has been some formation of capital—it may be just a hundred rupees for a man who can save only that much in a year—but still there has been some sort of capital formation in that sense which has taken place in the rural areas. And these people are in a fix as to how to utilise that capital. There are instances reported every day in the newspapers, especially local newspapers, that there are thefts, dacoities in the rural areas, particularly where the people are absolutely helpless. I can say from my experience what these people generally do. They place whatever savings they have in



the hands of the capitalists. In small towns, there are *bandars* where the merchant classes, especially, have built up a business. These people from the rural areas place their money in their hands without any interest, without any document. Of course, there is that business honesty. They never tell these people, you have not placed the money with me. They give it back bit by bit out of the profits that they make out of the capital placed in their hands. If the Government could reform these companies in such a way that the people will feel that if they place their little savings in the formation of companies, Government will guarantee in a way and that the capital would not be lost and that something could be got out of it, the Finance Minister could expect much more money to come to the companies and by floating bonds and loans. We have committed ourselves by our Industrial Resolution of 1948, to the policy that so far as the basic industries are concerned, it will be the Government itself that will float the companies and run them. But, the finances of the Government being very much limited and our needs being so extensive, it is not possible for the Government to take up State industrialisation in all spheres of industrial development. Therefore, we require that private capital should be built up and it should take up the development of other industries which the Government could not undertake. Nor have the Government the resources to do so. Therefore, we require companies to be formed and we require capital for the formation of the companies in our country. There is of course, at present, as has been said by some hon. Members, suspicion against the companies because of the misdeeds of managing agents in running these companies. I do not say all; but most of the managing agencies do not behave properly. It is because of that suspicion and because of their failures even under favourable conditions that people do not invest any money in companies. But after all, the running of a business is not a very simple affair. It requires scientific knowledge and scientific action to float a company and run it

successfully. Whatever defects there may be in the managing agency system, it is a necessity now to remedy them, so that our industries may prosper, so that companies may be floated and run successfully, and our industrial development can make headway. It is incumbent on the Government to see that these defects are removed. So far as I have gone through the report of the committee cursorily, they have suggested a statutory commission to take charge of inspection, investigation and over-all supervision of all companies in our country. That is a good suggestion. In the Statement of Objects and Reasons, the Finance Minister has said that though at present such a statutory commission is not being formed, they have in contemplation such an authority for the future, that for the present a similar body under the Economic Affairs Department has been formed and that it is going to take charge of this work on these lines so far as is needed, and in course of time the statutory commission may come into existence. I think that is the best step that the Ministry has taken this time. If there be a statutory body or governmental authority to look into all the stages, from the time of formation and during the time of management, then I think much of the evil will be checked. After all, these misdeeds are patent, so that if there is a competent authority with all the legal powers in its hands, it will be able to detect the miscreants and bring them to book. And if such steps be taken at the very outset, the mischief can be averted. That is a very good thing that the Ministry has taken upon itself.

Up till now the system has been very defective. Every State Government has got a Registrar just to register the company. When that is done, the managing agents or the directors are left to themselves, to do whatever they like. Neither the Registrar nor any other authority looks after the interests of the shareholders. Under the present law there is no such effective provision. This time the Government has taken upon itself that responsibility. When people are invited to put their money into a company just after its

[Shri Barman]

registration, it becomes a trust upon Government, and Government will take it upon themselves as a sacred trust. Not only is it a sacred trust, but the Government will also stand or fall in its objective of industrial development according as it succeeds in protecting the money of these small shareholders.

There are some other suggestions which have been mentioned by Mr. Heda also. Really, the directors at present have very little voice where there is a powerful managing agent. The latter controls practically all the shares and, being naturally a monied man with much capital, he also procures proxies from distant places where the shareholders live and wherefrom the shareholder has neither any opportunity nor any mind to come to the place of meeting and exercise his vote. Neither does the shareholder know the people who are just standing for election as directors. So, it is mainly the managing agents that procure all the votes from shareholders living in distant places and, naturally, having the majority of votes in their hands, it is they who can decide who shall be in the Board of Directors. And there are persons who think: "When I have absolutely no chance to go against this managing agency, I should rather side with them and get whatever I can during the year or term I remain as director." So he becomes nothing but a puppet in the hands of the managing agents, and though the shareholders think that they have got a separate Board of Directors, the directors become nothing but a plaything in the hands of the managing agents. This is an evil which should be remedied by legislation as much as possible.

I venture to suggest that some kind of procedure for the election of directors should be introduced so that not only the majority party of the shareholders or the people who can procure the majority number of votes should have all the directors in the Board, but the other party that is contesting may also be allowed to have at least one or two directors in that Board.

Shri Heda suggested that there should be one or two nominated directors in the Board, so that they can at least pry into the secrets of the managing agent and his puppet Board. But I think that will be rather a difficult thing. However, if it is a feasible proposition, I also support it. But on principle, it will mean interfering with the affairs of private industry. So, I would suggest that it would be better if we make the system of voting such that not only the party which controls majority of votes elect all the directors in the Board, but also the other party could elect a few directors representing it. In the case of the local bodies, we have seen that there are always two parties, and wherever there is a minority party, the majority party is not allowed to have all its whims and wishes, because the other party acts as a very good check. Similarly, in the case of the companies also, if the opposition party can have one or two persons in the Board of Directors by way of election or some other process, much of the evils can be avoided, and the opposition party will be in a position to inform Government of the misdeeds that are happening there or are going to happen. This is one of my humble suggestions.

I hope that by improving the Bill in the Select Committee, it may be possible for us to ensure that our companies will be looked after by Government, and the evils that obtain now in the company affairs will be put an end to in such a way that the people in the country can have sufficient faith in the companies, and may invest their savings in them. If we could do that, the industrial development of the country can proceed at a much faster pace than it is doing now. I wish this Bill all success, and I hope that one of the main defects in the economic structure of the country would be removed.

1 P.M.

श्री रघुनाथ सिंह (जिला बनारस—मध्य) : मैं, जो विधेयक उपस्थित किया गया है उसका स्वागत करता हूँ। इस संशोधन के द्वारा बहुत से डिफेक्ट दूर होंगे। लेकिन

साथ ही साथ हमारे भाइयों ने आक्षेप किया है कि इंग्लिशमैन ने लूट के वास्ते कम्पनी ला को हिन्दुस्तान में लागू किया था। इस से हम सहमत नहीं हैं। अगर कम्पनी ला को हमने कापी किया है तो पार्लियामेंटी सिस्टम को भी हमने अंग्रेजों से कापी किया है। यह कलियुग है, यह अर्थयुग का समय है, सत युग का समय नहीं है, द्वापर का समय नहीं है, उसी प्रकार से कौटिल्य या बृहस्पति का काल भी समाप्त हो चुका है। यह काल है ऐंडम स्मिथ का, मार्शल का और मार्क्स का। इसलिये समय के अनुसार हमको चलना चाहिये, और अगर समय के अनुसार नहीं चलेंगे तो संभव है कि हम बहुत पीछे रह जायें।

साथ ही साथ हमारे भाई ने यह आक्षेप किया है कि कम्पनी ला के द्वारा प्राइवेट प्रापर्टी या प्राइवेट व्यापार को हानि पहुंचती है। मैं उनका ध्यान आकर्षित करना चाहता हूँ कि वर्गहीन समाज का जो हमारा उद्देश्य है उससे प्राइवेट प्रापर्टी का नाश तो आप से आप हो रहा है। यू० पी० में जमींदारी सिस्टम का एबालिशन करने से हम लोग जो कि कमी के जमींदार थे, आज पापर हो गये हैं। इस प्रकार से वह समय आने वाला है कि जितने प्राइवेट व्यापार हैं, सबका स्थान राष्ट्रीय व्यापार ग्रहण कर लेगा। इस वास्ते हमें कोई विशेष चिन्ता नहीं होनी चाहिये।

एक और बात है, हमारे भाई ने कहा कि इसको पब्लिक ओपीनियन के वास्ते भेज देना चाहिये। हमारे कम्पनी ला का जन्म सन् १८६६ में हुआ और उसका संशोधन संस्कार चार बार हो चुका है और सन् १९३६ में इसका वृहद रूप से संशोधन हुआ था। आज १९५४ का जमाना है। यह ठीक है कि कम्पनी ला हमारे देश में बहुत ज्यादा सक्सेसफुल नहीं हो सका। लेकिन इसका कारण यह है कि "कापी इज ओनली ए कापी"। अभी हमने पार्लियामेंटी सिस्टम को ब्रैस्ट ड्रे

कापी किया है, उसका प्रयोग हो रहा है, उसी प्रकार से कम्पनी सिस्टम का प्रयोग हिन्दुस्तान में हो रहा है और यही कारण है कि बहुत सी कम्पनियां फ्लोट की जाती हैं। लेकिन आगे चल कर फेल हो जाती हैं। एक कम्पनी के डाइरेक्टर हम भी हैं और रोज हम यह महसूस करते हैं कि असल में कम्पनी ला में डिफेक्ट नहीं है, इस सिस्टम में डिफेक्ट नहीं है, अगर डिफेक्ट है तो आदमी में है। हमें इसके लिये आदमी तैयार करने हैं, और ईमानदार आदमी तैयार करने हैं। अगर ईमानदार मैनेजिंग एजेंट हों, ईमानदार चेयरमैन हो, और ला में कोई अच्छाई न भी हो, तो अच्छाई स्वयं उसमें उत्पन्न हो जाती है। मैं आपको उदाहरण दूँ, एक इंस्योरेन्स कम्पनी है, मैं उसका ६, ७ वर्ष से डाइरेक्टर हूँ। मैनेजिंग एजेन्सी का सिस्टम उठा दिया गया है, मैनेजिंग डाइरेक्टरों का सिस्टम उसमें चालू किया गया। लोग जेल जाने वाले थे तो कुछ ने डाइरेक्टर को अधिकार दे दिया कि जो इंस्योरेन्स मनी है उसको किसी अच्छी जगह इन्वेस्ट किया जाय, क्योंकि वह समय ऐसा था। हुआ क्या कि जो मैनेजिंग डाइरेक्टर साहब थे और चेयरमैन साहब थे, उन्होंने हमारी कम्पनी के रुपये का बहुत सा हिस्सा इधर उधर अंड बंड जगह पर इन्वेस्ट कर दिया। जब जेल से लौट कर आए तो देखा कि जितनी कम्पनियां उन्होंने फ्लोट की थीं सब में उन के आदमी थे और जो रुपया इन्वेस्ट हुआ था सब बेकार हो गया और कम्पनियां फेल हो गईं। तो दोष कानून का नहीं है, दोष आदमी का है। अगर आदमी ईमानदार हो तो कानून को वह ठीक ढंग से ले चल सकता है।

अब यह बात शेखर होल्डर्स की। हमारे हैडा साहब ने अभी कहा है कि आजकल शेखर होल्डर बेचारा क्या करे, १००

[श्री रघुनाथ सिंह]

रुपये का शेअर खरीदे, २० रुपये का शेअर खरीदे या १० रुपये का शेअर खरीदे। पब्लिक से आप शेअर काल करते हैं, हम इस आशा से शेअर खरीदते हैं कि हमको कुछ फायदा होगा, लेकिन वास्तव में होता क्या है कि फ्लोट करने वाले ज्यादातर शेअर वह खरीदते हैं, और इस तरह से मैनिपुलेट करते हैं कि कम्पनी से ज्यादा से ज्यादा फायदा उनको हो, और शेअर होल्डर्स जो बेचारे १०० रुपये का शेअर खरीदते हैं उन से कहिये कि डाइरेक्टर के खिलाफ या चेअरमैन के खिलाफ, मैनेजिंग एजेंट के खिलाफ दावा दायर करे तो यह असंभव है। इस वास्ते में कहता हूँ कि इस विधेयक में इसका अवश्य ध्यान रखा जाय कि शेअरहोल्डर्स का भी उपकार हो, क्योंकि हमारे यहां की ज्यादातर पब्लिक, खास कर उत्तर प्रदेश की बात करता हूँ, उसमें पढ़े लिखे आमदनी तादाद में बहुत कम हैं, कुल १० या १२ परसेंट पढ़े लिखे लोग हैं, वहां पर एग्जिक्यूटिव्स को हम रुपया उधार नहीं दे सकते, इस वास्ते कि डेट ऐक्ट हमारे यहां है, उसके अनुसार बहुत वर्ष में हमारा रुपया वसूल होगा, इसलिये हम सोचते हैं कि ज्यादा से ज्यादा रुपया जितनी कम्पनियां हैं उन में इन्वेस्ट करें। जो भी कम्पनी प्लोट होती है उन में हम रुपया इन्वेस्ट करते हैं ताकि उनमें कुछ लाभ हो। इसीलिये मैं कहता हूँ कि जो शेअर होल्डर्स हैं उनका भी उपकार हमारा लक्ष्य होना चाहिये और इसको सदा ध्यान में रखना चाहिये।

अन्तिम बात में आपसे यह कहना चाहता हूँ कि जहां तक लिक्विडेशन प्रोसीडिंग्स का सम्बन्ध है, हमारे यहां बनारस बैंक था . . . .

**Mr. Chairman:** May I remind the hon. Member that at this stage we are discussing only the general principles of the Bill?

**Shri Raghunath Singh:** I am saying the same thing.

जहां तक लिक्विडेशन प्रोसीडिंग्स का सवाल है, बहुत सी कम्पनियां अण्ड अप होती हैं, लेकिन लिक्विडेट होने के बाद वह कम्पनियां किसी शेअर होल्डर को १० रु० में ८ आना भी देती हैं या नहीं, इसमें सन्देह है। मैं एक छोटी सी एग्जाम्पल दूँ। हमारा बनारस बैंक था, वह फेल हुआ। लेकिन उसकी लिक्विडेशन प्रोसीडिंग्स अब तक चलती रहीं। हम आठ आना तक नहीं प्राप्त कर सके। होता क्या है कि लिक्विडेशन आजकल बहुत जोरों पर चल गया है। अगर तीन या चार डाइरेक्टर किसी कम्पनी में हैं, और दो डाइरेक्टरों ने देखा कि उनको ज्यादा आमदनी नहीं है, तो उन्होंने हाइकोर्ट में या सिविल जज के यहां ऐप्लीकेशन दे दी लिक्विडेशन के लिये। इसी तरह दूसरी पार्टी ने इन्क्वैरि के लिये ऐप्लीकेशन दे दी। फल यह होता है कि पूरी कम्पनी लिटिगेशन में इन्वाल्व हो जाती है और उस कम्पनी का काम बिल्कुल रुक जाता है। हमारा यह भी निवेदन है कि जहां तक लिक्विडेशन प्रोसीडिंग्स का सम्बन्ध है उसको सिम्पलीफाइ किया जाय, उसको सरल बनाया जाय, ताकि तीन, चार वर्ष के अन्दर वह कम्पनी लिक्विडेट हो जाय और जो कुछ आमदनी है वह प्राप्त हो जाय। इन थोड़े से शब्दों के साथ हम इस विधेयक का समर्थन करते हैं।

**श्री टी० एन० सिंह** (जिला बनारस—पूर्व) : समानेत्री जी, मैं पहले ही कह देना चाहता हूँ कि मैं वकील नहीं हूँ। कानून की समझ मुझे बहुत ही कम है, इस वास्ते यदि मैं कोई गलती कर बैठूँ तो आशा है आप मुझे क्षमा करेंगे।

जब मैं अपने कालिज में पढ़ा करता था तो वहां पर मैंने इन कम्पनियों और स्टॉक एक्सचेंज के सिलसिले में जो एक बहुत सुन्दर किताब है जिस में

लिखा था कि कम्पनियां कैसे फ्लोट की जाती हैं, पढ़ा और यह भी सुना कि जैसे कोई दांत का मंजन का नुस्खा है और सोचा कि उसको चलाना है जिस तरह से भी हो चाहे वह जनता का फायदा करे या न करे तो उन्होंने उसके लिये चार डाक्टरों की राय ली और एक प्रास्पेक्टस निकाला और अखबारों में विज्ञापन निकाला और लोगों ने मशहूर कर दिया कि यह बहुत कारामद चीज है और चूँकि इस मुल्क में तीस करोड़ आदमी बसते हैं और उन में से सिर्फ एक फी सदी आदमी अगर इसे इस्तेमाल करें तो कम से कम शायद तीस लाख आदमी इस मंजन को इस्तेमाल करेंगे और आप हिसाब लगा कर देख सकते हैं कि अगर तीस लाख मंजन की पुड़ियों में हर पुड़िया के पीछे एक पैसे का भी फायदा हुआ तो उस शक्ति को कितना फायदा पहुंचेगा। यह जो एक सुन्दर आका चीज दिवा जाता है उसके बाद आदमी समझता है कि हमने खेबर लिया तो हमारी सब तकलीफें दूर हो जावेंगी और घर बैठे मुझको सौ, दो सौ रुपये महीना मिलेगा। यह तरीका कम्पनियों के चलाने का होता है। उसी किताब में यह भी लिखा था कि जो प्रमोटर होता है उसका यत्न होता है कि किसी तरीके से इस कम्पनी पर पूरा अधिकार हासिल कर ले। अगर होल्डर्स पर जो दो, चार सौ रुपया बंटा होता है, उस पर अधिकार कैसे प्राप्त हो, उसके लिये पहले पहल कम्पनी को लौस में चलाना होता है ताकि उसके शेअर्स नीचे चले जायें और उसके बाद उसके आधे चौथाई दाम पर शेअर्स खरीद कर खुद मालिक बन बैठते हैं, यह तरीका वह अमल में लाते हैं। जो घाटा हुआ वह तो पब्लिक को हुआ और जो मुनाफा हुआ वह उनका हुआ। यह तरीका अस्ति-वार किया जाता है। यह सब चीजें मैं ने पुस्तकों में पढ़ी हैं। मैं ज्यादा नहीं जानता

और मैं कोई कानूनदा भी नहीं हूँ, लेकिन हमारी समझ में यह तर्जुबा बहुत दिनों का है। किताबों में भी ऐसा कहा जाता है और आंखों से भी ऐसा होते देखा है। हमने बहुत सी कम्पनियों को चलते देखा है और बहुत सी कम्पनियों को दूसरों को खरीदते देखा है और फिर दूसरे लोगों से उनको पैसा बनाते भी देखा है, लेकिन बीच में किसने घोसा खाया, किस का पैसा लटा गया, वह तो वही छोटे आदमी सफर करते हैं जो बड़ी मुश्किल से अपनी जिन्दगी भर की कमाई १००, २०० या ४०० रुपये अपना पेट काट कर किसी तरह बचाते हैं और उस कम्पनी में लगा देते हैं यह सोच कर कि वह देश का भी काम कर रहे हैं, लोहे की कमी है या फलानी चीज की कमी है और वह वह कम्पनी बनायेगी तो उनके इस कम्पनी में रुपये लगाने से देश का फायदा होगा और हमारी भी जीविका चलेगी, और हमें घर बैठे कुछ न कुछ हर महीने मिल जायेगा लेकिन उन बेचारों का क्या होती कम्पनियों में डूब जाता है और मारा जाता है। मैं इस मन्जर से इस कम्पनी ला को देख रहा था कि ऐसी चीजों को रोकने के लिये इस कम्पनी ला में क्या प्राविजन है और हमारी साधारण जनता को क्या रक्षा इससे मिल रही है, इस दृष्टि से मैंने इसके सेक्शनो को जो बड़े रूखे सूखे हैं उनको देखने की कोशिश की और मैं आपको बतलाऊं कि मुझे उसमें कुछ निराशा सी हुई। निराशा इस वास्ते हुई कि इसमें करीब करीब बंसा ही सिलसिला है, दो, चार उन्नतियां इसमें की गई हैं, दो, चार मामूली बातों में कुछ हम लोग आगे बढ़े हैं, अब देखना यह है कि हम जो कुछ आगे बढ़े हैं वह इन मामूली तबदीलियों के कारण बढ़े हैं या और किसी कारण से ऐसा हुआ है। अब समय काफी बदल गया है, पुराने जमाने में जिस पैमाने से कम्पनियां चलाई जाती थीं उसमें और अब में काफी फर्क हो गया है, उसके तौर तरीकों में थोड़ा फर्क हो गया है

[ श्री टी० एन० सिंह ]

और मैं यह मानता हूँ कि समय को देखते हुये उसके अनुकूल थोड़ा बहुत परिवर्तन इसमें जरूर किया गया है और उस परिवर्तित अवस्था के सामने क्या करना चाहिये, उसके करने की कोशिश की गई है, लेकिन उसके बाद ज़रा और आगे बढ़िये, आजकल सुनता हूँ कि कम्पनियां कोई पांच करोड़ से, कोई दस करोड़ से और कोई एक करोड़ या पचास लाख से इस किस्म की बड़ी बड़ी कम्पनियां खुल रही हैं और कहा जाता है कि हमारे बड़े बड़े जो औद्योगिक व्यक्ति हैं जैसे बिड़ला और डालमिया आदि, उन लोगों ने बड़ा यत्न करके बड़े सिखे सिखाय एक्सपर्ट्स बाहर से बुला कर इस काम को शुरू किया, मैं जानना चाहता हूँ कि उनमें से जितने उद्योग बने हैं, क्या यह बात सच नहीं है कि कम्पनी के बनने के बाद जल्दी से जल्दी कम्पनी के जो रिस्क होते हैं, उस रिस्क को वह सब पर बांटने की कोशिश करते हैं या नहीं ? कौनसा उद्योगपति ऐसा है यहां पर जो अपने रिस्क को अपने ही ऊपर रखता है। आज चन्द रुपये लगा कर उसके पास दस कम्पनियां हो जाती हैं, बैंक में उसका क्रेडिट है, उसने ४०, ५० लाख के शेयर्स कम्पनी ऐक्ट के लफ्जों में अंडरराइट कर दिये, उसके वाद क्या यह बात सच नहीं है और मैं अपने फाइनैस मिनिस्टर साहब से पूछना चाहता हूँ कि क्या वह जल्दी से जल्दी उस रिस्क को मामूली साधारण जनता पर बांटने की कोशिश करते हैं या नहीं। किसी भी कम्पनी का इतिहास देख लीजिये, जितनी भी बड़ी बड़ी कम्पनियां चली हैं, एयरवेज से लेकर मोटर कम्पनी तक, उन सब के शेयर्स को किस तरीके से बाद में जनता में बांटने की कोशिश की गई है। यह सच है उसमें गवर्नमेंट को भी इनकरेजमेंट होता है कि हमारे मिनिस्टर्स जा कर उनकी

ओपनिंग सेरीमनीज में शामिल होते हैं और इससे जनता को विश्वास होता है और हम भी सोचते हैं कि यह एक बड़ा भारी काम मुल्क में होने जा रहा है और इसमें सबको अपना योग देना चाहिये, पैसा भी हमको इससे मिलेगा और साथ ही देश का भी कल्याण होगा। तो जो रिस्क उसमें आ जाता है, उसके लिये क्या यह बात सच नहीं है कि इन में से ९० फी सदी कम्पनियों के शेयर्स की कीमत जो होती है वह दस दिन के बाद घटने लगती है और फिर उन शेयर्स का क्या होता है और वह किसके हाथ में चले जाते हैं, इसकी एक हिस्ट्री है और हमें इसका एक नकशा बनाना चाहिये और आप देखेंगे कि उन बड़े बड़े चन्द लोगों के पास वह शेयर्स आ जाते हैं। अगर शेयर्स का इतिहास बनाया जाय तो हम देखेंगे कि बड़े लोग नुकसान दूसरों में बांट देते हैं, यह चीज हमारे देश में हमारी आंखों के सामने चल रही है और मैं पूछता हूँ कि क्या हमारा आपका सबका फर्ज यह नहीं है कि हम इस चीज को रोकें ? मेरी समझ में इस बारे में कोई दो राय नहीं होंगी कि इसको न रोका जाय। जब कोई शास्स रोजगार करने जाता है तो रिस्क के लिये भी जिम्मेदार होता है और इस विश्वास और हिम्मत के साथ वह अपने रुपये को व्यापार में लगा सकता है और उससे जुआ खेल सकता है और अगर उस व्यापार में उसके साथ कोई और दूसरा हिस्सेदार आवे तो इसमें कोई हर्ज और ऐतराज नहीं लेकिन वह अपने रुपये को जुए से दूसरे ही दिन निकालने की कोशिश करता है।

**Mr. Chairman:** Order, order. The hon. Member will continue his speech tomorrow.

*The House then adjourned till a Quarter Past Eight of the Clock on Thursday the 29th April, 1954.*