

a Naga, reported the presence of organised armed gangs, totalling a few hundred in this area. These gangs possessed fire-arms and some automatic weapons. The Political Officer had received numerous complaints from many villages to the effect that they had been terrorised by these gangs. He suggested to the NEFA administration that these sporadic outbreaks of violence must be promptly and effectively put down. He, therefore, asked for military aid to the civil power. This recommendation was considered by the Governor and his advisers, and they were unanimously of opinion that it should be accepted. Government have, therefore, agreed to send a battalion of the army to the Southern sector of the Tuensang Frontier Division. This will act in close consultation with the local civil authorities and will be withdrawn as soon as these violent elements have been rounded up. This step was considered necessary in view of the evidence of murder, extortion, arson and terrorisation of certain villages so that this trouble may not be allowed to grow and should be fully controlled at the outset. The army has been directed not to use undue force.

Government, are, at the same time, carrying out their programme of developing the tribal areas for the benefit of the tribal people. There is no change in our policy of non-interference with their social customs and tribal structure. It has been found by experience that the most effective way of dealing with these areas which have been recently brought under administrative control, has been to introduce community schemes, with suitable variations to suit the people there. These schemes have already become popular wherever they have been introduced and have diverted the minds of the people to constructive and beneficent activities. Most of the educated elements and the masses of the tribal people are co-operating with Government. Even some of their leaders who had encouraged previously these violent activities, have now denounced

violence and promised support to Government in curbing and controlling the violent elements who have been terrorising the population for some months past.

The casualties thus far suffered on our side have been:

Killed: Five Assam Rifles, two interpreters, two wood cutters, one porter and twelve villagers.

Injured: Three Assam Rifles, two porters and five villagers.

Among the hostile elements, the exact casualties are not known but, so far as is known, there have been fourteen killed and twelve injured.

The loss of property thus far due to arson and looting by these hostile elements has been sixty houses and twenty-five granaries, one office building and godown, and two schools burnt. Medical stores and one dispensary looted. Eight culverts damaged.

The hostile elements have collected ransom from the villagers, amounting, so far as is known, to Rs. 2,700/-.

The troops that are being sent to the Tuensang Division will be in position on the 19th August.

COMPANIES BILL—Contd.

Mr. Speaker: The House will now resume further discussion on the Companies Bill.

Out of the total time of 25 hours allotted, there now remain 4 hours and a few minutes, one or two. How long will the Hon. Finance Minister take for his reply?

The Minister of Finance (Shri C. D. Deshmukh): Eighty or ninety minutes.

Mr. Speaker: That means 1½ hours. That leaves...

Shri Kamath (Hoshangabad): On a point of clarification. May I know whether the Business Advisory Committee did not recommend that....

Mr. Speaker: Let me finish. I will hear the Hon. Member later.

That will leave us 2½ hours now. I was told yesterday that a number of Members have a desire to speak. I was just considering whether the time should not be extended by me because the Business Advisory Committee had said that the Speaker, if he so liked, might extend the time to some extent. I am prepared to consider that...

An Hon. Member: Five hours.

Mr. Speaker: Not necessarily. I was considering whether we might not carry on this discussion for the whole or more. In all, there are 4 hours in balance, which will include the 1½ hours or so today, and if the Finance Minister replies tomorrow, those 1½ hours will also be added to the time allotted. So that will be a good compromise between 5 hours and something more.

Shri Altekar (North Satara): May I suggest one thing? We have got 2½ hours tomorrow before the Private Members' Business is taken up. Therefore, we should have the whole of today and one hour tomorrow for discussion and the remaining 1½ hours may be taken by the Finance Minister tomorrow for reply.

Mr. Speaker: That will mean an extension of time. It will be 1½ hours, and how many hours tomorrow?

Shri Altekar: One hour.

Mr. Speaker: It will be 1½ hours today, 1½ hours tomorrow plus 1½ hours for the Finance Minister. So it comes to 4½ hours.

Dr. Lanka Sundaram (Visakhapatnam): It comes to nearly 5 hours.

Mr. Speaker: I wanted that this should be finished early instead of being prolonged. It seems points are being repeated over and over again. It is only a question of expressing different views which are already once expressed and expressing concurrence or disagreement with those views.

That it what it comes to. However, I am entirely in the hands of the House in this respect. I think it will be better if we prolong the sitting today by one hour.

Shrimati Sucheta Kripalani (New Delhi): We have got a Select Committee meeting to day.

Mr. Speaker: That is going to be there everyday.

So let us accept the first compromise which I had suggested. I had suggested it considering all difficulties. The programme that is suggested today is that we go on with this for the whole day today and then tomorrow.....

An Hon. Member: One hour.

Mr. Speaker: Not one hour. Tomorrow the Finance Minister will reply. That would be the best thing. It is no use keeping him also in suspense as to when he will be called upon to reply. That is how we proceed. If necessary, we can sit for half an hour more today. So we will take up that business now.

Shri B. K. Ray (Cuttack): I was dealing yesterday with the subject of adequacy of the provisions of the Bill relating to the protection afforded to shareholders' rights.

[MR. DEPUTY-SPEAKER in the Chair]

I do not complain that the Bill is without effective provisions for protecting the shareholders' rights. But my point is that despite all efforts, they fall short of the requirements of the occasion.

Now, let us first appreciate who the shareholders are. They are common men with petty shares, living in the rural areas far away from the centre of operation of the business—the headquarters—of the company and having hardly any opportunity to be conversant with the necessary information on which they could exercise their vigilance for the protection of their rights. Laws may be there; but laws

standing by themselves do not bring to our doors either security or its enforcement. The person interested in its enforcement must be vigilant about it and must move in the matter to see that the law is obeyed. Delinquency is not very simple to deal with. Reviewing the provisions, we find that they give the shareholders with one tenth of the voting rights to start complaining against oppression or malpractices by the managing agents or anybody else in the company on which investigation or inspection can be undertaken. Now, this again is subject to the condition that they should give a certain guarantee which can be forfeited in case they do not establish their case. I have always been of opinion that it is practically unsound. In our country, people as they are, can seldom combine to have the requisite strength and be ready with proper guarantee in order to canvass a grievance, even if there is a grievance, in fact.

Besides, it has been provided that on a report by the Registrar, investigation and inspection can also be taken. So far as the Registrar is concerned, he under the law, is given copies of all the necessary documents for the purpose of registration and it is, probably, supposed that using those documents as a source he can come to know that malpractices are occurring or frauds are being perpetrated or abuses are being practised. This again is impracticable. Those who are delinquent should be careful enough to hand over such documents which on their very face cannot show anything. I, therefore, consider that the provisions are inadequate.

By way of an alternative suggestion, in addition to these provisions, I would suggest two other things namely that some further provisions be added so as to bring information to the door of the shareholders, say, by the issue of bulletins containing information about the important transactions undertaken by the company both on the expenditure

as well as on the capital formation side. Besides, there ought to be some attempt made to encourage the shareholders personally to attend the statutory or annual general meetings. This can be done by the abolition of the proxy system and making provision for allowing them their travelling allowances for coming and attending the meetings; and the meetings also, instead of being held only once in a year, may be made more frequent. To crown all, I consider it proper that there should be a permanent machinery for investigation and inspection, whose business will be complaint or no complaint, to go round to the various registered companies and look to their business. By way of comparison, I will invite the attention of the Hon. Finance Minister to the standing arrangement that is made in every State with regard to investigation and inspection of the business of the cooperative societies. These are my suggestions with regard to the provisions relating to the protection of shareholders' rights and the safeguarding of their interests.

With regard to their voting rights enough has been said on the floor of this House. I have nothing more to add.

The next complaint I find from the dissentient views given by some of the members of Joint Select Committee is that some of the provisions for regulating the management of the company's business are very rigorous and of a resistant character. That is true. These provisions, when enforced, introduce extraneous interference in the internal management of the business, and this may interfere with the originality, drive and initiative of the managing bodies. These arguments are not without force. Well, what is the remedy? In the circumstances, bearing in mind the conditions under which this Bill is to be enacted, bearing in mind the excesses, abuses and malpractices that have been indulged in, in the past, by the managing agents, we cannot escape from having

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those provisions there in the statute. But, however, in order to introduce the element of flexibility, the best solution is that the central administrative authority, whatever it is, either a statutory autonomous body or a separate department functioning under the Ministry, will take discretionary powers to grant relief from those rigours when the circumstances, in the interests of the shareholders, in the interests of the company and in public interests require such relief. This suggests itself to me to be the only remedy.

The only other topic that I have to deal with is with regard to the exemption of government companies from the operation of this Act. This has been taken exception to. And, that is rather natural. I quite appreciate that it would be incongruous as well as anomalous that one department of Government should dominate over or interfere with or in any other way control the business conducted by another department of Government. That may be a reason. But, however, suspicion is quite natural. And besides, we are not always sure that government managed affairs are always proceeding on the right lines. At any rate, far from imputing anything of dishonesty or anything of a suspicious character, red-tapism is there. I do not think we have proceeded sufficiently ahead so as to do away with red-tapism. Red-tapism in ordinary administrative affairs and red-tapism in agricultural or commercial affairs will have different effects.

I will illustrate my point by an instance which did occur. In one State, after the paddy crops had been damaged by floods, the authorities decided that instead of giving the tenants money to purchase seeds for rabi crops it is better that the seeds be distributed to them because money they may spend on purchase of food-stuffs for immediate consumption and may not produce further crops. This decision was taken by the Central

authority, may be the Cabinet. It was passed over to the Finance Department for the proper finance. The rupee rate was 30 miles. Several weeks were taken there and then, after final sanction, it was sent to the Agricultural Department and then to the district head, who took the usual time to appoint the contractor who is to purchase and supply seeds to the overseers. The fact is that when the seeds were taken to the doors of the tenant the crop had been harvested and they were induced to take it for the purpose of consumption. This is the effect of red-tapism in agriculture. Similarly, in business matters, red tapism will not do well. Therefore, my suggestion is that, though Government companies may be exempted from the operation of this law, there must be some code of conduct different from the code of conduct applicable usually to government administrative business, to guide the operations of Government companies.

Then, lastly, I have to invite the attention of the Hon. Finance Minister to the question of liquidation. What is our experience with regard to liquidation proceedings? Those who have been at the bar and at the bench are quite aware that the liquidation proceedings are too long. They drag on for a very long time and it is in the hands of the court, but the administrative machinery is that of the liquidator and his assistants. If statistics are taken, it will be found that by the time liquidation proceedings terminate, the value of the assets collected are more than offset by the expenses incurred in the liquidation proceedings. This happens not only with regard to liquidation proceedings but also in minority properties, guardianship cases etc. Therefore, I would suggest a constructive way that quite apart from the other provisions which give jurisdiction to the court in matters of various decisions of rights as between shareholders, directors, managing agents and all that, so far as liquidation proceedings are concerned, a separate

machinery, which should be judicial cum administrative, ought to be set up so that the liquidation proceedings, after they are terminated, may give back something to the shareholders instead of eating up the where of it.

With these observations I support the Hon. Finance Minister's motion.

Shri Gadgil (Poona Central): Perhaps you remember that in 1936, when the Bill to amend the Companies Act was brought before the Central Assembly, the Congress Party took a very helpful and constructive attitude with respect to this question of managing agents. You must be remembering that our party meetings then were addressed both by the representatives of the shareholders and representatives of the managing agents such as they were, in Simla. I remember how very helpful was Shri Kapadia, President of the Bombay Shareholders' Association, who is unfortunately no more, and how he convinced every member of our party about the abuses which were indulged in by various managing agents, and the net result was the amending Act of 1936, which continues up till now. Yesterday, Shri Tulsiidas Kilachand made a grievance that what is happening or has happened in between 1936 and now is due entirely to the fact that Government has not been very prompt or vigilant in putting down abuses as they were to be found from time to time. My submission is that even if the Act of 1936 had been used most vigorously and rigidly, it would have been found to be inadequate in the changed circumstances in which we find ourselves today. The Bhabha Committee was appointed in 1950, it made its report in 1952, the Bill was brought in 1953, and now we are discussing the report of the Joint Committee. Something more than mere efflux of time has happened. In 1950 we adopted a constitution in which we have visualised in a rough manner what would be the economic organisation of the future society.

There we have guaranteed equality of status, equality of opportunity and that there shall be no concentration of wealth in a few hands. It is not only in the Constitution that these things have been provided for, but subsequent to the inauguration of the Constitution in this country, statements have been made by many parties, including the Congress Party, about this particular problem of managing agency. In the Bombay A.I.C.C. and later in the annual session of the Indian National Congress at Jaipur the Congress adopted the proposition that managing agency should be abolished. What is far more important is that in December, 1954, this Hon. House accepted an amendment to the effect that the future society in this country will be socialist, without a single dissident voice or a single differing vote. If I am entitled to draw any inference from this resolution passed by the Lok Sabha, it is that that policy stands today unless the electorate pronounces something different. Till then it is binding not only on the government of the day but on every section of this Hon. House. Therefore, in the light of that, we have to see whether what we are proposing, so far as this particular Bill is concerned, is conducive or consistent with that or whether we are raising institutions or continuing institutions which are sure to sabotage or at any rate obstruct the incoming of that society for which every one of us is anxious and every one of us aspires. Apart from this, the Indian National Trade Union Congress has also passed a resolution that managing agency should be abolished, and over and above this, it is reported in the papers that our esteemed Prime Minister has also said that he is against managing agency in principle. With this background one has to see whether the time has not come for ending this system altogether.

My humble submission is this. The continuance of this system runs counter to the spirit, if not the letter, of the Constitution. To allow so many

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industries in private hands is in my humble opinion to deny equality of status and of opportunity apart from the concentration of wealth in a few hands. In private industry labour is nothing; it is insignificant. It is only when they threaten to strike or do something the management or the owners consider and think that there is something like the labour force. In public enterprises, in other countries, particularly in the United Kingdom, the directorate contains representatives of labour because everyone—both the management and the labour—feels that it is a joint concern of theirs and that all of them are serving the community at large. That feeling of 'belonging', that feeling of ownership, is entirely absent in the private sector or in industries run by private people. I am glad to note that so far as public enterprises are concerned, in this country some representation is being given to the labour. If we allow the private enterprise to function it means that we are going against the spirit of the Constitution which lays down that there shall be equality of status—not for an individual but equality of status for the labour class as against the capitalist or the management class.

As regards equality of opportunity, whatever may be the faults of recruiting people through the Public Service Commission or this, that and the other, at least there is a fair opportunity for everybody with an aptitude to appear and get a chance. But in private enterprise there is no equality of opportunity because the managing agents—barring a few exceptions here and there—recruit people who are their relatives or who belong to their community or their province. Above all their sons, nephews and sons-in-law figure much more prominently—not that sons-in-law do not figure in other spheres but they figure very prominently in the private enterprise. I remember some years back a certain Chief Minister—a Muslim gentleman of undivided Bengal—was asked: 'How is it that all your four nephews have

been appointed to high offices?' He said "They are a brilliant tribe." I find the nephews, sons and sons-in-law of managing agents are of a brilliant tribe and appointments are made irrespective of merit. Their sisters and wives also become members of the managing agencies and under one pretext or the other they go on annexing money. The very fact that this is happening in this country goes to show that we are acting against the spirit of the Constitution and that is the reason why managing agencies should be abolished.

Then, there is the last point, namely, concentration of wealth. I think sufficient has already been said. To make the point a little more clear, I propose to point out that out of Rs. 13 crores of managing agency commission payable at present by companies, about Rs. 4 crores are received by less than one dozen managing agency companies which control a number of companies. Payment of remuneration of Rs. 25 lakhs and Rs. 35 lakhs to managing agents by one single company even though there is no necessity of such huge funds cannot be considered reasonable. But that is not all. I shall further be able to show this Hon. House that the state of affairs is much worse than what had been stated above. How the interlinking of directorship and concerns goes to make the concentration of wealth and economic power much more dreadful from the point of view of the community will be evident from what I shall read now:

"To understand the direct link between such institutional changes and a fair distribution of incomes, it will be necessary to study the working of the joint stock companies. No more than 1,013 individuals held 3,728 directorships of 500 important industrial concerns. Of these just 20 men held over 800 directorships."

What is the ratio of distribution of profits between the managing agent and shareholders? According to the

figures available, from 1940 to 1948, the cotton textile mills in Bombay distributed their profits in the ratio of 38 to 46 per cent between the managing agents and shareholders. The ratio of profit distribution for the cotton mills of Ahmedabad—which I call the Mecca of the capitalist and where the trade unions have all alone been under Congress control and where class strife has been conspicuous by its absence—was 70:30 per cent between the managing agents and the shareholders. It has been calculated that 250 managing agents realise as much as what 19,50,000 share holders do. In terms of money for every Rs. 15 distributed as dividend to shareholders who are mostly from the middle class, Rs. 10 goes to swell the bank balance of the managing agent. That is how the concentration process is working.

I realise that certain improvements have been effected in this Bill. But the point is this. If you know that this cannot be fully remedied due to the character and capacity of the person and due to the fact that the organisation itself is such that 99 persons out of 100 are bound to abuse it rather than make proper use of it, what is the alternative? If the Government thinks that there is no alternative and that this must continue all I can say is that the alternative to public ownership is concentration of wealth in a few hands. There is no third alternative. If after knowing all these facts—I am certain that the Government knows it much more and particularly my Hon. friend, the Finance Minister knows it—they think for one reason or the other that the present state of affairs must continue, all I can say is that in their case, hope is succeeding over their experience. Past experience does not justify the continuance of this system.

Shri C. D. Deshmukh: No one is claiming that the present state of affairs should continue. In other words, if, in Ahmedabad, instead of 30:70 the distribution is 90:10 between the shareholders and the managing agents, ob-

viously the present state of affairs does not continue.

Shri Gadgil: The point is the continuance of the managing agencies under certain controls. Even then as I said you are expecting that in this new atmosphere or the new set-up that you are having they will function honestly and in the manner in which you think they will. All I can say is that hope is triumphing over your experience. I do not share your hope. When everybody agrees that in theory they ought to go, I submit respectfully that there should be no conflict between theory and practice. What is suited to theory should not be changed for practice.

There is a clear case for the ending of this system and nothing very undesirable or chaotic or anything of that kind will happen. If you want to continue private enterprise in some field, all right, continue. But, at 1 P.M. least remove this worst feature from the management of private enterprise.

I am quite aware of the present provisions in the Bill. It seems that having appointed a Committee, having got their report, having introduced the Bill and after having taken so much parliamentary labour during the consideration stage and the Joint Committee stage, perhaps the Government are finding it very difficult to do anything radical now. I appreciate the efforts made by the Joint Committee and the things as they are go to show that by 1960 the Government will have the right to notify certain industries where no managing agencies will be allowed to function. Then every new managing agent will require the approval of the Government. May I suggest one thing? So far as the power of notification is concerned, why not take it from the date on which the Bill becomes the law; because, you are not taking any particular individual but you are considering whether in any particular industry there is no necessity for appointing a managing agency

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or in a particular industry the system of managing agency should continue. It is for you to consider. I remember, Sir, when the Insurance Act Amending Bill was before the House—when you yourself were there—the managing agency was sought to be abolished. But, even in that industry such a row was kicked up by the existing managing agents that some three years' time was given to them—I do not know for what—and later on the managing agency ceased to function in the field of insurance industry. I am, therefore, suggesting—if I am not able and it seems I will not be able to persuade the hard-headed Finance Minister to end the managing agency here and now—that so far as the time factor is concerned he can surely consider my proposition whether even before 1960 he should have the right to exercise the power and end the system industry-wise.

The Minister in the Ministry of Law (Shri Pataskar): May I bring to the notice of the Hon. Member clause 323 which clearly says that without having to wait this power can be exercised?

Shri Gadgil: If that is the implication of that clause I am glad.

Shri Pataskar: That is what that section says.

Shri Gadgil: If that is the implication and meaning I will be very happy. Then my second suggestion is, why wait for 1960 to give approval for this managing agent or that managing agent? Why not take the power right from the date on which the Act comes into force?

Shri S. S. More (Sholapur): They have already got that power, under the Bill. 15th August, 1960 is the dead-line for the termination of the present managing agency system under clause 329.

Shri Gadgil: What I am suggesting is, the dead-line is for the termination of the existing managing agencies.....

Shri S. S. More: Under clause 323 they have got the power.

Shri Gadgil: What I am suggesting is that on the day on which the Act comes into force every managing agency must come before the Finance Ministry or the new department for that purpose and give the proof of its bona fide and efficiency and only on that a certificate of good conduct will be given and they will be continued. Instead of keeping the date as 15th August, 1960 or if the termination happens much earlier, what I am suggesting.....

Pandit Thakur Das Bhargava (Gurgaon): It is revolutionary.

Shri Gadgil: What I am suggesting is not revolutionary.

Pandit Thakur Das Bhargava: It is perfectly revolutionary.

Shri Gadgil: I do not think that this small step will become revolutionary. For some people even evolution is revolutionary; that is due to difference in outlook.

Shri S. S. More: How far will it be practicable?

Shri Gadgil: I am glad this aspect is suggested by my friend Shri S. S. More.

Shri S. S. More: I have suggested it because I have no confidence in the present government machinery.

Shri Gadgil: Then the matter is still worse. I have some confidence in the present machinery of the Government—that may be my weakness because of my past history—but, all the same what I am suggesting is that instead of allowing the provision to remain as it is and making it operative from the 15th August, 1960 onwards, just as there is a termination of lease by efflux of time or termination of lease by the fact that a new legislation has come into force, why not accept the latter fact that a new legislation has come into force. Therefore, every managing agency must come before the department concerned, prove its bona fides, prove its efficiency and then on the grant of a certificate continue. That is my suggestion.

Shri S. S. More: Will it not be adding to the volume of corruption?

Shri Gadgil: Then we have to choose. Assuming that the Government is full of corruption—which view I do not share—then we have to consider whether we allow the managing agents to fleece the community or whether we allow something to happen in the department through deeds or misdeeds of which can be considered here, thrashed out and completely scrutinised when there will be full parliamentary control. **We have to choose between these two.** I have already made my suggestion which I do not think is a suggestion so revolutionary as to scare away anybody. If there are honest people why should they be afraid of the law? If there are dishonest people why should they be supported by any Member in this House including the capitalist Member? This is a clear proposition. If they Act honestly there is nothing to fear and if they act dishonestly they have no right to get our support.

Pandit Thakur Das Bhargava: Are all the managing agents dishonest?

Shri Gadgil: I have not suggested that the whole community is dishonest. I have enough experience of that and my suggestion is not to indict the whole community or the whole class; but, by and large what I have stated is—in view of the experience that has accumulated both with the Government and with the public and amply testified in the report of the memorandum of the Bombay Shareholders' Association—I submit, is something which ought to be taken serious notice of.

My friend the Hon. Finance Minister, in support of the continuance of managing agencies under this sort of control, quoted what the Shareholders' Association has said. My submission with respect to that proposition is that, it is all right. We are doing justice between shareholders on the one hand and the managing agents on the other. But, what about the community? Whether shareholders or the management, both together form the capitalist class. **They together form the private enter-**

prise. My objection is to private enterprise. If you must have private enterprise, well, then the booty must be fairly shared by everybody—shareholders, managing agents, secretaries, treasurers and all sorts of people. But the point is that, if you think that the community has a stake in the organisation of industry in the private sector, then from the view point of the community the certificate of the shareholders that the present Bill is good is not valid. It may be true if only we are confining our consideration to the shareholders on the one hand and the management on the other and are trying to strike a balance in which their **interest will not conflict if they cannot coincide under every circumstance.** My submission is that the continuance of this system is against the spirit of the Constitution. That is the main point, and, if it cannot be done away with here and now, then I have submitted certain suggestions for the Hon. Finance Minister to consider.

Then, in his speech he said that the ceiling on the emoluments of managing agents may work out to be a hardship in certain cases. I appreciate it. He has been good enough to give me certain instances. Even otherwise some people have been good enough to give me certain instances, but the point is firstly the moral one, and the second point is the material point. If we concede that everybody should be paid as attractively as he considers, then there will be no end to it. That is the first point. This is the problem of incentive. Even under socialist economy, I do concede that incentive has a place. But incentive under the socialist economy works within the framework of the overall social policy. If the social policy is that nobody is to get more than Rs. 30,000, it does not mean there will be no incentive; everybody will try to reach the zenith of income, say, Rs. 30,000; but today there is absolutely no ceiling, and therefore there is a wild race to go as high as possible, the limit being probably the sky. The point is that you should put some limit. Otherwise, the philosophy will be that anybody can

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demand his price. Perhaps technicians, rare technicians from outside...

Shri C. D. Deshmukh: Technicians are not affected by this.

Shri Gadgil: If there are managing agents.....

Shri C. D. Deshmukh: Managing agents also are not affected by the exemption.

Shri Gadgil: Then the point is much more simple. Our own people will not work for this country unless whatever they have contracted for earlier is paid. Every farthing, the pound of flesh, so to say, must be paid. Conceding this attitude to be correct, I ask, in the best interests of the country and in the best interests of having a society of the character we are visualising, will it lead to the proper moral atmosphere or will it add something by way of difficulties in our way towards the realisation of our objectives? I have conceded that there are certain cases in which this may work hardship; in cases where the concern is in its initial stages, where it is not making money. But let us agree to give some power to the Government but let that discretion be a sort of judicial discretion to be guided by certain well-defined principles and precedents. Therefore, in a very constructive way, I suggest that, if ultimately the Finance Minister thinks that taking the whole thing into consideration Government must have some power of making exception, there should be a limit in terms of money. Today you have put the limit of Rs. 50,000. Do not open the door wide and go on adding a zero to it and making it Rs. 5,00,000, Rs. 50,00,000 and Rs. 5,00,00,000 and so on. It should not be an endless business. Keep something in your own minds. If you can give some concrete examples of these principles on which you propose to use your discretion, by all means put it in the statute. Or, let us at least have an assurance that it will range within a certain limit

and within which the discretion will have some play and some operative influence. Therefore, firstly, if possible put it in terms of money.

The second point is about the number of directors. Suppose a concern can have six or seven full-time directors; if they know that the Finance Minister is going to give some relaxation, then they will think; why not have four or five full-time directors on Rs. 3,000, Rs. 4,000, Rs. 5,000 or Rs. 6,000? Therefore, I suggest that the Finance Minister should take the job of the particular company, the technical things involved and the economic activities of the company and all these relative factors into consideration. They are bound to be taken into consideration and by all means, let them be taken into consideration. But then you must put some limit on the number of directors. Otherwise, as I said, it will open the gate for your discretion being not only properly used but used otherwise. There may be firm-mindedness on the part of the Government. This mental strength or firm-mindedness can be applied in a different sense because in the commercial sense, Government may be firm-minded and may help the managing firms, and the managing firms, whatever they have been doing so far, are more of 'managing' than 'management' and more profiteering than profiting. Speaking for myself, I am prepared to give this discretion because there is force in what the Hon. Minister has said, but let me be assured that this discretion will be used in terms of certain well-defined precedents and principles.

Thirdly, even if there is relaxation, the Minister should see that no man gets more than a certain ceiling. That is the third suggestion that I would make. Because a man has contracted to be in a position on Rs. 4,000, does it mean that we should continue to keep him? He should make a sacrifice when we also are

considering the hardships. If there is hardship, both sides must undergo some sacrifice and the sacrifice should not be entirely demanded from one side. Therefore, the limit should be in terms of overall ceiling in terms of money, and the number of directors and individual ceilings.

The managing agents are supposed to supply capital for their individual concerns. To what extent do they supply it? Some say it is 10 per cent. or 25 per cent. or whatever it is. What I find from the Government policy is that if the industry is not doing well and cannot compete with imports from other countries, Government will give protection, and the industry will be built up behind the tariff walls. When it is properly built up, then it is expected that its products will be sold to national consumers at a lower price. Then the argument that we can have a better price outside will come in. Then they may ask for a retention price. When the industry was not on its legs the consumer suffered under the policy of protection. Our patriotism was appealed to, national sentiments were appealed to. We agreed. But when the concern is going on all right and cannot get more because it is not allowed to export, does it mean that every time that concern must have the pound of flesh of profit and if there is loss it must be helped? I am almost tempted to say that losses on private enterprise are national and the profits are private. This is how it comes to. The moment there is something, immediately the Government will reduce the export duty, this duty and that duty. But while the agriculturists were shouting when the prices went down, we were told Government is carefully watching the situation, is aware of the situation, and when the relief came, the grain had gone away from the producers and the bania was in possession. The additional advantage as a result of putting some floor price was annexed not by the produce but by the middlemen.

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Shri S. S. More: The bania is always the gainer.

Shri Gadgil: I will answer you elsewhere and not here. The point is, so far as the finances are concerned, today Government gives them finance by way of retention price and we are told that whatever they earn under that system is to go towards the expansion of the business. Well, their capital has increased and their shares have gone up since the retention price was granted in respect of steel, and the steel shares are going up. There, the value of the capital concern has appreciated capital block has become more substantial as a result of retention price. You have done this at the cost of the community. There is no necessity now.

Shri Kamath: For the general elections.

Shri Gadgil: There was that necessity when the industry was not able to stand on its legs and when it wanted protection, though in the end it might make large profits, it was perfectly correct to grant protection as the industry was necessarily to be built up during that stage. But now it is not necessary. Now, the Government have provided industrial financing through corporations at the Centre as well as in some States. Banks are advancing money; subsidies are given. Then what exactly is the function these managing agencies discharge?

Raw material prices are assured by the Government; if there is any little trouble, immediately the Government will operate the excise duty in such a way as to reduce their losses. As I said, their losses are national and their profits are private. Therefore I ask, why give undue importance to these people, when the main function they did in the past is no longer of the same intensity and of the same size?

I now come to management. They are talking that they are very good

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managers. Of course, the Finance Minister had been very shrewd in just indicating the alternative form of management. I ask him to think further and make it compulsory, so that there will not be a vacuum somewhere. Some people fear that there may be vacuum; I say there will be no vacuum, just as there will never be a vacuum so far as profit-making is concerned. Yesterday I said, a poet who does not claim originality and a capitalist who runs his concern at a loss are still to be born. So, there is going to be no vacuum; if you drive them from this industry, they will go elsewhere and continue to earn profits. But the point is, from the larger interest, by all means suggest an alternative. Here the capitalists are throwing out a challenge; let us take up the challenge. Do not think that they are geniuses and are so efficient. Go through the records of the various High Courts and find out how many insolvency petitions have been made in the course of the last 75 years. Is that not an indication or proof of their competence? I remember a case and if I am allowed the time.....

Mr. Deputy-Speaker: The time is already over.

Shri Gadgil: I will finish soon. When the war started, a certain engineering firm had some trouble with their labourers. An arbitrator was appointed—I will not name the gentleman, but he holds a high office—and I appeared on behalf of labour. I showed to the arbitrator that on the 2nd of September, 1939, each director was getting Rs. 250, but within four months, each one of them was getting Rs. 1,500. I said to them: "Look here, I do not mind your getting more; but why don't you share that prosperity with the poor people?" They said, this is a testimony of our ability, initiative, this and that. I asked them, where was your capacity during the preceding 15 years when you declared no dividends, when your shares were practically out of the

share market? If anybody is to be thanked, thank Hitler, because he started the war and you are now prosperous. The labourers are not denying your claim to some share, but they only want that they should be also given something. I therefore suggest that the challenge of the capitalists that there is no alternative and that all public concerns are very badly managed should be accepted. I remember when I was a Minister, a certain big businessman challenged that nothing could be done in the Sindri factory. I showed him within a period of one year that whatever the Estimates Committee reported was completely liquidated and the factory started in the right time and now it is doing good business. The point is that it is not that there is no talent or no capacity for organisation, this that and the other; but the fact is that somehow or other the capitalists' influence is not limited merely to criticism line, but it goes much that way. That is the reason why we must accept the challenge. I I ask the Finance Minister to take up the challenge and evolve an alternative formula and incorporate it in the Bill itself, so that the liquidation of managing agency much earlier than the 15th August, 1960, will be an accomplished fact.

Shri Viswanatha Reddy (Chittoor): Mr. Deputy-Speaker, at this stage of the debate, it is very difficult for anyone not to repeat what has been said; and everyone who speaks will be exposed to the criticism that there is too much of repetition in the speech. However, I will confine my remarks briefly to only a very few points with regard to which I have to make some observations.

Judging from the discussion of this measure in this House, in the Press and outside, I should think that this Bill can be renamed as **Managing Agents Control and Regulation Bill** instead of the Companies Bill. So much of disproportionately large time and energy has been spent over the

question of managing agency. I would like to refer to a peculiar theory that has been propounded in this House as well as elsewhere, the theory that the Company Law should be an instrument for social reform, that is to say to bring about a socialist pattern of society in this country. I beg to submit with great respect to all those Members who hold that view that this is a confusion of thinking. I think that Company Law arises after the assumption that there is scope for a certain amount of public activity in the private sector. After that assumption, I do not know how it would be possible for anyone to say that the Company Law will be an instrument to bring about social reform. I think it is clearly a confusion of issues and we should come ourselves to controlling certain ugly aspects of corporate activity in this country.

I might briefly to the question of managing agents. According to the provisions of this Bill, a great deal of control is proposed to be exercised on the managing agency system. In certain types of activities, managing agency is completely prohibited, and in certain other types of industry where the managing agency system is allowed to continue, a great deal of control has been placed. In fact, if the Government so wills, it can put an end to the managing agency system by 1960, according to the provisions of this measure. There has been a great deal of abuse and criticism with regard to the managing agency system I do not stand here to champion the cause of this system, but I am only anxious to see that whatever little effort that the private sector is going to make in furthering the industrial activity in this country, it ought to be allowed to make that without any fetters. I feel that there has been too much of abuse and criticism of the managing agency system. Even assuming that this system has been admittedly abused by certain individuals and certain groups of individuals, I think Government itself is not quite clear what to do with this managing agency system. They seem to feel that, though they have

provided that as far as State undertakings are concerned, the managing agency system will not function, they are not quite definite as to what to do with the private sector. They have provided, and they hope, that by 1960 an alternative system to the managing agency system will be evolved by the private sector, so that the change-over from this system to the alternate system like the directorate, secretaries, treasurers etc. will take place without any undue displacement of the industrial activity in this country. I am quite sure that the provisions as they are with regard to controlling the managing agency system are quite enough and this Bill need not be made an instrument for the establishment of a socialistic pattern of society. After all, this Parliament is supreme and it can at any time pass a measure declaring that there need not be any activity in the private sector, in which case, it will serve the purpose of establishing a socialistic structure of society.

Another provision in this Bill says that no firm can be a managing agent for more than 10 companies. That is the ceiling that has been fixed. To my mind, the harm is not done so much by the concentration of managerial activity in one firm as by a combination of managerial responsibilities as between financial institutions and ordinary commercial concerns. That is the greater harm. I should say that there must be a clear bifurcation between the financial institutions and other commercial concerns as far as the managerial establishment is concerned. I find there is no provision in this Bill to provide for such a thing. I hope the Hon. Finance Minister would consider this aspect of the matter.

In this Bill, greater privileges have been conferred on the shareholders. Apart from the provisions regarding the transfer of shares, by the provision that the directorate should be elected on the principle of proportional representation is a healthy one, and there need not be any fear that holding just 50 per cent of the shares will result in capturing the affairs of

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a single company. There is proportional representation; the minority will always get representation and there need not be any fear that the majority will rule the day. In this connection, I may make a small observation regarding the provision whereby Government is empowered to nominate two directors in the directorate. When there is provision for proportional representation in the directorate, in which the minority shareholders can have a voice I do not see any reason why the Government should be clothed with power to nominate two directors in any company. Obviously, the directors that are likely to be appointed on the representation of the shareholders of a company are naturally going to be officers of the Government. I do not know what experience these officers will have with regard to the management of a company, and also with regard to the affairs of a particular company which may be concerned, with a type of industrial activity in which these officers may not have any experience at all. I think these officers, when they go and sit in the directorate, will not be helpful to the shareholders whom they ostensibly represent. They will be just dummies there, sitting and hearing what is happening and they will not be helpful at all. I do not think this provision is necessary in view of the fact that proportional representation in the directorate is provided for in this Bill.

Regarding the question of remuneration for the management of these companies, I am rather confused about clause 197. I really cannot make much about this clause. As far as my understanding goes, there is a maximum fixed with regard to remuneration and also a minimum. There are a number of clauses which are not subject to this clause and also there is an overriding power in this clause with regard to other clauses. This question of remuneration is rather ticklish. It has been admitted that the average remuneration for management of companies in this country is about

13 per cent. of the profits. The maximum that has been fixed in this Bill is 11 per cent of the net profits. I have no quarrel with this provision. This quite approximates to the average. I should think that even the companies will be quite happy over this maximum. Regarding the minimum, it has been said that their remuneration, including all emoluments and commission cannot be more than Rs. 50,000 when there is no profit in the company. This provision works as a great deal of hardship on the companies which have been just started and which during the initial years of their activity may have to suffer loss, and during which period the management of this company will have to exert their utmost and see that the company succeeds. Therefore, a small provision that this clause regarding the minimum may not be applicable to the companies that have been started newly is necessary. It may be provided that for 3 years from the date of the starting of these companies this clause regarding minimum may not be made applicable to such companies. With this simple amendment, I should think that the purpose will clearly be served.

There is clause 199 in this Bill which says that in future no management can receive tax-free payment. I do not know clearly what the purpose of this provision is. If it is the purpose that the employees in these companies should not get too much of remuneration, that can be provided for otherwise than in this Bill. To mop up the excess incomes, there are other instruments in the hands of the Government. After all, only during the last session, we have provided that the Income-tax law itself that perquisites cannot be allowed over and above a certain maximum to the officers or employees of companies for the purpose of Income-tax. Some such provision will serve the ends that we desire, rather than a provision of this kind in this Bill. However, this is a very small point. It can be considered in the clause by clause stage.

I have to say something about the problems of the administration of the company law. According to this Bill, the administration of this law is to take place in two ways. One is mainly through the Economic Affairs department of the Ministry of Finance. To assist them in the administration, it is proposed that a statutory Advisory Commission is to be appointed. With regard to some provisions, the decision of the Government is absolutely final. With regard to certain other provisions, the Advisory Commission will give advice to the Government and the Government may or may not accept this advice. With regard to certain other provisions, if the Government differs from the advice given by the Advisory Commission, the rules framed, and so on, and the reasons for differing from the advice of the Advisory Commission should be placed on the Table of both the Houses of Parliament and that gives an opportunity for discussion of the decisions by the country. However, I find that a large number of provisions in this Bill are mandatory and regulatory. That means a great deal, and discretion is left in the hands of Government. How is this discretion exercised? It is usually exercised through the officers of the Government. The implication of this is that the officers of the Government are asked to decide on questions regarding commercial undertakings. With all due respect to the members of our administration in this country, I must say that they are not competent or they are not trained to take decisions on matters connected with industry and commerce. It has been voiced several times in this House and outside in the country also that it is absolutely necessary for us to evolve a cadre of service which will be conversant with industry and commerce. As it is, we are putting some of those officers who are trained only in bureaucratic type of administration, who do not know how to take quick decisions with regard to commercial matters, in charge of the administration of this law under which a great deal of discretion is vested in the hands of Government. I think in

practice this will result in undue delay and hampering industrial activity in this country. For the future also we are thinking in terms of enlarging the public sector, in which case it is about time that we try to create a cadre of service and train them for looking after industrial undertakings. Therefore, I think it is appropriate time to think in those terms and try to do something in the matter. Of course, this is not strictly within the provisions of this Bill, but I am just making a suggestion which I hope will meet with the approval of the Government.

With regard to Government companies it has been provided in clause 614 that it is in the discretion of the Government to say which are the provisions of this Bill which will apply to the companies sponsored by the Government. There are two parts of this clause. The first part says:

"The Central Government may, by notification in the Official Gazette, direct that any of the provisions of this Act (other than sections 612 and 613) specified in the notification:—

- (a) shall not apply to any Government company; or
- (b) shall apply to any Government company....."

I think this sub-clause (b) can safely be omitted. After all, the company system of managing our undertakings has been thought of in order to import all the advantages of company management, in order also to import the idea that business-like manner of managing public undertakings should be inculcated in those who are in charge of the administration of these companies. Therefore, I think that as far as possible as many provisions as possible of this Bill should apply to the governmental undertakings also. However, in certain special cases Government may be given the power to exempt certain provisions of this Bill. Therefore, both the purposes can be served by omitting sub-clause (b) of clause 614. I think I will have something to say in respect of this when

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the clause by clause discussion takes place.

In conclusion I have to say that a measure of this bulk will naturally be not perfect as has been admitted by the Finance Minister himself. No doubt, certain improvements will be made at the later stages of the consideration of this measure. The Finance Minister has also pointed out to us that the very fact that the Government has been clothed with a normous powers under this Bill will have a salutary effect on company management. I am sure hopes of the Finance Minister will be fulfilled and the private undertakings that are going to function under this Bill will play their part and act for the best of the country.

Shri T. N. Singh (Banaras Distt.—East): I thank you for giving me an opportunity to speak on this very intricate measure. It has also aroused a lot of controversy and all kinds of views have been expressed. It was but natural that such a big measure should evoke so much of controversy.

The main controversy that has raged during all these days of the discussion in this House has been over the question of managing agency. I would like to take that subject much later, but in the beginning I wish to point out one aspect of company law administration which I feel has not been touched at all in this comprehensive measure.

In these days of private enterprise, development and all kinds of companies that are growing, a system has arisen whereby a number of public limited companies form a kind of super company. In America and other places, they are generally understood to be corporations. This is happening here also. In another sphere of my activity, in one of the committees I had occasion to examine some of the biggest industrialists and entrepreneurs of this country, and I was told—we were all told in that committee—that the future development of companies is going to be in the line of these cor-

porations which will be formed by several companies joining together and contributing to the major part of the shareholding. It was very frankly admitted that they have not got the finances to invest. Secondly, they are not prepared to risk whatever they have. There are all kinds of new fields of industry which should be developed and they have not that enterprise to risk their capital on such things. As a matter of fact, in the plans that we envisage for the next five years we want to develop industries in all kinds of new lines, and the private sector is expected to play its part, but I want to assure the House that no private industrialist, no house of managing agents is going to provide the risk capital for that purpose. They will either require the Government or the various finance corporations that have been established to provide the finance, or the companies which they manage should provide it. This is what is going to happen. If corporations are formed out of so many public limited companies in which the managing directors hold hardly 15 or 20 per cent of the shares, on the strength of this minority shares in five or ten companies, they become virtual owners of that bigger corporation, and there is nothing in this law to prevent managing agency from organising and running such companies. There is no provision. Government may say that they have got the discretion to ban any corporation, but they have also got the discretion to allow such corporations. Are we clear in our minds on this point or not as to whether persons should risk the capital of so many others, especially companies in which they are only minority shareholders, and play with that money, by forming a managing agency of their own? As it is, they can form such a managing agency, and they will not disclose who are going to be the future shareholders. Government cannot ban this sort of thing, and ordinarily they will not be able to prevent the formation of such a managing agency. Once such an agency is formed, and the persons who are managing agents of that concern have

got controlling interest as managing directors or as directors in charge of the various public limited companies, what is going to prevent them having such a system? I feel that this is a serious lacuna in this Bill. Such a kind of activity should never be permitted. It is against all morals, and against ethics and rules of public behaviour and conduct, and therefore, this should never be allowed. I am really much grieved that no provision has been made to prevent this

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): About what? There are holding and subsidiary companies. What does the Hon. Member mean by super-corporation? We do not quite follow.

Shri T. N. Singh: I think I was quite clear. Anyhow, in order to make my point clear still,.....

Shri Achuthan (Cranganur): Please give an illustration.

Shri T. N. Singh: Suppose there are companies A, B, C and D.

They are all public limited companies, and they are not even managed by managing agents. Yet, in all these four companies, the managing directors who hold ten or fifteen per cent of the shares are virtually the managers and controllers of these public limited companies.

Shri M. C. Shah: They are governed by the provisions of the Act.

Shri T. N. Singh: Please hear me out first. First understand what I am saying.

Now, these four companies have got reserve capitals, and they can invest their money in some other company. Suppose a new company X is formed in this manner; the shareholders of that company in future are going to be these companies A, B, C and D. Suppose while forming that company, the person says that this will be run by a managing agency. Then, this will be a public limited company, but it will be run by a managing agency. The managing agency of that is the same

as the directors of these four or five concerns. There is nothing against that. Only for a holding company, you have put restrictions. But please look at it from the point of view of the company formed in the above manner, which has got holding companies which are all public limited companies.

Shri M. C. Shah: How can there be any such thing? Can you give any instance here in India, if you know it?

Shri T. N. Singh: I have been connected with one or two concerns; they were not profit-making concerns, but they were companies all the same. I was connected with a concern like the National Herald, and I was free to invest whatever savings in the company there were in any other company by purchasing shares. I was free to do that.

Shri M. C. Shah: May I invite your attention to certain clauses in the Bill with regard to investment, with regard to the holdings of these public limited companies and other companies, etc? There are so many restrictions now placed on them.

Shri T. N. Singh: I have seen them. Those restrictions are in regard to how much one can hold, i.e. how much one company can hold in another company. That is quite another thing altogether.

What I was saying was that another company is formed, the share capital of which comes from various companies which are all public limited companies; these companies from a closed coterie, and they are there. In all, there are about ten to twenty public limited companies today. I can say, and the Hon. Finance Minister probably is not unaware of the fact, that there are today several public limited companies which are virtually owned by a house of big financiers and industrialists; they are all public limited companies, and there is no managing agency there. And their money can be utilised for floating other companies with a managing agency system. This is what I was saying. I think by now it would have been clear to the Hon. Minister. I

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want that this sort of thing should be totally banned, and there should be no discretion either way left to anybody whatsoever. I am very clear on this point.

I am also sorry that we have not got before us the picture as regards the amendments to be moved for audit purposes. I wish I had those amendments. I have my great grievance against the audit organisation as it is functioning today. I feel that the chartered accountants' organisation needs to be overhauled. I want to put a straight question to the Hon. Minister, namely whether it is or is not a fact that in the several cases of investigations going on in regard to hiding of income-tax, the advisers of those people who are hiding income-tax are chartered accountants. The evaders of income-tax are being advised systematically by a number of chartered accountants. I do not mean anything against the whole organisation as such, I have got all respect for that noble profession, and I do not mean anything against them. But I do hold that today it is possible, and it has been possible, for many persons to evade income-tax with the very sound advice that the chartered accountants were able to give.

[PANDIT THAKUR DAS BHARGAVA
in the Chair]

I would like to have before me the whole picture as to what is going to be done about the audit organisation and what is going to be done in case it is found that an auditor has been delinquent or has neglected his duties. What is the professional sanction, what is the legal sanction, and what is the administrative sanction against that auditor? I do not know what sanctions there will be. I am yet waiting for the amendments which the Hon. Minister is going to bring forward.

Shri M. C. Shah: There are provisions in the Chartered Accountants Act in respect of that.

Shri T. N. Singh: I know them. But are they adequate?

Shri M. C. Shah: Yes.

Shri T. N. Singh: My point is whether they are adequate. Unless something is done about this. I do not see how any kind of second or double audit or any other thing which the Hon. Minister may provide for by his amendments is going to help us. So, I shall very carefully watch the actual proposals that are going to be made in regard to the audit of these companies.

The third point that I would like to deal with, before I come to the subject of managing agency, is in regard to Government undertakings. I want that the highest ethics and standards of conduct should be maintained for any Government undertakings. I am not ashamed of the performance of our undertakings so far. I think compared to the various acts of omission and commission of the private enterprise, the performance of our State undertakings is a thousand times better. There may have been mistakes. But the colossal mistakes that have been committed by various private concerns are something of which none can be proud.

Then, it is also a fact that for all the cases of tax evasion and for all the cases where blackmarketing has been done, it is the very same private sector, which we are trying so much to extol and to uphold, that is responsible. So, I want to be very careful that there are very good and healthy provisions for Government undertakings. I am sorry that the Hon. Finance Minister could not keep to his undertaking given at the time the original motion was being discussed here, that a separate chapter would be included in respect of Government undertakings. The present provisions do not satisfy me, for the very simple reason that today Government undertakings are being run on various lines. There is the system of total investment by Government; there is also the system of 51 per cent, 49 per cent, 60 per cent

or other per cents of investment by Government; in this way, all kinds of permutations and combinations are there, so far as the contribution to the shareholding is concerned. Then, there is also another system, according to which Government contribute to the shares first, and then they also contribute to debentures on the assets of the very same company. Then, Government make advances and loans also.

One of my grievances against managing agency especially has been that having purchased some shares, i.e. a proportion of the total shares, they do not want to invest their own capital. Then, money is advanced on debentures, so that the entire company's assets are mortgaged. Thus, it transpires that the same party is the managing agency, and the same party is issuing debentures and also holding shares. This is a thing which is not proper according to financial rules.

2 P.M. So I feel that this is a bad system and it should be done away with. Any law which permits this kind of investment is bad. Secondly, it has yet to be considered whether it is permissible under the Constitution itself. I have grave doubts whether it is possible to transfer shares to each official like that. *Benami* transactions of transfer of shares are done by private owners, private managers, private managing agents and private company owners. But here we go on transferring from one officer to another. This system somehow does not appeal to me. We must regularise it. We must set forth as to whom it should be transferred, by designation of his function, saying that such and such person, the Secretary of such and such Ministry or the Deputy Secretary will be there. That I can understand, but now at the whim and pleasure of the person that is there at any time, we are having this kind of thing. That is not proper. This irregular transfer of shares also leads to unnecessary expenditure by the Government. That has to be regularised. I would have very much

liked if the picture had been made clear by the Joint Committee itself.

Coming to the managing agency system, I must pay a tribute to the hardihood of our colleagues on this side who have stoutly defended the managing agency system. I am saying 'hardihood' deliberately because they are themselves in that position, in the category of managing agent and company promoters. And in this House, for people who are interested in particular things, to plead for them is Hon. Members should realise.....

Pandit S. C. Mishra (Monghyr North-East): That your side has become managing agents for the whole nation.

Shri T. N. Singh: That is another thing. Here is a private undertaking—I am referring to these private undertakings. They should not have tried to influence the House in their own interest. That is unfair. That should not have been done.

Mr. Chairman: What about public undertakings? Government are owners of public undertakings. Should Government also not vote?

Shri T. N. Singh: That is not the question. I was only referring to this, that according to our own behaviour, rule of conduct, if some Members are actually interested in a particular thing—the Finance Minister is not interested.

Mr. Chairman: There is a rule which we have got according to which if any Member has got personal interest in a particular matter, then he cannot be allowed to vote.

Shri T. N. Singh: Suppose the question of managing agency is at stake. I happen to be a managing agent. My whole future depends on that. If I plead the cause of managing agents, I am trying to help myself.

Mr. Chairman: It is an abstract question. It is not a question of direct personal interest.

Shri T. N. Singh: I would not like to make any personal attack and, therefore, I desist from that. But I have

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brought this only as a general point. However that be, I feel, as one who entered public life thirty years ago at the call of Gandhiji, that there is no place in modern India in the India of Gandhiji and Nehru, for intermediaries in economic activity. That was the reason why we all went for abolishing even the smallest of the zamindars. He was not such a menace to equality of wealth, equality of distribution. He was a very small man; yet he was an intermediary, and that was our objection and therefore, we said, he must go, an intermediary has no business to exist. That was the approach. Now, I want to know whether the managing agents are or are not an intermediary between the shareholder and the company itself. That is a fact, that they are an intermediary. I am sorry side issues have been raised unnecessarily. The question of risk capital, the question of providing something so that there may be no vacuum—all these questions have been raised. There was the question of vacuum without zamindars, even the smallest of them, who probably were not getting even two square meals a day, and yet they were abolished. I happened to be one of those small zamindars. I went about, even at the risk of the displeasure of my old mother, calling on people to destroy the intermediaries. But here if we raise this point, that managing agents should go, these intermediaries must go, we are asked to have patience, we are told that the whole national economy will topple down, there will be destruction, there will be disturbance, there will be dislocation. That is what we are told. Where is the vacuum? What vacuum is going to occur if such a few handful of intermediaries in the matter of company management are not there? Have not companies survived without managing agents? Are there not several noble cases of companies which are being managed by directors only? That has happened. Then it is said that they are experts. Compared to some of the things that have been managed by these experts, I think

the Sindri factory is an example of creditable work. Today its products are being sold at rates cheaper than even of some foreign manufactured fertilisers. Their cost of production is quite low, despite the many mistakes and errors—of which I was a great critic—which have happened. So compared to that, these people who have managed, have mismanaged things terribly. And whose money is it? It is public money. The small savings of the middle man, the middle class people. It is on them that usually shares are in the end unburdened by the managing agents. This is what is happening. It is their money. It is just like our fault. I admit, very frankly, that when it is public money, very few of us can be careful. Many of us are extravagant with public money, here in Government and other places. Shareholders' money is a kind of public money. But so far as the managing agents and unfortunately also some of the managing directors are concerned, it is nobody's money. Zamindari was extinguished because there were some taluqdars who went about showing off their wealth and grandeur, I say there is nothing to compare the grandeur, the showing off and the ostentation which the capitalists are indulging in Calcutta, Bombay, Madras and Delhi.

An Hon. Member: And Kanpur.

Shri T. N. Singh: I am glad he has reminded me of one city of my own State. There are other places also. I say, the sin of this ostentation is going to be very serious. I know many of our friends here have felt very strongly about it. They have felt that something was being done which should not have been done. They are agitated. I say it would probably have been kinder to the managing agents to finish them off today. If it is not being done and if they take advantage of the discretion which Government have in allowing so many managing agencies in future Heaven help them because this process cannot go on and the country will not tolerate it. Everybody is pleading that Rs. 50,000 is too

little, 10 per cent or 11 per cent is said to be too little. But, nobody has pleaded for that small zamindar I am coming again to that, Sir—who did not get even two square meals a day. Nobody said a word. There are many of us here and also outside who do not know what is going to happen to us tomorrow, wherefrom shall we feed our children, how shall we educate them. I myself do not know. Yet, there are people here who plead the cause of persons who must get Rs. 60,000, Rs. 70,000 or Rs. 80,000. Then they say there may be difficulties. There may be two or three managing agents; what will happen to them? This is our anxiety for them. I wish the same anxiety was shown also in other directions. But that has not been done. In the name of shyness of capital, in the name of not creating a vacuum, shall we perpetuate all this? I appeal to this House and I appeal to our managing agents and our managing directors: for God's sake do not create a situation in which ultimately it is these persons who will suffer. That is what is going to happen. I can assure you that there will be evasion of income-tax, there will be black-marketing and all kinds of losses and there will be hidden money out of the accounting system on the advice of charactered accountants...

An Hon. Member: Corruption.

Shri T. N. Singh: ...and corruption also and they will certainly spend their money in ostentation. That is bad. But supposing they do not spend then it is a national loss also because that money will lie unused which should have been used otherwise.

Mr. Chairman: The Hon. Member's time is up.

Shri T. N. Singh: I shall finish in five minutes.

That will be the position. Therefore, I am very strongly of the opinion that the system of managing agency should be ended. I do not hold that it is possible for us to nationalise everything. It is not possible. I also know that willy-nilly we have to

allow some of these persons to function. But, they will have to function in the interests of the nation. That is what I want to be assured. Believe me, Sir, national interests and public interests can hardly be compatible with unlimited or very large incomes, in the shape of remuneration. Let us not shirk the issue. If it is national interest that these industries should develop, that the capacity of our men should be utilised to the best purpose, it is also true that this cannot be allowed to be used as a plea for any amount of income that any one can get, for any kind of life that one can lead, living in luxury and comfort when millions of our fellow-men are in the streets, are in poverty and are in squalor. This is what I feel. Why are you forcing the issue? Today somebody may say it is a revolutionary process, it is a revolutionary Bill. It is not. But the non-incorporation of certain very essential features which some of us are advocating may bring a revolutionary situation soon. This is why I say that it is better that the system is ended.

Another thing that has grieved me is that the Secretaries and Treasurers are a new class that are being created to take the place of the managing agents. We are so much afraid of a vacuum, though in a vacuum electrons and other things function better according to the scientists—even radio-activity is there to a greater extent. But the Secretaries and the Treasurers are going to take the place of the managing agents and that too without any restrictions. Already our managing agents are finding ways and means of evading the law and they are also seeking a solution by which they can take rest. We have provided that very thing—the Secretaries and Treasurers. I feel that this fear of vacuum must end. This fear that private capital will not be forthcoming must end. If private capital is so unpatriotic, so anti-national that it will come only at the price of 100 per cent. profit or 200 per cent. security and permanency, then we better not have that capital. We would much rather have the sacrifice of a few pice from every

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Indian national and run our concerns and run our economy. That is my appeal.

Shri S. L. Saksena (Gorakhpur Distt.—North): This Bill is one of the most fundamental Bills which we are considering. We have already seen that the Second Five Year Plan is to consist of a public sector which will spend about 4300/- crores of rupees, and the private sector which will spend about 2200 crores of rupees. Many companies will be floated and what will be the management of the companies is a matter of the most crucial moment. Therefore, this Bill is a fundamental Bill because it lays down the structure of the management of those companies.

When I was speaking on the State Bank of India Bill I had suggested in my amendments that the number of directors drawn from labour and from employees should be equal to the directors drawn from shareholders. At that time it was not accepted and the Finance Minister was pleased to make some observations. I would like to read out a passage from his speech. This is what he said.

"Now that leaves only one big, important matter, and that is, the representation of the employees and all the consequential amendments. Certain Hon. Members, especially from the Opposition, are in the habit of advocating their pet theories on each and every possible occasion. There are occasions on which they should be properly discussed. I have no doubt that these are very important matters, and I do not propose to be drawn into a controversy here and now as to whether workers should be represented on the Board and, if so, in what particular manner, on industrial concerns generally and on concerns which belong to Government in particular. That is a very big issue which will require to be discussed on the floor of this House when a suitable opportunity presents itself. There will be

numerous aspects of that matter and one cannot by way of just a solitary amendment get such a revolutionary principle accepted. I submit that that is a matter which ought to be considered at greater leisure and more deliberately."

Sir, this is what the Finance Minister had said on that occasion only three months back. I had then expected that in this Bill on company law he would certainly make some provision about the representation of labour on the directorate of the companies equal to that of the shareholders. But, in vain have I gone through the Bill and found that no provision is there. In fact, I am surprised that no indication is given that there will be some amendment, even though the Labour Minister of the Government of India has himself suggested it. He is reported in *the Hindustan Times* of July 23, 1955 to have said:

"The time has come for providing for workers' participation in management and a scheme should be worked out to facilitate this during the Second Five Year Plan.

Facilities should be given to workers to acquire and hold shares in establishments so that many of them may come to have personal stakes, however limited, in the operation and success of the undertaking. Mr. Desai said in a broadcast from Delhi.

He declared that labour 'as the largest single factor in the creation of wealth will come of age in the new order' based on a socialistic pattern.

Mr. Desai said: The decision of the Government to shape the country's economy on a socialistic pattern, as a means to the establishment of a welfare State is of profound significance to labour. Labour will no longer be the isolated and neglected wage-earner that it used to be; it will be an honoured partner in the greater adventure of nation-building."

This is what the Labour Minister has said and yet I find that when we make this law, the Companies Bill, and we are laying down the pattern of the management, no provision whatsoever has been made for labour. There is no provision giving them facilities to hold shares. In fact, several of them, that is, workers, tried to acquire shares, but they were not available. The managing agents carefully see that they do not pass into our hands because we might make some strong criticism of their affairs. There is no provision in this Bill which can enable the workers to hold or acquire shares of concerns in which they work and whose wealth they produce by the sweat of their brow. Much has been said about the disaster that will follow if labour comes on the directorate of these companies. I was surprised to hear even you subscribing to that view. A very interesting reason was given by Shri Tulsidas Kilachand why they should not be there. In U.K. labour leaders were appointed as directors, who turned capitalists. He is very anxious to see that we are not corrupted by being among those friends. I would tell him that his observations only prove that when labour goes on the directorate, it becomes much more responsible and behaves much better. That is the experience in U.K. Our Prime Minister has returned from a tour of the Soviet Union. Some time back he went to China also and to other countries like Yugoslavia, etc. He also said that labour should have joint partnership with capital. But in this Bill it has not come so. I wonder whether there will be a Government amendment to that effect. While the Minister of Labour says something, the Minister of Finance brings some other thing in this Bill and is absolutely silent about the provisions for having labour on the board of management. I therefore trust and hope that the Government would bring in some amendment which will provide for an equal share for labour with the shareholders.

You Sir were worried as to what will happen if all the managing agents go. I want you to see for yourself

the example of China. I am told that you are very soon going to tour that country on behalf of the Parliament. China has been free only for the last five years; they were liberated on the 1st October 1949 and I was amazed to see big factories there having 100,000 spindles being managed by ordinary people rising from the ranks of workers. Out of their labour heroes and model workers, they have recruited managers of those factories and they were running the factories in a perfect manner. I would give you some idea of the progress which they have made during the last five years. In the year 1950, the first year after their liberation, they had a budget for Rs. 1,200/- crores, of which Rs. 300 crores were set apart for industrialisation of the country. Next year the budget became Rs. 2,500 crores; in the third year Rs. 3,500 crores; in the fourth year Rs. 4,300 crores; and in the fifth year Rs. 4,600 crores, and 70 per cent. of the increase in income was derived from income from industrial enterprises. That shows that this system of management is quite sufficient and it has been able to produce results which very few countries have been able to do—their progress is phenomenal.

I have in my hands a copy of their five year plan. This plan was launched in 1952 and it covers the period from 1953 to 1957. The Chinese Government proposes to invest Rs. 15,000 crores roughly in their first five year plan. By 1957 they will have invested Rs. 15,000 crores and our Second Five Year Plan is estimated to cost only Rs. 6,500/- crores roughly, which means theirs will be three times bigger than ours. We will complete our next Plan in 1960. Out of this, they are spending 58.2 per cent. on industrialisation and 19.2 per cent. on transport, posts and telecommunications, and the rest on cultural, educational and other activities. They are spending 3 per cent. on trade, banking etc., which means that about 81 per cent. is being spent on industry, bank, trade and communications out

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of the plan. All these are managed, not by managing agents, but by young directors drawn from the labour classes—labour heroes and model workers. I want the Government to take a leaf out of their book. It is not enough, that we only praise them and not copy at least that which has proved to be of great significance by results. I therefore think that it is absurd to say that the managing agents cannot be replaced; they can be replaced. More than these managing agents, it is the managers, technicians, chief chemists, chief engineers who are responsible for the success of the factories. If the Government has got the strength and the courage, they may meet the challenge of the managing agents and appoint those persons in charge of the concerns. As somebody said, the Indian Service of Managers is already there. They are already working in the industry and you have only to entrust them with power which they need.

Just now my friend, Shri Gadgil, gave interesting figures. He said that 20 persons in this country between them hold 800 directorships. I could give similar figures for the U.S.A. Some time back I was reading a book and it said that 12 persons in U.S.A. control 57 per cent. of the entire wealth of the U.S.A. and those 12 persons are more powerful than the Cabinet of the U.S.A. Therefore, I say that these 20 persons in India, who control 800 directorships, are more powerful than the Cabinet of the Government of India. The accusation laid against the Government that it is a capitalist Government is really this. Our Prime Minister may be a great person and a world figure, but he himself is a prisoner of this system and cannot get out of it so long as that system prevails—the managing agency system. These 20 persons will hold all the power and he cannot get out of their influence. We want a socialistic pattern of society, but how can we have it? We simply cannot have it because the managing agents will not allow us to have it. Therefore, in spite

of all that is said in this House, from the Congress benches as well as Opposition benches, that this system should go, still the Government clings to it, not because the Prime Minister likes it but because he dare not abolish it. You know the case of Shanmukham Chetty in connection with the Income-tax Commission. We do not know how many Chettys are there—there must be many more. We know what the Income-tax Commission has been doing and yet they have not been able to lay their hands on the bigwigs. I, therefore, think that so long as the system of managing agency continues, you cannot have a socialistic pattern of society in the country. This is the crux of the whole problem. If twenty persons are allowed to hold eight hundred directorships in this country they will continue to rule this country whether Jawaharlal is the Prime Minister or anybody else is the Prime Minister. This is the fundamental issue before us. Merely talking and befooling the country by saying that you want to establish a socialist pattern of society in this country will not do, if when you come to face real facts like amendments to the Constitution or progressive amendments in important enactments, you were to shirk. I, therefore, say, if you really want to proceed on the road to socialism, then for God's sake abolish this system. This Government is the most weak-kneed, I say. As my hon. friend said yesterday, at the time of the elections, these people will offer you a few crores of rupees. When they earn crores and crores, why should they bother to part with a couple of crores. But they are out to loot the whole country; they will loot millions and millions of poor people in this country by giving you a few crores for the elections. Therefore, if you are really serious about what you talk, abolish this system root and branch. You must not be afraid of the challenge. You must trust the workers and the workers will take the responsibility and rise to the occasion. They have done so in America; they have done so in Russia; they have done so in Yugoslavia and more recently they

have done so in China. I am not saying this; your Prime Minister said this. This is what he said:

"Mr. Nehru said in Russia there was a high degree of mechanization in all activities, not only in industry but in agriculture also. Boys and girls were given a mechanical bent of mind. He referred to the extra-school activities of Young Pioneers in Russia were well looked after. There were holiday homes for them all over the country. Last year about five million pioneers had a month's holiday at the Pioneers' Rest houses.

There were also rest houses attached to big factories where a tired worker could spend a night in more comfort than he could have at home so that he would be fit for work the next morning.

Mr. Nehru said Russian workers, both men and women, worked at a very high tempo. Wages varied from a minimum of 500 roubles (a rouble is equivalent to a rupee) to a maximum of 5,000 roubles a month. Single families had large earnings because both men and women worked. Some of the goods like ordinary food were cheap but clothes and other consumer goods were rather costly.

The Prime Minister was full of praise for the building plan of Moscow which, he said, was being implemented sector by sector.

He said the way the manager of a factory and the worker was clad, it was difficult to distinguish who was who. All people were simply clad."

This is the creation of workers. These are not the exaggerations of a communist, but a plain statement of our own Prime Minister.

I may here remind the House how powerful these managing agents are. Our Father of the Nation was shot dead at the house of one of these

managing agents. Yet till today we are not able to acquire that house. Any other, even ordinary, person, would have built a big memorial. But we cannot do it today, because the owner of the house says that he shall not part with it and the Government cannot acquire it. It, therefore, says that this House should be ashamed to continue this system any longer. If this system is to be allowed to continue, I would say that all our efforts in connection with this measure extending over a period of nearly ten years, is like that of a mountain in labour producing the proverbial mouse.

I have been particularly concerned with the sugar industry. Every year I have to fight with the managing agents for bonus for the workers. The balance sheets no doubt are published. But they are all faked balance sheets and even our highest tribunals have condemned them. The High Court of Allahabad has held that they cannot be relied upon; the Appellate Tribunal have said that they cannot be relied upon, and therefore, we must find other means of finding out the bonus due to the workers. This is the judgment of the highest tribunals in this land about the veracity of the balance sheets; and yet nobody is prosecuted, nobody is sent to jail; millions of rupees are allowed to be swallowed by the managing agents. The result is that the shareholders lose; the labour suffers.

You know very well about this industry—how labour is being treated in it. I think I have been to the factory with which you yourself were connected...

Mr. Chairman: I am no longer connected with any managing agency or such factory.

Shri S. L. Saksena: I am glad you have left it.

But I would like to tell the House that these balance sheets are completely faked. You have no doubt provided for balance sheets, but you have not provided there as to who can sue. The Government will not do

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it; the shareholders will not have the money to do it. The only body which can do it is the trade union. It is the body which is vitally concerned with the bonus. But you have not made any provision for the trade unions to sue the managing agent if the balance sheets are false. If only there was such a provision the balance sheets will be more carefully drawn. Labour have not even the power to purchase shares; otherwise they can be put in as shareholders. Along with the other amendments, which Government may bring to this Bill, they should bring one giving this power to bring a suit against false balance sheets to trade unions. They should be permitted to own shares in their names.

Various are the ways in which these managing agents cheat the country as well as the shareholders. Many of them have already been described by hon. Members who preceded me, but I shall give a few novel ones. One of these are *benami* transactions. We know very well that a few years back sugar was sold for Rs. 50, and sometimes even Rs. 70 a maund. But can you show a single company in this country which has shown it in the books. In all cases the sale price is shown as Rs. 30, or Rs. 40 at the most. The sales were mostly made to their own relatives. This is what is called *benami* transaction. These are the findings of a committee which was appointed to go into this question. But nothing happened afterwards.

In the purchase of stores how much money is swallowed is known to everybody. A very extraordinary thing is that managing agents no longer finance the industry. In fact, in Uttar Pradesh cane prices are not paid until the sugar is sold out. About Rs. 2½ crores of the cane growers money is still pending with them. Not only the cane growers, but the labourers of the Khadda factory and the Padrauna factory have not been paid their wages for six months. So, these managing agents no longer finance any industry, which was given out as one of their functions. Pioneer-

ing they no longer do, because Government itself is now the pioneer of industrialisation. We have now got a plan which lays down which industries should be started. The sugar factory owners of U.P. are running their factories by withholding the labourers' money. The U.P. Government has been unable to get payments made to the labourers.

It has already been said how managing agents make appointments. Almost every high post is held by some relative of the managing agent. Punjabis would keep only Punjabis, Marwaris would keep only Marwaris, and even the smallest posts would be given only to them. This is a very bad feeling, the feeling of anti-Punjabi or anti-Marwari, that has been created. It is because the managing agents have all the power in their own hands.

One more thing. Shri T. N. Singh said something about auditors. These balance sheets which are known to be false and which are declared to be false by the highest courts cannot be made unless the auditors and accountants are a party to it. They are the persons who give the skill as to how they should make false balance sheets and keep false accounts. I therefore think that when balance sheets are found to be false, not only the Directors but the auditors should also be punished. There should be provision for punishing the auditors with the same term of imprisonment as managing directors if the balance sheets are found to be false. Because it is they who prepare the balance sheets and pass the accounts, and nobody else. And if they only want, they can avoid this. Therefore, if you want to stop this evil, you must provide that the auditors and chartered accountants who give their names and sign the balance sheets should also be held responsible and they should be punished with the same term of imprisonment of two years as the others.

Sir, you have rung the bell already and I do not want to take more time. If I had the time I would have given you something more about managing

agents and how they are cheating the country. But I would only say that if this system will not go, then all this Bill is useless and your plea that you want to have a socialistic pattern is all fales.

Shri Sarangadhar Das (Dhenkana—West Cuttack): A great deal has been said about the managing agents, both for and against, and I particularly wish to mention the representatives of business interests in this House who have sung nothing but praise for the work of the managing agents for establishing industries in India. In order to combat their contention I wish to give a little background of the history of industrial development in India.

It is well known that there was very little industry, that is modern industry, steam-driven machinery and so on, in our country in the nineteenth century. It was at the beginning of the twentieth century that the textile industry began to grow. But the prosperity of the Indian textile industry, as well as of any other industry, was against the interests of the British; and they put all kinds of obstacles in the way of its growth. It was the *swadeshi* movement of the first decade of this century, which was motivated by the desire to boycott British goods and particularly Manchester textile goods, that put the industry on its feet.

It has been contended by many of the speakers that one has to consider both capital and labour in judging an industry. But my contention is that besides capital and labour there is the consumer who plays a very great part in bringing about prosperity in industry. If the general mass of people had not patronised Indian textile goods beginning from about 1906 or 1907, and if there had not been a complete boycott of Manchester goods during the salt *satyagraha* in the thirties of this century, the textile industry could not have survived; it would have gone down very long ago. So it is not right to say that it is the managing agents, the managers of these factories, who have established these industries.

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These industries have been established by various agencies which are not recognised generally by people. I think the part that the consumers play in this respect has not been mentioned so far by anyone here.

Then we come to the sugar industry which was mentioned just now by my friend Shri S. L. Saksena. The sugar industry also had a boom in the thirties, beginning from about 1931-32 when a high protective duty was imposed on Java sugar coming into this country. And since then that duty has remained, although it is now a revenue duty. But the industry receives that amount of protection. The consumer has been paying to the tune of several hundred crores every year to maintain this industry. Besides what Shri Saksena said about non-payment of the price of cane to the growers and also of wages to the labourers, I want to say here that the sugar industry in India, particularly in North India, is the most inefficient in comparison with similar industries anywhere else in the world.

At the outset I want to point out, as I have done many a time before, that if these managing agents, the owners of small private capital, who established this industry in North India had any intelligence or competence, they would not have placed the industry in U.P. and Bihar. Because, the climate of North India is not suitable to the growth of sugarcane. And—I have said it many a time and I will do it again—I make this prophecy that some day or other in the future you will have to move this industry to the south—to Madras, Maharashtra, Mysore and places like them. If they had been efficient they would not have put the industry where it is none.

And besides that, what did they do? The petty traders in textile goods who had ten or fifteen lakhs of rupees in the family, they went to U.P.; they saw hundreds of acres of sugarcane growing, and they put up factories in every station on the then Bengal and North-Eastern Railway. And there were some stations where they—not

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the same party but two or three different competitors—put up two or three factories. Later on they came to grief, because there was competition for the same cane from the locality, and each one of them could not get what was needed for his factory. They could not run to capacity. If I were to speak about the inefficiency of these *entrepreneurs* it would take me a long time, but I will not be allowed that time. Till three years back, when I was a member of the Sugar Committee I came to know that there was no steam efficiency scheme in the sugar factories. By steam efficiency I mean that in a factory the bagasse, that is, cane refuse should be sufficient to run the factory and to supply all the steam that is necessary. But all our factories even today use fire wood wherever it is available or coal in addition to bagasse which shows how inefficient they are. That is the way these factories have been running under the "efficient" management of the managing agents.

If you go deeper into it, you will find that the factories have made profits—the textile and sugar factories—by not playing fair with the consumers or workers. For instance, take the textile industry. The swadeshi movement put the textile industry on its feet. In the 1920s they found that they could get South African coal cheaper than Bengal coal and they bought South African coal. This was their patriotism and this was their way of playing cricket with the consumers and others in India.

In the sugar industry a protective tariff was imposed for both parties—for the millowners or manufacturers who made sugar and for the cultivators who grew cane. But what happened? Till 1936-37 they were paying five annas a maund of sugarcane; they were paying four annas a day to unskilled labourers because in those days the workers had no organisation and the farmers had no *ma bap*. Later on when the first Congress Government came to power they raised it to eight annas. Gradually it

has been going up since then. It is not only the protection that has kept the industry going but also the low price paid to labour and for cane that had brought profits. So nobody should shed any tears when the managing agency system has to be eliminated. I do not say 'liquidated' because that is the language of totalitarian countries. But in a democracy anything which is found to be an evil and about which people are convinced can be eliminated by legislation and by other peaceful methods.

Unfortunately our Government is said to be afraid of vacuum; it is really afraid of vested interests. Consequently instead of abolishing the system altogether at one stroke it gives it a span of life again. It will again be reviewed in 1960. The discretion is in the hands of the Government as to what they will do in 1960. I wish to point out that the day is gone when you considered labour unintelligent and unfit for doing anything. It is not so now. I have myself worked in several manufacturing concerns in India and I have found that the so-called managing agents who claim to be very efficient are nothing of the sort. They have kept the financing of the concerns in their hands. It is the technical manager, chief engineer, skilled operatives, etc. who run the factory and produce the goods. The managing agents or the directors of the company bring the finance and they sell the goods. The finished articles are sold by them and in doing that they are not only amassing wealth as managing agents but also their goods are given to sole distributors who happen to be their relations. In the sugar crisis of 1950-51 it was these relations who were their distributors and the factories handed over the sugar to them. Sugar was in their godowns in plenty while there was scarcity all over the country and the price went up to Rs. 100 a bag or Rs. 50 a maund. In these ways they not only monopolise all parts of the trade connected with the industry but also put in their own relations in technical positions like chemists,

technologists. In this industry particularly—I know very well about this—for about ten years beginning from 1932 the technical men had no place. They would be taken today to be sent out tomorrow when the proprietor's or managing agent's son-in-law or nephew or some other relation has been an understudy to the technical man for about two or three months. Then he says: "Daddy, I have learnt the business; why do you keep this man on a thousand rupees a month?" Immediately he is thrown out. The point is that they are not only monopolising everything in the family or caste but also running the factory inefficiently. It is no matter how brilliant a son or a son-in-law may be, he may be brilliant enough to run a commercial business, but in a manufacturing business technical ability is the first thing necessary and the factory cannot be efficiently worked by a novice of two or three months training looking round the factory. By employing their relations on all sorts of positions—technical and non-technical they have lowered the efficiency of the factories. That is another charge against the managing agency system.

If I had my way and I had the power, I would be bold enough to abolish this evil as we abolished zamindari system. I would abolish it right away. But I know that I am only crying in the wilderness because the Government have the steam roller which will pass the Bill as it is, without any amendment. Therefore, I want to make some constructive suggestions.

The first suggestion I wish to make is this. If the Government really desire to abolish the system in five years from now, they should immediately start a cadre for industrial and commercial managers and technical men and train them in the next five years so that the latter can take the place of these managing agents. There would be no vacuum. I am not afraid of the vacuum myself. But I am saying that if the Government is afraid of it, they should start building this cadre from today. So far many

developmental schemes have been initiated by the Government and many enterprises have been started but upto now, there is no cadre of this sort—managers, technical directors, technologists etc., in different industries. This is something in which the Government fails. It does not do it in the right time and later on says: "Here is a vacuum. How can we do it?" I say to the Finance Minister and to his colleagues in the Government to start this cadre right away as soon as the Bill is passed.

Then, some of my friends have pleaded for an autonomous body to look after the affairs of the companies. I, somehow, do not agree with that view. I believe that the Government should have this power and the Government should have this responsibility so that we can hold the Government responsible some day if they fail to carry out their responsibility. We are not able to discuss the matter relating to these autonomous bodies like the Industrial Finance Corporation, or the D.V.C., or the Hindustan Steel Company that has begun to operate now, or the Company proposed to be started with Russian aid. Being autonomous bodies, we in Parliament, although we grant them money by shares, are not able to discuss their affairs and make our criticism felt by these bodies. From that point of view I would say that the Government should have full responsibility and they should be careful in avoiding red-tape. What I mean to say is, so far we had administrators to administer law and order. Practically the services were doing—the administrative service and the executive service—the work of a police State. Now, we have all kinds of development. Business people's work and commercial men's work we are taking into the Government. Therefore, it is incumbent on the Government to conduct the affairs of this new department that will be created to look after the affairs of the companies in such a way as to absolutely eliminate red-tape. If there is an application for the floatation of a new company it should

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be attended to immediately. There should be enough staff to attend to it and give permission or withhold permission within a few days as it would be done in a business house. These things are done in a business house very quickly. People always say that Government red-tape is at the root of all the evil in our country. I admit that is so. But, now that the Government is taking to State enterprises, it is going to control business of companies, their working, whether they are working properly or not, whether they are taking funds from the public and utilising them properly; when the Government is taking all these responsibilities it should do it in a businesslike manner. In other departments which are not concerned with the manufacturing process and business it may be possible to have red-tape if they are so enamoured of it, but in this new department which is going to be opened there should be no red-tape. It should be absolutely prompt in its work and should not harass anyone or show any favours to anyone. Corruption and nepotism should disappear from this department. Therefore, I urge upon the Finance Ministry to realise this responsibility which is much bigger than the finance department itself—the income-tax, excise or other departments. In this matter of production whatever is needed by the producer companies should be attended to promptly and there should be no delay. No sort of delay should be brooked by the Finance Ministry.

Sir, after saying this much I want to say for our future guidance that neither managing agents nor secretaries and treasurers are required to manage these manufacturing companies. If the new branch of the Finance Ministry to look after the affairs of the companies will work efficiently then it can train the small company promoters. It can train them by propaganda and by issuing booklets as to how to manage small companies, where the market is and so on and so forth; that is to say, this new department of the Finance Ministry should be the

guide, friend and philosopher of the small companies about whom our friend Shri Tulsidas said that they do not know how to get finance and they will be handicapped with the innumerable provisions of this Bill when it is passed into an Act. It is only this department that can help the small manufacturing concerns, eliminate managing agencies as well as secretaries and treasurers and fill the vacuum by having all the work of the companies done by directors. Each director will take a department for himself and be responsible for it. He will be a full-time monthly paid man who will do the work and the managing agents will not be necessary.

Shri Altekar: Sir, when the Company Law is being amended and consolidated it is bound to be affected by the economic policy of the State. It is not a matter which can be thought in the abstract. We have to take into consideration how companies are floated, how capital comes in, investments are made, company affairs are being managed and profits are being earned and distributed. All this has to be taken into consideration and while drafting this Bill we are to see that the companies are required to play a role which is consistent with the economic policy of the State.

There were certain Hon. Members who said that the Company Law is to think of nothing but the relationship between the shareholders and the management. My Hon. friend Dr. Krishnaswami referred to the observation that was made by the Cohen Committee and it was quoted in the Bhabha Committee Report. I will only read a small passage from it. Here it says:

"Questions of economic policy should be dealt with by legislation directed to that subject and kept distinct from the general law governing company."

That is not the only quotation that they have given. They have also cited the Directive Principles in our Constitution which require that the means

of production should not be concentrated or, rather, kept in the hands of a few people, and that the income should be evenly distributed. They also quote from the Planning Commission. Not only that. They have also given the observation of the *London Economist* and said that it is also clear that the execution of Government's economic policy must itself largely operate through the medium of companies. We have to see that the company law is not an end but rather a means to an end. From that point of view they have clearly enunciated and stated:

"In the Chapters that follow, our object will be 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 weaving an integrated pattern of relationship as between promoters, investors and managements...."

I am not going to quote it at length—

"So that the attainment of the ultimate ends of social policy is helped and not hindered by the manner in which the corporate form of business organisation works in this country."

We are to see that the industrial policy that we have enunciated is helped, is advanced and is furthered by the law that we are framing and not in anyway hindered and retarded. That is the very object which we are to seek in this legislation. I do not say that this Bill can in anyway enunciate an economic policy but that this Bill corresponds to and is in consonance with that economic policy and furthers the end, and from that point of view we have to see how far we are achieving this aim. I would like to point out that we are, as a matter of fact, serving that purpose through this measure.

We do want that the private sector of industry has to flourish. In the industrial policy resolution it is also stated that if all the industries are to go at a rapid rate and if they are to industrialise the whole country, all

the industries have to be brought as soon as possible to a stage where the people are able to contribute their share and the companies are allowed to play their role, and from that point of view we are legislating this Bill here. It has to be seen that this is not only our view. Even in the Minutes of Dissent that have been appended to this Bill, we find that even Shri K. K. Basu and others on the other side have stated that the private sector has a role to play in our industrial development and we are to see that that role is being fulfilled. We have to approach this subject in that light and we are to see that sufficient scope is given to them and the abuses that we find are eliminated. There will be certain restrictions; there will be certain limitations placed, but these limitations are there for the purpose of removing abuses and to see that the role that the industrialists are to play is played well. It is complained by many that these restrictions and fetters are coming in the way of industry and that they will be great handicaps. Here, I am reminded of an incident where a remark was made by my principal in the college when I was at the college. There was a meeting and the principal said that discipline and proper behaviour must be observed in the hall and he added that gentlemen 'will' and the others 'must'. Those who are following the methods of honesty, integrity and proper behaviour will not feel any sort of restriction or handicap, but only those who want to achieve, somehow or other, large profits by any means whatsoever will certainly be curbed and their bad activities will largely be restrained. That is the principle and that is the aim of this legislation and from that point of view we are approaching and drafting this Bill.

I would next like to say that there may be some irksome provisions in the Bill. There will always be a little bit of irksomeness there. In an imperfect world, we have to deal with and play our role amongst others who are not so honest, and so a little bit of irksomeness will be there. There is a

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very good proverb or rather a saying in sanskrit:

प्रकुर्वन्तोपि पापानि शूचयः पाप संश्रयात्
परपापेनर्बनिर्यन्ति मत्स्या नागन्हृदे यथा॥

Even though certain persons are good and may not by themselves misbehave in anyway, if they are to work in company of persons who are not behaving in a proper way and going wrong, they have to suffer to some extent. Hence a little bit of restraint and a little bit of restriction that are placed will have to apply to all of them. Therefore, we are to see that the whole social benefit as such is kept in view and we must take a broad view of the whole matter and we must accept such things. These restrictions and limitations are for the purposes of removing all abuses that we find now.

Next we will have to see how we are achieving the objectives placed before us. I may illustrate this and show how this will serve the purpose of economic policy. I am not going to quote again from figures that have been stated here as regards the huge profits—30 per cent. or 70 per cent.—that were made by the managing agents. But, when we know the extent of profits that they are making, is it not a great gain that we are reducing the remuneration to 10 or 11 per cent. and that it has been reduced to a very sizable minimum. The result of it would be that the large gains of these persons will be brought down and the small profits or dividends that have been paid to the shareholders will be enhanced. So, there will be a better distribution of the profits and gains among the shareholders and the managing agents. That will be a great gain and that will be achieved by this measure. Large profits will not be accumulating in the hands of a few persons.

I would like to point out that by this legislation we are abolishing the deferred shares or the founder shares as they are known. Formerly when companies were being floated, these

shares were issued to the founders or promoters. For what purpose? Because they had conceived the idea of floating the company and for the insight they had shown, sacrifices and out of pocket expenses they had made and the advantages that would be had by the company and the shareholders in the time of prosperity in future. And therefore, they were given these fully paid-up shares with unequal, disproportionate and higher rights of voting. At the same time dividend was to rank last for them and was to accrue to them when the company would be in a flourishing condition. Later these shares were kept open to the speculating public. It was thought at the outset that this was rather a better way of having capital and that possibly at little expense, because these shareholders would be getting dividends later on, while the company was getting this capital without any great trouble. Ultimately it was realised that when the enterprise succeeded, the disproportionate and high dividends that they were getting by arbitrary ways of distribution and also the unequal and high powers which were concentrated in their hands for running the company far outweighed the advantages on the other side. Therefore, even the Bhaba Committee reported that these deferred shares should be issued only when the central authority that was proposed by that committee in its report consented to the issuing of such shares. But in the original Bill that was brought before this House, the authority of giving this particular consent or approval was conferred on the Government under clause 81. These shares could be issued only if Government would approve the issuing of such shares. What we have done now is that we have altogether abolished the issuing of such shares. Is it not a great gain if we abolish that ingenious and most subtle way of earning huge profits and taking control of the whole company? Is it not a great advance that we have made in this respect in the company law? I do submit that this will go a long way

in taking away from those people the large and huge profits which they enjoyed and also at the same time the control which lay in their hands. That is what we are achieving by this particular step that we have taken in this Bill.

Again, we have restricted the number of directorships and managerships. This point has been already dealt with and I am not going to dwell on it over and over again; but that also is a sort of restriction towards limiting the profit. This is how we are trying to go ahead towards the goal of economic policy of equal distribution, because we cannot do all these things in one step. There is this advance that we are making and achieving by this Bill.

So far as the managing agency is concerned, much has been said and it would be unnecessary to dwell on that point in detail. But the fact remains that there are two divergent views. What is the approach towards this question? It is not in any way a theoretical one. It is a purely practical approach. We are going to industrialise our country at a very rapid rate. We want to increase our national income by 5 per cent. every year. Therefore, we must move in such a way that the progress of industrialisation will not in any way be slowed down. When we take that into consideration, we shall find that if we remove the evils in the managing agency system and at the same time maintain a high rate of production, it will be a good thing. Meanwhile we should also have such provisions by which this managing agency system will be coming to an end. All these things have been taken into consideration and the clauses have been added from that point of view. I would like to point out that we do not want in any way to hold a brief for these managing agents; we hold a brief for the country and the people. There are certain Hon. Members here who, on certain Hon. Members here who, on managing agency as such, have said certain things. An Hon. Member yesterday said that "he holds his Guru

in high reverence", but he has not perhaps read the minute of dissent appended to this report by his Guru. I do not want to mention the name of the Hon. Member, but I will read the minute of dissent:

"This power of abolition of the Managing Agency system by executive fiat may be influenced by political objectives and may act as a deterrent on company formation and may check initiative and may lead to undue cramping of the activities of the existing concerns unless an alternative system is achieved it would be unwise to destroy the existing system in a precipitate manner."

I do not know what knowledge or fund of information he has in connection with this Company Law, but I think that he was speaking from mere intuition rather than from facts. He was stating that so many crores of rupees were to be given to a certain party. I beg to state that it must have arisen only from his imagination and not from facts; such sorts of allegations of course, have only to be ignored. We should approach this legislation taking into consideration the objective circumstances that obtain today. Even the most avowed opponent of this managing agency system—the Bombay Shareholders' Association—had said in its evidence, that this system should not be altogether abolished forthwith. A spokesman of that association, while giving evidence before the Joint Committee, has stated that it should not be ended forthwith. Let it come to an end or rather let it remain till the 15th August, 1959. I may also reply to my Hon. friend who is not here—Shri Gadgil—that when he says that this system should be abolished forthwith, we are to take into consideration the fact that the whole set-up of Government machinery that would be required to consider and decide matters in this connection cannot be organised in a minute when the law comes into force. Some time has to elapse. The companies also will have to think of an alternative management. All these

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things can only be done if there is sufficient time—say about three years or up to 15th August, 1960, as is laid down in this Bill. At the same time, I would like to point out that the shareholders' Association has stated that investors in this country who do not come forward to invest their money have to be persuaded. Under this circumstance, we shall have to think twice before we end the system immediately. The Association has also stated that in the case of two companies floated recently in Bombay—the Indian Dyestuff Industries with a capital of Rs. 30 lakhs and the Empire Dye Company Ltd, with a capital of Rs. 50 lakhs—half of the capital was contributed by the managing agents. Therefore, unless there are proper avenues of having investments, it will not be desirable to end the system immediately. The spokesman has stated that if the system is ended, the Managing Houses will be unwilling to invest. The reason why I refer to the Bombay Shareholders' Association is that it is the greatest well informed opponent of the managing agency system. They are the persons who have brought the evils and abuses to light, and they say that after taking into account all these things, we must proceed in a way which will not adversely affect the starting of new companies. Therefore, we have to take everything into consideration and then legislate in the matter.

Another point to which I would like to refer is this. It has been contended that the Government are assuming very large powers. There are so many clauses in this Bill which give powers to the Government. I will cite one instance: The spokesman of the Indian Federation of Commerce and Industry said before the committee that in Calcutta many European managing agency companies are transferring their shares to Indian companies, not to the extent of more than 75 per cent., but only up to 74 per cent., retaining 26 per cent. in their hands. If the managing agency system is to go from them into the hands of the transferees,

that can only be done by a special resolution with a majority of 75 per cent. That cannot be done if they retain 26 per cent. of the shares in their hands. Another aspect about it was pointed out by the Hon. Minister, Shri M. C. Shah, who is sitting here, namely, does it not mean that for the sake of earning 26 per cent., they want to dictate their own terms and prices? When the Finance Minister said, under these circumstances, would you like that the power should be given in the hands of the Government, he at once said that he would like it. As a matter of fact, that is the provision that we see here in this Bill and it is for the good of the country as a whole. From that point of view, we have taken into consideration the various aspects and the difficulties that are there and they have been properly provided for one after another. It is not possible for me to speak in connection with all these things, but I would only point out the important factors that have to be considered in this respect. I would like to state that the interests of the shareholders have been taken into consideration.

Another point that I would like to urge is that the depositors' interests should be looked after. I mentioned this point at the time when the original Bill came before this House. I admit that some improvement has been made in that it is provided that the advances should not be more than the aggregate of the paid-up capital plus free reserves. This is a small advance over what was provided in the original Bill, that is the subscribed capital. That does not in any way sufficiently look after the interests of the depositors. I would like to point out that a provision has been made that if there is to be a larger advance, the shareholders should consent to it in a general meeting. Even if the shareholders consent to this, they would only look to their interests, and not to the interests of the depositors. If a company is in difficulty, the share-shareholders will say, let us have more money, let us see how we can

get out of the difficulty. The interests of the depositors are not kept in view. On the analogy of clause 103 which provides that when the capital is reduced, the difference between the original and reduced capital will have to be paid for discharging debts by the members from their pocket, I suggest that if they are taking more deposits, beyond the limit that has been placed here, they should be personally responsible to that extent. Great care has been taken to protect the interests of the debenture holders and charge holders. A register of debenture-holders and charge-holders is to be kept and it is to be made available to them. I shall not quote the clauses because the time at my disposal is short. At the same time, I would say that as in their case, there should be a register in the case of depositors and they should have access to that. The depositors have deposited these amounts for long periods. There is no security for the investments they have made. So far as the debenture-holders and charge-holders are concerned, there is security. I think that the interests of the depositors have to be guarded with greater care than the interests of the debenture-holders and charge-holders. From that point of view I submit that access to the balance-sheet, and to the register, which has been made available to the debenture-holders and charge-holders should also be there in the case of the depositors. So many powers have been taken by the Government in their hands. Unless and until the Registrar authorises the borrowing of moneys over and above the limit laid down here, further deposits should not be taken. There should be some such provision.

Lastly, I submit that I am not so much worried about the Central Authority or the Advisory Commission and departmental control. What I am particular about, and what I would urge upon the Government is that there should be a machinery whereby the large powers that have been taken by the Government in their hand in connection with the routine business that has to be carried on, could be

exercised effectively, and companies managed and inspected by the Government. It is a very huge task. There are more than 29,000 companies. Every year 1,000 new companies will be coming up. So many powers have been taken by the Government in their hands. Who is going to look after all this work? What is the set-up of the department? What is the set-up of the machinery? We should be in a position to say that it will effectively discharge its functions, hear complaints, and dispose of all matters. There is provision for an Advisory Commission. We have proceeded in that way in the Forward Contracts Act and section 25 of that Act provides for an Advisory Committee. It is functioning now. Even if there is such a provision here, the important point is that the law should be administered effectively, properly and without delay. This House should know how the Government are going to do this. In the former days, we knew that the Registrar was not in a position even to go through all the papers that were sent to him. That should not be the situation hereafter. This department will have to carry on the administration entrusted to it in a business like manner. Only if that is done properly, the objective will be achieved; not merely by passing legislation, but by enforcing it and administering it in an effective way.

Shri Gopala Rao (Gudivada): This is the longest Bill in our legislative history. This Bill deals comprehensively in a consolidated form with the whole reorganisation of the private sector. According to me, this Bill is meant to regulate, control and direct the affairs of all associations which are concerned with the industrial and commercial field.

Certain observations were made in this connection by the Hon. Finance Minister the other day while speaking on this Bill. According to him,—I am not able to understand that—the whole problem simply is a matter of balancing the public interest and the private interest. On another occasion he said that this is a problem of collaboration

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between the regulating authorities and those people whose affairs are regulated. I do not think this is a correct understanding of the Bill or the provisions that are being made. The main purpose of the Bill is to regulate affairs. At this stage when we have accepted the mixed economy with a public and a private sector under the aegis of the Government, there must be some control and direction of the private sector. Regulation does not imply control and directing of matters in such a way that they are not detrimental to the public interests or the social interests at large. If we approach this Bill or discuss the provisions of this Bill with this view, we will not be doing our duty rightly. I do not mean that the private sector should be deprived of reasonable profits, or that the private sector should be confiscated. That is not the spirit of my statement. We have to direct affairs in such a way that we may solve the problem, which is to prevent concentration of power in the hands of monopolists and a few managing agency houses which have established long ties with many financial institutions. That being the case, the question of collaboration arises only when the other side accepts the basic immediate objective underlying this Bill. I do not know whether the other side, I mean the private sector, has accepted the immediate objective of this Bill. If that is not the case, the question of collaboration does not arise. The question of control dominates the scene. Under these circumstances, the question is to what extent the development of the private sector can be allowed in accordance with the existing system. This must be done under the aegis of the Government and the public sector, in the interests of the general development of industry and the general economic development of the country. Confining to the four corners of this Bill, we have to see whether these provisions are in consonance with our declared objective. I know this is not the occasion on which the economic policies or philosophies or ideologies involved are

to be discussed. But, at the same time, any measure, whether legislative or administrative, must have some basis, some immediate and ultimate objectives on which it should be based. The superstructure presupposes a certain foundation on which it is built. That being so, you cannot see the provisions of the Bill in water-tight compartments away from the declared objects. That is why the Joint Committee had also to scrutinise the provisions on the Bill and also to make a thorough examination of the principles.

Coming to a concrete aspect, it is surprising that in such a voluminous Bill we do not find any reference to labour. The Finance Minister is at every stage trying to advocate the retention of the managing agency system, maintain the high rate of remuneration and profits, but he did not mention in his speech the interests of labour. That is why a new clause must be inserted in the Bill to the effect that labour, which is the main element playing the dominant and important role in production, that the workers, technicians and other employees must also be given a place in the management of the affairs of companies. By giving representation to workers a new situation will be created, a very healthy atmosphere will be created for the fulfilment of our objects in both the private and the public sector. I need not go into details such as the form of representation, the percentage that should be given, the qualifications and other things that should be taken into account. I may take it up when the clause by clause discussion takes place. At this stage I would only say that a certain amount of care has to be taken to see that yes-men are not taken on the board of directors. The other day, Hon. Member Shri Tulsidas was saying that according to experience whenever a worker was elevated to a director's post, he ceased to be a representative of the workers. That is why I say that a certain amount of care must be taken in selecting or

electing, whatever form may be adopted, persons to the board of directors to see that they are not yes-men.

Coming to clause 264, it says that two-thirds of the total number of directors can be appointed on the basis of proportional representation. Simply an option is given to companies. They may adopt any method according to their will. This is only permissive and does not solve the problem or serve the purpose at all. I suggest that a statutory provision must be made in the Bill definitely that not less than two-thirds of the directors must be elected on the basis of proportional representation. By this process all groups concerned in a company will be represented. An argument has been advanced against this that if there are several elements there may not be unity and that therefore the success of the business will be in jeopardy. I do not understand why conflicts and disputes should arise. Of course, there may be problems on which several directors may differ, but ultimately decisions will be taken according to majority and they will be implemented. Actually, the interests of the shareholders will be to some extent safeguarded on the one side, and on the other there will be some sort of check. Previously in the name of majority certain powerful groups commanding the whole scene used to resort to all sorts of things. That is the past experience. That is why there should be no hesitation in providing a statutory provision to this effect.

Coming to the authority which will administer the law, it is very difficult for me to choose between a statutory board and a department under the Finance Ministry. If we think that a statutory board is a proper institution to administer company law, in the name of experience and expert knowledge, certain people will be brought into it and great powers will be given to that board. This House will have practically no right to check the board in its day to day administration or in other respects. That is why I am not for the constitution of a statutory board. The other alternative is a

Government department under the Finance Ministry. It is the Ministry which failed in performing its duties for a considerable period in the past, in preventing concentration, interlocking and the misdeeds, malpractices and machinations which have been going on. It has not checked or punished them. If a department of the same Ministry is entrusted with the administration of this law, I do not know how far it will be able to fulfil its functions. Anyhow, in the existing circumstances I do not find a third alternative. I prefer the lesser evil of having a department of the Government as the central authority. But I humbly request the Hon. Finance Minister to select such a personnel who will work with a new spirit and enthusiasm, who will carry with them the spirit of this legislation, and who will bring to bear a national and patriotic approach and not simply think of their personal salaries. I hope that this department will give a new hope and inspiration. While concluding his speech the Finance Minister tried to give some assurances that he is not going to exercise all the powers. He was narrating some mythological or historical story about the Ceylonese. Actually, I am afraid these powers will never be exercised. It is a question of the powers being never exercised, not that the powers will be exercised for harassing and doing all sorts of things. The whole complaint is likely to be of this kind. If it is the common man, of course, whether the law provides certain powers or not, they will go ahead. But when it comes to these big forces, they think so many times before they touch them. That is why I feel they have tried to deliberately delay matters, and my fear is that this deliberate evasion may be there in the future also. Yet, I hope that new traditions will be created by the new Department which is going to be constituted and which is going to function directly under the Finance Minister.

Coming to the question of managing agency, I am not going to say much about it, because a lot has been said about it already by other Hon.

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Members. I feel that much of the controversy in regard to this matter could have been avoided, if only the Finance Minister had given us some kind of a review of the functioning and activities of the managing agencies for the last five or ten years. I wish he had given us an assessment of the whole situation and given us also a balance-sheet saying these are the misdeeds, malpractices and machinations of these managing agencies, and that these are the achievements of the managing agencies. The Hon. Finance Minister has stated that managing agency has proved and still proves to be a potent instrument for industrial development. But that must be substantiated with facts. Without any facts and figures, now can the House accept the Hon. Finance Minister's analysis? Unless we have a balance-sheet before us reviewing the whole situation as to how these managing agencies were functioning, how far the role of financing agencies was fulfilled by the managing agencies, how far their technical and managerial assistance has been necessary for the companies, whether the offices of these managing agents have been used for speculative ventures with a view to making profits or for the development of the industries or the companies which they have been managing, unless we have an objective review covering all these aspects before us it is very difficult to come to any conclusion. Had the Finance Minister given us such an objective review, then it would have been very easy for us to come to a conclusion that this institution must be closed down once and for all, and here and now, without any consideration.

Though our Finance Minister has been advocating the retention of the managing agencies—of course, with some restrictions—yet, he has not mentioned to us even a single achievement to the credit of the system. Perhaps, or I should say certainly, there are no achievements to the credit of the managing agency system. Otherwise, a person who advocates their retention must have flooded the House

with their achievements. However, as far as these misdeeds and malpractices are concerned, he must have with him a huge cartload of material which he can produce before us; but if he produces all that material, then his case will become baseless. In fact, in the course of his speech on the motion for reference of this Bill to a Joint Committee—I think it was on 3rd May 1954 or so—he had stated that he had got a lot of material with him about these misdeeds and malpractices, in fact, more material than any other Member had. But then it was difficult for him to proceed further and to get those persons prosecuted and punished. That is why this whole controversy has been there all along.

So far as I am concerned, I stand for the abolition of managing agency. I think the Hon. Finance Minister is simply exaggerating the situation when he says that if and when the managing agency system is abolished, some unhappy things will come to pass, that there will be a vacuum, and that it will deal a heavy blow to the expansion of industry, since there is no alternative system that has been developed to take its place. The Hon. Minister is presenting this kind of exaggerated picture before us so that we can also support his stand. And basing all his arguments on these premises, he wants to give another trial for this system for a period of five more years. But I feel that we have had sufficient experience already for the last twenty-five years, and therefore there is no necessity for another five years. In my opinion, these abuses, malpractices and misdeeds are all inherent in the system. So, if we want to end these malpractices etc., then we have to end the system itself.

Apart from this, there is one other consideration which impels me to this conclusion, and that is that in the present situation, Government themselves are taking up the question of industrial financing in a big way both in the public sector and also in the private sector. There are several agencies already for this purpose. For

instance, there is the State Bank on the one side; and on the other side, there is the Industrial Finance Corporation at the Centre; there are also the State Finance Corporations, and the new Industrial Credit and Investment Corporation. Further, direct State finance is also there for big industries like iron and steel. Moreover, the private sector is competent to fit itself into the new set-up, and the people in the private sector do have some experience of industrial management—I do not under-estimate their talents at all. Secondly, Government themselves are taking up the question of training of the technical and administrative personnel for company management.

Coming to the remuneration question, I find that the Bill has provided for 11 per cent. of the net profits in case there are profits, and for Rs. 50,000 in case there are no profits. I feel that this is too much, and there should be some control in regard to this. Yet I find that criticism is levelled against this from certain quarters, and our Finance Minister also appears to show some sympathetic attitude towards them saying, it would be a detrimental thing if you give them less, with a small remuneration, how can they pull on, etc. He argued also saying that nobody in this House would desire industrial development in the country to be hampered by the provision of inadequate remuneration. But industrial development of the country does not mean the payment of abnormal remuneration either to the managing agents or to the managing directors. There must be some limit to their remuneration. In my own constituency, there is a gentleman working as a managing director, who gets Rs. 4 lakhs as remuneration. That is something abnormal and extraordinary. Nobody can tolerate such a thing. That is why I say that there must be some strict provisions in this regard.

It should not simply be said that if you reduce their remuneration, you would be hampering the pace of industrial development. I feel that clause 197

must further be improved providing for a sliding scale of profits; for instance, it may be provided that up to Rs. 10 lakhs, 10 per cent. may be given as remuneration; up to Rs. 15 lakhs, 5 per cent. or 4 per cent. or 3 per cent. may be provided; and for amounts exceeding Rs. 15 lakhs, no remuneration will be given. In this way, some sort of graded scale might be introduced in clause 197.

I would even go further and say that there should be a limit to the profits also. Profits above a certain limit must be at the disposal of the public sector, and the surplus funds should be directed in such a way that Government will have their grip over them, and will utilise those moneys for such purposes or such industries as they may consider desirable and proper.

I now come to the question as to the number of managing agencies which a person or a firm can hold. My general principle in regard to this is that the smaller the number, the lesser the evil and the greater the safety. I would approach this question from this principle only.

Lastly, I would like to say a word about the role of the shareholders, with whose interests this Bill concerns itself. The shareholders must be encouraged to participate in person in the deliberations at the general body meetings, annual meetings etc. instead of being represented by proxies. The shareholders must be made conscious of the role that they have to play, by proper education and encouragement.

Shri J. R. Mehta (Jodhpur): At this stage of the debate, it will be presumptuous on my part to pretend that I have much to say which will be original. At the same time, as I would like immense value to be attached to the time of this House, I shall try to be as brief as possible, so far as points which have already been made out are concerned, and attempt to throw light at somewhat greater length only on points which I have to make anew

[Shri J. R. Mehta]

4 P.M.

I endorse the view which many hon. Members have expressed that this Bill is too prolix and too complex. I wish the House to appreciate that in a complex legislation of this kind, it is the scrupulous or honest and the comparatively poorer section of the people who are hit hard and stand to suffer; the unscrupulous and the moneyed people manage somehow or the other to have their own way. If I take this opportunity to make a general observation, I do feel that we are legislating too fast; not only that, we are also making our laws too complicated, so much so that, it is difficult even for Judges and lawyers to keep pace with them. So far as complexity goes, this legislation almost breaks the record. I wish the Finance Minister will take the conditions prevailing in India into consideration and try to make this legislation simpler than what it is.

I should like to say without any reservation that I am in perfect agreement with the main object of the Bill, which is to purge company management of its many abuses and malpractices and to ensure that such management subserves to the advantage of the shareholders. I even agree that we ought to ensure through our company law, so far as it may be possible to do so, that there is no undue concentration of economic power in the hands of a few persons, in so far as that concentration may be to the detriment of the public good. But having conceded this, I want to apply my mind to the question, how far this Bill, as it has been presented to the House, is going to serve the purpose we have in view. I am afraid I am bound to say that from this point of view the Bill leaves much to be desired.

Now, it goes without saying that the managing agency system is the villain of the piece so far as this legislation is concerned. What do we propose to do about this system in this Bill? It will continue up to the 15th August 1960. I do not know why this 15th

August 1960 has been chosen. Perhaps the idea is that it will be their emancipation day, and that after that date it will depend on Government's discretion whether it is to be continued or not in a particular industry or business or not at all. Now, I respectfully submit that this is not a practical way of dealing with the problem. We ought to be in a position to judge whether the managing agency system is good or bad, here and now. There is no system in the world which is without its advantages and disadvantages. If we think that this managing agency is so bad that with all the restrictions and checks and the limitations that human ingenuity can devise to counteract the abuses and malpractices attributed to it at present, we cannot control it, it should forthwith be terminated. If, however, we think otherwise, that is to say, if we feel that the managing agency system can serve a useful purpose, we should concentrate all our efforts merely towards evolving proper safeguards and checks. If we cannot take a firm decision as to the two alternatives I have mentioned, surely it seems to me that it is premature to fix the 'D' day for the managing agency system at this stage. What we are telling the managing agents is somewhat like telling a person that he is a thief and that he will be hanged after three or four years. In such a case, are you not instigating the supposed thief to 'make hay while the sun shines'?

Shri C. D. Deshmukh: He is on probation for three or four years.

Shri J. R. Mehta: He is on probation. So you are prepared to give him a chance if during the probation period he behaves well.

Mr. Chairman: And not make hay while the sun shines.

Shri M. S. Gurupadaswamy (Mysore): Will he behave well as a thief?

Shri J. R. Mehta: I can understand if you impose checks and safeguards to counteract the abuses and malpractices which are at present rampant

in the management of companies. I am prepared to go further and say that we should make these provisions as stringent as possible. But, so far as the checks and safeguards provided in this Bill are concerned, my considered feeling is that we have gone too far. The Finance Minister has told us that what is being done is done with the object of maintaining law and order in the sphere of company management. This is a laudable object. But how many sins have not been committed in the past in the name of law and order? I submit that there are many checks and safeguards in this Bill which are not necessary, to my mind, to maintain the law and order of the Finance Minister's conception. I will not name all such provisions. But for the sake of illustration, let us take the provision that in future no new managing agency can come into being without the sanction of the Government, or that no managing agency can get a new lease of life without the sanction of the Government, or that the number of directors on the board cannot be increased without the sanction of the Government. These provisions and many others leave everything to the discretion of the Government, and the discretion of the Government in these cases cannot be anything but arbitrary. I can see no purpose in such provisions; they will do more harm than good. They are likely to lead to corruption and nepotism. We have the assurance of the Finance Minister that he will carefully watch the implementation of the Bill, and we know what he is capable of. But the scope of this Bill is so vast that it will be impossible, I submit, for him, with all his capabilities to keep a close watch on the manner in which the large army of subordinate officers entrusted with the implementation of the Act discharge their functions. The Hon. the Finance Minister regaled the House the other day with the analogy of the Kandyan Kings with two Prime Ministers, each of whom had the power to hang one person every year without assigning any reason. I maintain that in this analogy, there is an implicit

confession on the part of the Finance Minister that the task is too great, and he does not think it practicable to keep a close watch, check or supervision on each and every company with a view to detect abuses and malpractices. On the other hand, he seems to think that it is the fear of being hanged which will do the trick. I put it to the Hon. the Finance Minister and to this House to consider in all earnestness whether this is a satisfactory way of implementing this Bill. The proper approach to the whole question seems to me to be to concentrate on the detection and prevention of the major abuses and malpractices and then to take severe action, wherever they are detected, and not to fritter away our energies on unessential and unnecessary so-called controls. The very magnitude of the task we are undertaking is so great that I am afraid that the very multiplicity of provisions will defeat the purpose we have in view.

I do not know to what caste the Finance Minister belongs. We do not think in terms of castes these days. But...

Shri C. D. Deshmukh: No caste.

Shri M. S. Gurupadaswamy: National caste.

An Hon. Member: Born in a brahmin family.

Shri J. R. Mehta: But, the all-pervading powers which the Government seeks to assume under this Bill reminds me of the Brahminism of old which at one time controlled every stage of the life of a Hindu from birth to death by prescribing so many *sanskaras*. So, this Bill seems to be the code of *sanskaras* of the managing agency system, of my friends like Mr. Kilachand and Mr. Somani.

Shri C. D. Deshmukh: These *sanskaras* were called the *chaturvinsati chintamani*.

Shri J. R. Mehta: So, you are the fittest person to play the role of the high priest for these, *sanskaras*.

[Shri J. R. Mehta]

I see a positive danger in the Government trying to have such all-embracing powers. We are painfully aware how the controls demoralised the people as a whole, the officials as well as the public. Human Nature being what it is, there is real danger of history repeating itself unless Government should agree to dispense with some of the vast powers it has proposed for itself.

There is another aspect of this very important matter which deserves attention. I am in perfect agreement with the view that one effect of the provisions of this Bill is going to be that it will be very difficult, well-nigh impossible for new managing agents or agencies to come into being. In so far as this is going to be the effect of these provisions, it seems to me that we are playing in the hands of the big business and creating conditions of virtual monopoly in their favour. These provisions will, I am sure, defeat our avowed object of preventing concentration of economic power in the hands of a few persons. If you are serious in this objective, I would submit that we should encourage new managing agents to come into existence, new talent to come into the field rather than to put obstacles in the very way of their coming into existence.

We are told that only fit and competent persons will be allowed to become new managing agents in future. Supposing I decide to become a managing agent—I am not going to be—and if 50 or 100 of my friends here consider me to be a fit person and repose their confidence in me and are prepared to place their money in my hands, then, I do not see why I should be prevented from becoming a managing agent with all the odium attached to it.

Shri Sadhan Gupta (Calcutta South-East): Is that an invitation?

Shri J. R. Mehta: After all what is the yardstick by which Government will be able to judge who is fit or who is not fit.

A feeling has been voiced in this House by some Hon. Members that instead of Government assuming wide and all-embracing powers, the proper course will be to ensure that the shareholders are able to exercise better vigilance and supervision. To my mind, this way of thinking ignores the realities of the situation. A company may have thousands of shareholders spread all over the country and you cannot expect all of them, even if you pay them T.A. as some Hon. Member suggested, to assemble at the meeting of the company. The very fact that only 5 members can make a quorum in a company meeting will bring out the force of my observation. From this point of view, while I have nothing to say against the provision of proportional representation I am inclined to think that it will not go very far and the value of this provision is going to be merely sentimental.

While considering how to make the shareholders' supervision more effective, I should like to make one humble suggestion for the consideration of the Finance Minister for whatever it is worth. I suggest that provision should be made that all objections or representations which absentee shareholders may choose to send for consideration at a general meeting of the company should be read out and answered at the meeting and that it should further be made incumbent on the auditors to refer to these objections or representations in their report—unless they think these are flimsy or trivial or unless they are satisfied with the answers given by the company.

There is another suggestion I should like to make by way of giving more powers to the shareholders. Clause 407 confers on the Government the power to appoint two additional directors for a limited period on a requisition by shareholders representing ten per cent. of the share capital. On this analogy, I suggest that Government should have powers to appoint an additional auditor on a similar requisition on behalf of the shareholders.

I do not pretend to be an expert in law and I confess that I do not know the A B C of company management. But I claim some little experience of the administration and I submit that if we are to check effectively the malpractices and safeguard the interests of the shareholders we should provide for something like what I would call administrative audit. Perhaps, cost audit also. I am aware that it will be difficult for some time to come to have adequate qualified personnel for the purpose. But, even so, I consider that applying the principle underlying the Finance Minister's story of the Kandyan kings that it will be useful to provide for it in the Bill. To begin with it may be made compulsory in cases of companies with sales of say more than a crore of rupees or so, and the others be left to the discretion of the Government.

One point more. I do not like clause 614 which empowers Government to direct that government companies shall be exempted from any of the provisions of the Act except sections 612 and 613. I think this is not a desirable provision. The government companies should be required to maintain, if anything, a higher standard of behaviour than the public companies.

Shri Bogawat (Ahmednagar South): Sir, I rise to support the Bill as recommended by the Joint Select Committee.

Yesterday, I was sorry to hear from one hon. Member a scandalous statement made here—which is insensible to make—when the Joint Committee itself has made these proposals. So, in order to have political gains it is very dangerous to make such statements in this honourable House.

Some Hon. Members: What was that?

Shri Bogawat: It is that somebody is to get Rs. 3 crores and so on and this is a statement made by an Hon. gentleman here in this House as against the proposals made by the Joint Committee, as if these are the proposals of the Congress Party only.
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Shri M. S. Gurupadaswamy: It only said a possibility.

Shri Bogawat: The statement is there; you can read it and see whether it is a scandal or not. It is for you to say.

Shri M. S. Gurupadaswamy: I was here.

Shri Bogawat: It may be.

The Joint Committee amended the provisions so far as the managing agents and directors are concerned. Now, we have to develop our industry and industrial production. The Joint Committee have given a chance to these multi-millionaires who mainly are the managing agents of several big companies and it is natural that some restrictions must be there so that there should not be any fraud against the shareholders, the consumers, the Government and the public.

We know that the managing agents have played havoc after the last war. We saw so many things; they evaded income-tax; they played many foul games when there were controls. In order to make gains for themselves, they made purchases through bogus persons and reduced the profit of the company. They suppressed the sales also. They made false purchases of firewood, coal, etc. Many such things were done and they took advantage of the boom period. In order to avoid all these things happening in the future, instead of ending the managing agency, the Joint Committee has given a chance to mend it. When the Hon. Finance Minister made a reference to it at the time of referring the Bill to the Joint Committee, he clearly stated that in order to prevent the abuses and malpractices and not to hinder sound and honest management of the company, there are certain provisions. There is nothing to be afraid of if the persons are honest and are *bona fide* business people. But the multi-millionaires or the managing agency houses still want to have concentration of wealth. They think that just as they did before Independence, they can still exploit and amass wealth, but

[Shri Bogawat]

that will not do. We are leading our way to a welfare State and we have to raise the status of our people, and so, this Government at least will not allow the exploitation either of the shareholders or labour. Really these business people or the managing agents are the trustees, but they do not want to behave as trustees. They do not even imagine that their profits are due to the labour of their employees. All the gains that are made are mainly due to the labour of the workers in the industry or the factory, but they forget that.

[SHRI BARMAN *in the Chair*]

They do not want to give representation to labour or even to the minorities, and if there is any provision concerning the minorities or labour, they are very much angry. Yesterday an Hon. Member said that there would not be harmony and that the business would not be run homogeneously, and if these restrictions are put, the economy of the country will topple down. They go to such lengths and want to terrorise the Government saying "Oh! if these are the restrictions, then we will not co-operate". But this is not a sensible way of doing the thing. They must understand the times and must also try to serve the country. If they behave honestly, do their business properly and give the advantage of their enterprise, genius and business management, then the percentage that is suggested is very much more than sufficient—10 per cent. is suggested and that is not less. They must forget that in future they would be able to gain much more than 10 per cent. If these persons do not come to their senses, then it is quite possible that this system would go or would be ended.

As regards certain other provisions, let me say a few words. I do not know why clause 56 is there in the Bill which states that the expert should be a person unconnected with the formation or management of the company. This ought to be deleted, because a person having a knowledge and personnel experience should not

be forbidden to have connection with the formation or management of the company. I request the Finance Minister to consider this provision.

As regards the provisions relating to the kinds of shares, it is a very good thing that the Joint Committee has done; it has suggested two kinds of shares in the interest of the shareholders and no undue advantage being gained by the business houses.

Then I refer to the provisions regarding chartered accountants. We know that crores of rupees are sunk in public undertakings and there is nothing before the House so far, though now there is a provision made under clause 225 that the chartered accountant's report would be placed before the House. But that is not sufficient. I think that even the balance-sheet and all the material ought to be placed before the House and we must also know in what way Government undertakings are going on. For instance, we have invested several crores of rupees in Ambernath machine Tools Factory and other undertakings of Government. They are all public undertakings and it is but natural that this House must be able to know what is going on when we are spending crores and crores of rupees on those undertakings, just as it is necessary to know as regards public limited companies in the private sector. Similarly, so far as Government undertakings are concerned, it is very material to know all these transactions and also the balance-sheets of these public undertakings, without which it will be impossible to know what is going on there.

As regards proportional representation, I am very glad that these clauses that are amended by the Joint Committee—clauses 264 and 407—are very material, and in spite of any indignation on the part of the capitalists, they are quite material. The proposals made by the Joint Committee are perfect and quite in order, and they will be of much use so far the labour and the ministries are concerned.

As regards the provisions regarding the Statutory Advisory Commission that has to be appointed, I am one the Hon. Member, Shri C. C. Shah. He has made a good suggestion as to how this Advisory Commission should be. If the persons, as suggested by him, are there on that Commission, then it is possible that proper advice will be given to the Government and only those managing agencies will be re-appointed who are doing their business properly and conducting the managing agencies properly. I think after a few years it is quite necessary that these intermediaries must go, because in the interests of the country and in the interests of the labour, it is quite necessary that there must be abolition of the intermediaries. We are abolishing zamindari. We are fixing ceilings on the lands also. Why should there not be a ceiling on the concentration of wealth? Why the capitalists and especially the managing agency which is a child of capitalism, should be allowed to continue? It is essential that after some period these managing agencies must go and some other sort of management must be preferred. The Government is trying to find out a way and I think if proper persons are trained to manage the big undertakings, then it will be possible to appoint such persons and continue these industries.

Now, if there is any new concern to be started, the Government may not want to give it to any managing agency. Now there is a possibility that new concerns can be started by any going concern. For instance, there is the Delhi Cloth Mills and they can start any other company, say, a soda ash factory in Saurashtra. If a consent is given, it is indirectly allowing managing agency of a new concern. As regards this matter also, some restriction should be there and if such new concerns are allowed under this pretext, then there would be no end and the managing agencies or business houses would find out some loopholes and they would go on starting such new concerns. So there should be some such checks also on such new

concerns and no industry should be allowed under such pretext.

After saying this, I am going to say something about clause 197. Under clause 197, 11 per cent. is allowed and in case there is no adequate profit, Rs. 50,000 would be allowed, but I want to suggest that if there are more profits, say, about Rs. 20 lakhs, then there should be inverse proportion and a cut, say, 1½ per cent. after Rs. 20 lakhs and so on. I have given an amendment to that effect and I request the Hon'ble Finance Minister to take into consideration the inverse percentage whenever the profit is more than a certain limit. The maximum should be 5 per cent., in my opinion.

If all these important points are taken into consideration, it is quite possible that these big businessmen may behave properly and they may continue their industries. They should care more for the welfare of the country and also for the welfare of the people and not for themselves alone. With these words, I conclude.

सरदार इकबाल सिंह (फाजिल्का—सिरसा):

इस बिल पर इतनी बहस हो जाने के बाद यलन तो मैं यही करूंगा कि जो चीज पहले कही जा चुकी है उस न दुहराऊं। लेकिन फिर भी आप जानते हैं कि यह इतना बड़ा बिल है, इसलिए इसके भूतात्त्विक एक आदमी एक नुकता नजर पेश करता है तो दूसरा दूसरा नुकता नजर पेश कर सकता है।

हमारे यहां सबसे पहले कम्पनी ला १९२३ में बना, फिर १९३६ में बना, और अब तीसरी दफा हम उसमें तबदीली करने जा रहे हैं। मैं इस बिल को इस ढंग से देखता हूं कि इसका असर उन लोगों पर क्या होगा जो लाख दो लाख रुपया लगाकर और अपने कुछ साथियों और रिश्तेदारों को लेकर काम शुरू करते हैं। उनके पास न तो इतनी काबिलियत होती है जितनी कि बड़े बड़े मैनेजिंग एजेंटों के पास होती है, न उनके पास इतने अच्छे वकील होते हैं जो उनको यह बतला सकें कि इस क्लॉज से इस तरह बच कर निकलें और उस क्लॉज से इस तरह बच कर

[सरदार इकबाल सिंह]

निकला। यह एक बड़ा कम्प्रीहेंसिव बिल है और इसमें सारी चीजें बड़ी तफसील के साथ दी गयी हैं। यह कानून उन लोगों पर भी लागू होगा जो कि लाख दो लाख या पांच लाख से कम्पनीयां बनाते हैं। इन लोगों का भी हाँसला तिजारत में उतना ही होता है जितना कि बड़े से बड़े मॅनीजिंग एजेंट का हो सकता है। इसलिए हमको दखाना चाहिए कि इस कानून के लागू होने पर उन लोगों पर क्या असर पड़ेगा जिनकी छोटी छोटी कम्पनीयां हैं और जिन कम्पनीयां में मॅनीजिंग डाइरेक्टर, या डाइरेक्टर या सेक्रेटरी होंगे। मेरा मतलब यह नहीं है कि ये छोटे लोग इस कानून की कीमियां का फायदा किस तरह से उठावें। मगर मेरा मतलब यह है कि आप जो कम्प्लेंट डिपार्टमेंट बनायेंगे उसके पास जो भी शिकायत होगी वह जायगी। अगर यह डिपार्टमेंट हर एक शिकायत की जांच करेगा तो जो बड़ी कम्पनीयां हैं वे तो उसको बरदाश्त कर जायंगी, लेकिन जो छोटी कम्पनीयां हैं अगर उनकी हर रोज इन्क्वायरी की जायगी तो शायद वे अपने तिजारत के काम को अच्छे ढंग से न कर सकें। ये छोटी कम्पनीयां लाख, दो लाख या पांच छः लाख से काम करती हैं। जब अगर कोई छोटा सा भी शंकर होल्डर इनकी शिकायत करे तो आप इन्क्वायरी करेंगे। आप शायद हर प्रान्त में इस तरह का डिपार्टमेंट बनायेंगे। तो जो आदमी इन छोटी कम्पनीयां की इन्क्वायरी करने जायगा वह इतना बड़ा नहीं होगा जैसा कि बिठला के यहां जायगा। हो सकता है कि इसमें इन छोटी कम्पनी वालों को दिक्कत का सामना करना पड़े। यह बिल इतना बड़ा है कि बहुत कम पार्लियामेंट के मॅम्बर इसको समझते हैं और इसके लागू होने के बाद इसका क्या असर होगा इसको तो बहुत ही कम लोग समझते हैं। जो लोग छोटे शहरों में छोटी छोटी कम्पनीयां, ट्रांसपोर्ट के लिए या दूसरे कामों के लिए बनायें हुए हैं, उनको इस कानून के लागू होने से बहुत दिक्कत हो सकती है। इसमें करीब १२६ तो सजा के क्लाज हैं। उन सब से वे कहां तक बच सकेंगे। इसीलिए मॅरी

अर्ड है कि आप जो डिपार्टमेंट बनावें वह इस तरह से काम करे कि इन छोटे लोगों को हँगास न किया जाय।

इसके साथ ही मैं एक बात और कहना चाहता हूँ। आजकल देश में रोजगार करने के दो ढंग हैं। एक तो वह ढंग है जिसमें शंकर कॅपिटल से कम्पनी बनती है। इस ढंग में मान्यता पैसे को दी जाती है। दूसरा ढंग कोआपरेटिव तरीके से काम करने का है। इसमें पैसे को इतनी मान्यता नहीं होती। मैं समझता हूँ कि जो लोग कोआपरेटिव ढंग से काम करना चाहते हैं उनका रास्ता आप इस बिल को पास करके बन्द कर देंगे। आपने इस बिल में इस ढंग के क्लाज रखे हैं कि उनके पास हो जाने के बाद कोआपरेटिव ढंग से काम करने के लिए जगह ही नहीं रहेगी। मैं समझता हूँ कि जब तक इस देश में कोआपरेटिव ढंग मजबूत नहीं होगा इस देश की तरक्की नहीं हो सकती। अगर आप तिजारत में भी कोआपरेटिव ढंग को लाना चाहते हैं तो उसमें ऐसे लोगों को सहूलियत होनी चाहिए जो कि मिल कर कोई धन्या करना चाहते हैं। उनको कोआपरेटिव बीसिस पर अपना काम चलाने की सहूलियत होनी चाहिए। लेकिन आप जानते हैं कि कोआपरेटिव मूवमेंट सूबा सरकारों के नीचे है। हर एक सूबे के अलहदा अलहदा कानून हैं। पंजाब का जो कानून है वह ५० पी० का कानून नहीं है और जो ५० पी० का कानून है वह पेप्सू का कानून नहीं है। इस में जो कोआपरेटिव लिमिटेड कंसर्न्स हैं, जो बन चुकी हैं या जो इस बिल के लागू हो जाने के बाद बनेंगी, उनके लिए कोई जगह नहीं है कि वह इस ढंग से सोच कर भी अपने आप को तिजारत में कायम रख सकें क्योंकि आपने वोटिंग स्ट्रेंथ में ऐसा ढंग रक्खा है कि वहां पर कॅपिटल का नुकतेनबर नजर नहीं आता। वहां तो हर एक आदमी का वोट होता है चाहे उसके पास १, १ लाख का शंकर हो या उसके पास ५०० का शंकर हो, दोनों हालतों में उसका वोट एक ही होगा और अगर वह कोआपरेटिव लिमिटेड कंसर्न्स हूँ तो आपके

इस एक्ट के लागू हो जाने के बाद मैं यह समझता हूँ कि या तो उनको अपनी कंसर्न को बंद करना पड़ेगा या उनको अपन आप में तबदीली करनी पड़ेगी। अगर आप उनको तबदीली कराते हैं तो मैं यह समझता हूँ कि आप एक ऐसे बीच के रास्ते से होकर चल रहे हैं और जिस रास्ते पर चल कर आप समझते हैं कि तिजारत के मियार को ऊंचा किया जा सकता है। एसी तिजारत में कि जहाँ पर पैसे की महानता हो आप एसा ढंग अस्तियार करके इस कोआपरेटिव मूवमेंट के लिए आप आयन्दा के लिए दर्जा का बंद कर रहे हैं। मैं आशा करता हूँ कि इस बिल में इसका माकूल प्राविजन रहना चाहिए कि कोआपरेटिव मूवमेंट पर चलते हुए जो लिमिटेड कंसर्न बनाना चाहें और इस तरह तिजारत में रहना चाहें, उनके लिए कोई न कोई जगह होनी चाहिए।

इसके साथ ही साथ बहुत सी बातें कही गयीं हैं। आपने इसमें यह बात रक्खी है कि अगर कोई कम्पनी प्राफिट के साथ न चल रही हो, अगर किसी कम्पनी के शेयर होल्डर्स यह समझे कि हमें इस तिजारत में नफा नहीं है, कुछ हालात उस तरह के हों, तो वे उस हालत में उस कम्पनी को बंद कर सकते हैं। कम्पनी का जो सरमाया होगा उसको वह कुछ टैक्स वगैरह देने के बाद तकसीम कर सकते हैं, लेकिन मैं यह समझता हूँ कि यह आखिरी रास्ता है और आप यह ख्याल न करें कि इस दश में बड़ी बड़ी कम्पनियां बंद होंगी और उनके जो बड़े सरमायें होंगे उनको तकसीम किया जा सकेगा। यहाँ पर छोटी कम्पनियों भी हैं जो आय दिन बंद होती रहती हैं। अगर आप गवर्नमेंट आफ इण्डिया का गजट पढ़ें तो आप हर हफ्ते बहुत सी ऐसी कम्पनियों के नोटिस निकलते देखेंगे कि जो बंद होती हैं। बंद होने के अलावा ऐसे हालात भी हो सकते हैं कि वह कम्पनियां तकसीम कर दी जायें तो सरमाया उन्हीं शेयर होल्डर्स में तकसीम हो जायगा। एसा मुमकिन हो सकता है कि गवर्नमेंट का इन्स्पेक्टर इस बात को यह समझे कि वाकई इस कम्पनी के शेयर होल्डर्स युनैनीमसली मुत्तफिका तौर पर यह समझते हैं कि हमारा इस ढंग से काम नहीं चल सकता और हमको अगर

तकसीम कर दिया जाय तो वह काम अच्छी तरह से चल सकेगा, एसी हालत में उनको दो तीन कम्पनियों में तकसीम किया जा सकता है। उस हालत में वह जो सरमाया होगा वह हर एक शेयर होल्डर को तकसीम करने के बाद जो कॉम की बेहतरी के लिए लगा हुआ है, दुबारा उन्हीं लोगों की जेबों में हाल दिया जायगा। गवर्नमेंट का इन्स्पेक्टर या अदालत अगर इस बात पर मुत्तफिक हों कि वाकई इस कम्पनी के तकसीम करने से और एक ढांचे के बजाय दो तीन ढांचे कर देने से शेयर होल्डर्स की बेहतरी हो सकती है और उनके सरमायें की बेहतरी हो सकती है, तो एसा किया जा सके और मैं चाहता हूँ कि इस बिल में कोई इस तरह का क्लोज़ेज में प्राविजन होना चाहिए ताकि उन खास हालात में गवर्नमेंट एसा कर सके। मैं समझता हूँ कि सिर्फ एक सरमाया ही नहीं, रुपये पैसे ही नहीं बल्कि उनके पास कुछ एसा सरमाया भी हो सकता है जो कि तकसीम भी न किया जा सके और जो शायद बेचा भी नहीं जा सके, इसलिए इस कानून में इस बात की गुंजायश जरूर रहनी चाहिए कि जो छोटी छोटी कम्पनियां हैं अगर उनमें ऐसे हालात हों और अगर गवर्नमेंट इन्स्पेक्टर और कोर्ट दोनों इस को जरूरी समझें कि वाकई उस कम्पनी को तकसीम करने से ही शेयर होल्डर्स की बेहतरी हो सकती है, तो वह यह तबदीली कर सके। इस कानून में इस तरह का कोई क्लोज़ेज का प्राविजन अवश्य होना चाहिए ताकि वक्त जरूरत उसका इस्तेमाल किया जा सके। अगर कोई कोर्ट यह फँसला दे कि इस सरमायें को तकसीम करने से या दो, तीन कम्पनियों बना देने से शेयर होल्डर्स का फायदा होने के साथ साथ सरकार का भी फायदा होगा तो वह तबदीली सरकार कर सके। जब जो उस कम्पनी पर आपका इन्कमटैक्स वगैरह होगा वह उन दो या तीन कम्पनियों से वसूल किया जा सकता है। जब वह कम्पनी तकसीम हो तो उस वक्त कोर्ट या गवर्नमेंट यह फँसला दे सकती है कि बिजतनी भी लाएब्लेंटीज पीछे की होगी वह तमाम की तमाम अलहदा अलहदा उन नई बनने वाली कम्पनियों के नाम तकसीम

हाथों में रहनी चाहिये। आप यह दृष्टि लें कि एंक्वैजिशन इन्क्वायरी कमेटी की रिपोर्ट के भूताधिक अगर २० करोड़ रुपया सन् १९५१ में शेअरहोल्डर्स में तकसीम किया जाता है तो १० करोड़ रुपया कम्पनियों के मैनीजिंग एजेंट्स ले जाते हैं। अगर आप यह समझते हैं कि इस तरह से १० करोड़ रुपया ले जाने वाले लोग दंश की ज्यादा सेवा कर सकते हैं, तो मंरा स्थाल है कि इस तरह से आप दंश की तिजारत को जल्दी आगे नहीं ले जाना चाहते। इस लिये अगर दंश का इन्डीस्ट्रियाइजेशन होता है और उस इन्डीस्ट्रियाइजेशन में ज्यादा से ज्यादा आदमी शामिल नहीं होते तो हम अपने मकसद को हासिल नहीं कर सकते। मैं उन चीजों को दोशारा नहीं दोहराना चाहता जो कि इस चीज के हक में या खिलाफ कही गईं, लेकिन यह कहे बगैरे नहीं रह सकता कि जब तक आप का यह नुक्ता नजर रहेगा और आप यह समझते रहेंगे कि सन् १९६० तक और उस के बाद यह मैनीजिंग एजेंट्स हमारी तिजारत की ज्यादा से ज्यादा तरक्की कर सकेंगे, तब तक हम बहुत आगे नहीं बढ़ सकेंगे और आप का यह नुक्ता नजर मंर स्थाल से गलत है कि जिन कम्पनियों में मैनीजिंग एजेंट्स का ज्यादा हिस्सा है वह सनतें तरक्की कर सकेंगी। आप ने यह दंसा होगा कि जिन सनतों में मैनीजिंग एजेंट्स थे वह इतनी तरक्की नहीं कर सकीं जितनी तरक्की उन सनतों ने की जिन में कि मैनीजिंग एजेंट्स नहीं थे। इस लिये मैं समझता हूँ कि जब तक आप इस चीज को खत्म नहीं करेंगे तब तक आप को बहुत कामयाबी नहीं मिलेगी। आप ने इस बिल में इस को कुछ कम करने की कोशिश की है, लेकिन मैं आशा करता हूँ कि आप इस को जितनी जल्दी खत्म करने की कोशिश करेंगे उतनी ही इस दंश की सनतों की तरक्की होगी। और दंश भी है जिन में कि मैनीजिंग एजेंट्स नहीं थे। अमरीका में नहीं थे, बाकी जगहों में भी नहीं थे और उन दंशों की सनतों में काफी तरक्की हुई है। इस लिये मैं खास तौर से हिन्दुस्तान ऐसे पिछड़े हुए मुल्क के वास्ते कहना चाहता हूँ कि जब तक

तिजारतों में ज्यादा से ज्यादा आदमी शामिल नहीं होंगे तब तक हम ज्यादा आगे नहीं जा सकते।

इस के बाद मैं कुछ गवर्नमेंट कम्पनियों की बात भी कहना चाहता हूँ। आप ने इस बिल में बहुत सी पाबन्धियां दूसरी कम्पनियों पर लगाई हैं, लेकिन गवर्नमेंट कम्पनियों को उन से मुबर्रा किया है। लेकिन मैं समझता हूँ कि अगर उन में भी कम्पटीशन चलाना है, अगर तिजारत का दौर इस ढंग से चलाना है कि सरकारी कम्पनियों भी बेहतर और सस्ता सामान पैदा कर सकें तो उन पर कम्पनी ला के कानूनों की पाबन्दी लगानी होगी ताकि वह मुकाबले में आ कर अच्छा और सस्ता सामान पैदा कर सकें। इस लिये मंरा यह नुक्ता नजर है कि गवर्नमेंट कम्पनीज पर भी वह तमाम क्लोज़ेड लागू होने चाहिये, जो कि आप प्राइवेट कम्पनियों पर लागू करना चाहते हैं। अगर तमाम नहीं तो ज्यादा से ज्यादा लागू करना चाहिये ताकि उन का जो हिस्सा किताब हो वह ज्यादा से ज्यादा लोगों के सामने आये और जो उन कम्पनियों को चलाने वाले हैं वह भी समझ सकें कि जब वह उन कम्पनियों पर बँटें हुए हैं तो वह उन के कस्टोडियन हैं और उन को दंश के सरमाये का हिस्सा हर एक आदमी को देना होगा। अगर उन में शेअरहोल्डर्स हैं तो उन को देना पड़ेगा और अगर शेअरहोल्डर्स नहीं हैं तो इस संसद के जरिये से दंश को देना होगा।

इस के बाद मैं यह कहना चाहता हूँ कि आप ने जो कम्पनी ला बनाया है उस की सफलता इस बात पर मुहत्सर है कि वह ठीक ढंग है एंटीमोनस्टर हो। मैं जानता हूँ और आप ने भी दंसा होगा कि पिछले दिनों में, मैं बड़ी कम्पनियों की बात तो नहीं करता, लेकिन छोटी कम्पनियों में किस तरह से इस कम्पनी ला का एंटीमोनस्ट्रेशन हुआ है। अगर उसी तरह से वह चलता रहा तो मैं समझता हूँ कि कभी भी कम्पनी ला से इस दंश की सनतें तरक्की में मदद नहीं मिल सकती। तमाम चीज इस बात पर निर्भर करती हैं कि जो कम्पनी ला

[सरदार इकबाल रिसह]

को चलाने वाले हों वह अच्छे आदमी हों। अगर वह ऐसे आदमी हों जिन का किसी के साथ लगाव नहीं है, जिन के दिल में किसी के लिये हमदर्दी नहीं है, बल्कि इन्साफ पर चल कर वह फसले करते हैं, तो इस दश की सनत आगे जायेगी। पहले क्या होता था कि किसी क्लर्क को पैसा दिया और लिखवा लिया कि यह मामला स्पेशल है और यह कम्पनी ला के डंग से न हो कर इस डंग से होगा। मैं समझता हूँ कि आप ने बड़ी तफसील के साथ सब बातों को इस बिल के अन्दर लिखा है, लेकिन फिर भी पिछली बातें होती रहेंगी अगर कम्पनी ला को चलाने वाले इस डंग से फसले न करेंगे जिस में कि इन्साफ की व आती हो। अगर इन्साफ से काम करेंगे तो बहुत ज्यादा सनती तरक्की हम कर सकेंगे। अगर इस डंग से काम चला कि जिस में लोगों के साथ पारिश्रमिता की जाय, सरकारी कम्पनियों का इन्तजाम इस नुकता नजर से किया जाय कि फलां आदमी की मदद करनी है, तो न तो कमी भी आप कम्पनी ला को एंजीमनिस्टर कर सकेंगे और न कमी आप कम्पनी ला के एंजीमनिस्ट्रेशन में और इस दश की तितजारत में लोगों का एतमाद पैदा कर सकेंगे जिस में कि ज्यादा से ज्यादा सरमाया लोगों का लगा हुआ है।

[MR. DEPUTY-SPEAKER in the Chair]

मैं समझता हूँ कि बिल का बहुत अच्छा असर होने वाला है लेकिन साथ साथ मैं फाइनेंस मिनिस्टर साहब से भी यह आशा करूंगा कि सेन्टर में तो आप बैठें होंगे, वहां पर कम्पनी ला के एंजीमनिस्ट्रेशन में कोई गड़बड़ी नहीं होगी। लेकिन अगर आप वाकई सबों में अलग अलग ब्रान्चेज खोलने वाले हैं तो आप को यह देखना होगा कि जिन को छोटी छोटी कम्पनियों से ढील करना है, उन में ईमानदार आदमी रखें जायें जो बुनियादी तरक्की है वह मैं समझता हूँ कि ज्यादातर छोटी छोटी कम्पनियों के ही बरिये होने वाली हैं, अलावा ५, ७ कम्पनियों के जो हमारे सरमाय से चलेंगी, सारा काम अलग अलग सबों में प्राइवेट कम्पनियां ही करेंगी।

अगर हम वहां पर आनेस्ट और ईमानदार अफसर नहीं रखेंगे तो हमारी सनती तरक्की नहीं हो सकेगी और उन का कोई फसला ऐसा नहीं होगा जिस से यह मालूम हो कि उन्होंने किसी के साथ हमदर्दी या रियायत नहीं की है।

Mr. Deputy-Speaker: I shall now call upon Shri Vallatharas to speak. He has given a motion for re-committal and it has been voted out. All the same, I shall give him an opportunity to speak. I shall give all the rest, who have not spoken on the Bill, an opportunity to speak in the clause-by-clause stage.

Shri Bhagwat Jha Azad (Purnea cum Santhal Parganas): I want an opportunity to speak.

Mr. Deputy-Speaker: I shall certainly give him an opportunity.

Shri Mulchand Dube (Farrukhabad District—North): What about my name?

Mr. Deputy-Speaker: All others who have not spoken will be given an opportunity to speak when we come to the clauses. We will shortly close for today. I request the Hon. Minister to start his reply tomorrow.

Shri U. M. Trivedi (Chittoor): Are we not rising now?

Mr. Deputy-Speaker: We rise at 5-30 today. The Hon. Members will kindly be in their seats to give quorum to the House.

Shri Vallatharas (Pudukkottai): The entire ambition in the course of this legislation is to safeguard the money invested in the private enterprise and the welfare of the investors. The investors are practically the shareholders. As we know very clearly, this joint stock company system, ever since its inception, has got its inherent structure. I would call it as a three-tier structure. One is the managing agency system; the second is the directors; and the third is the shareholders. On this basis, over a century, this joint stock enterprise

alias private enterprise has been going on. On several occasions it has been pointed out that the shareholders have been the victims of both the managing agents and the directors all through these years. So, the fundamental and final conception is that the Bill will have served its purpose if the interests of the shareholders are preserved. But in view of the fact that the managing agency system is more or less a cancer in the body, the institution under this legislation is not capable of achieving its objects and aims. Differences of opinion on either side are very strong, and, as a matter of fact the Joint Committee devoted four days on the subject of managing agency, considering whether to retain it or abolish it; and it has loomed large in the discussion of the various parties that constitute the membership of this House. In principle, it is accepted that the managing agency system should go, but when some experts say that it may be continued for some time and given a trial, it is sought to be continued. In any event I join the ranks of those who before me have been ringing the death-knell of this managing agency system. It must go. I have no compromise with any other situation. But I shall confine for the present to the topic of shareholders.

The interest of the shareholders has received lukewarm attention on the part of the Government. They say that it must be safeguarded and to that extent so many restrictions should be placed over the management, whether it be managing agents or directors or whoever comes in the way of managing the company. Characteristically described by the Finance Minister, hedges are being put up around these investors and fetters are not put upon these private enterprises. What I should like to say is that there are so many attempts to protect the shareholders. In a sense, hedges are being put up around them. But do the hedges stop the leopards and the tigers that have been devastating for the last one hundred years the entire industrial field and

Without removing these wild creatures outside, what is the use of putting the hedges? Anyhow, things have come to a stage in the Bill and I will say something on behalf of these shareholders which may deserve the consideration of this House. Shareholders are even now....

Mr. Deputy-Speaker: There is a movement outside to preserve these animals for games.

Shri Vallatharas: Of course. Games preservation is also preservation of the national wealth of this country. So far as the shareholders are concerned, in the evidence taken before the Joint Committee, the representatives of the Bombay Shareholders' Association described the shareholders as a flock of sheep and so the managing agency system must exist. This is the exact sentence. This is his reason for not ending the Managing Agency system. Ever since 1936 onwards the Bombay Shareholders' Association had been agitating for the abolition of this managing agency system, and I cannot understand the rationale of the present representative of 1955 to say that this system may not be abruptly terminated and it may be given a further trial. Apart from that the shareholders still remain a flock of sheep in the strictest sense possible. I can point out several characteristic features about this. In spite of the efforts in the Bill to give them a chance for taking up the responsibility of the management of the company, certainly these provisions cannot go to a very great extent. I will state some of their drawbacks. The shareholder does not ordinarily take interest in the actual working of his company; his interest stops with the obtaining of the dividends; the shareholders are scattered over a very large area and it is hardly possible for them to combine and act against the management; the stationary rights of the shareholders in the affairs of the company are nullified by the fact that there is an intimidating financial barrier in the way of implementing their policy of direct section against

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the management; few shareholders have both the means and the tenacity to surmount it; and the shareholder is powerless against the directors.

In England, the majority of directors are neither supermen nor rogues, but well-meaning individuals. I need not describe what the managing agents here are. I am reminded of a criticism of Fielding about the modern prose-writers. He said that their heroes are rogues and their heroines are abandoned jades. So is the case with managing agents. In that way, the word 'rogue' has a great significance. I said, in England the majority of directors are neither supermen nor rogues, but well-meaning individuals. This is contained in the report of the Green Committee on the English Act of 1929 or so. Considering the Indian situation in 1936, so far as I can read the literature, criticisms, representations and memoranda that were submitted to the committee on the amending Bill of 1936, the managing agency system had not been referred to in kind words except the few who were interested persons, either as the managing agents or as those interested in the managing agents. They wanted to say that they were honest, very efficient and so on. Anyway, I am not at all happy with the constituent elements of that managing agency system which have been responsible for so many ills in this country. One critic observed that the shareholders, with their experience of the last 100 years, and under the present set-up of the managing agency system, viewed the Managing Agents as parasites.

Now, Sir, in order to give greater responsibility and incentive to the shareholders to have direct control of the companies, a suggestion may be made. I am not saying it on my own account, but I base it on an idea of the existing state of things in Holland. Holland, of course, is a country which is humming with industrial life. There the shareholders appoint a small body consisting of a few among them. That

body is known as *commissarissen*. The function of this body is to supervise the activities of the management. Members are drawn mainly from the shareholders and the body has got the power to veto any act of the *Directeuren*. Therefore, there is an interim body: a small group of representatives that are elected or selected to represent the shareholders. These representatives have got the power of vetoing the management's acts. When vetoing is exercised, it is brought to the notice of the General Body which decides whether the vetoing was exercised properly or not. Under these circumstances, the shareholders are enabled to have a body which is vigilant in watching the activities of the management, in consulting the shareholders in some form or procedure then and there, in taking their instructions, and in acting in the interests of the shareholders. I submit whether such a system can be introduced here. Of course there are major shareholders' associations in Bombay and Bengal representing a number of companies; but in each company, the shareholders may have a representative group to represent them. Also, we should consider whether under the existing circumstances we may be able to give the power of veto to this small group. This of course will be a controversial question. But on the other hand there is no difficulty in statutorily providing for the existence of an interim group consisting of shareholders to directly watch over the management's activities. In that case there is a greater possibility of the vicious activities of the management being brought to the notice of the Government. Because in this Bill the Government is taking more or less a very great responsibility for looking after the activities of the management of the companies. My suggestion may be considered.

I will only deal with one aspect of the managing agency system, because almost all the points have been touched. Ever since 1867 up to this stage,

we should be cognizant of the three stages in the growth of this private enterprise. First stage: when English directors were unable to be present in India to conduct the affairs of their companies, managing agents were appointed by them. In the earlier stages directors were appointed; and later the managing agents themselves were at liberty to employ their own finances and also to promote or introduce other industries, according to their wishes. Thus, they got domination over the financial situation as well as the domination over management. But as years went on, their abuses became very great in 1913 there was a very great move against the managing agents. I mentioned the year 1867 because that was the time when the first Act was passed in order to limit the shareholders' liabilities to the shares subscribed by them. Afterwards so many amendments came, but the only legislation worth mentioning was in 1913. Even in 1913, the fundamental defect of the managing agency system was not at all pointed out by the legislators. Therefore, without any restraint of law and without any other check, the managing agency system was going on. Second stage: in the year 1936 we come to another important stage in the history of this law. In 1936, the representatives of the various interested bodies submitted their memoranda and we have a voluminous literature. On that basis, the Government recognised the existence of this managing agency system and began to put some sort of restrictions over the managing agents.

The next Act after 1936 is the Act of 1951. The Act of 1936 failed totally in achieving the objective of the Government. All the things that the Government wanted to rectify, the managing agents were able to circumvent and they were able to conduct their business in a more aggravated manner. Third stage: in 1951, a new section was added in respect of the managing agents and after 4 or 5 years, we are in the present situation. The recognition of this institution in the eyes of law came about in 1936.

After all, we ask what it has achieved? Even in 1936, the Bombay Shareholders Association, the Bengal Shareholders Association and so many other institutions demanded the total abolition of this institution. I need not go into all those details. Somehow or other, favour was enlisted on behalf of the continuance of the managing agency system. Dangerous criticisms were made against the managing agency system; but the managing agency system has not at all improved. On the other hand, they have abused their powers in still a worse manner.

One important factor that I should like to tell the House is that the managing agency system has outlived its purpose and utility. It is not at all necessary. Finances are available; entrepreneurs are available; men with technical skill and interested in the promoting of business in modern ways are available. The managing agency as a system is not necessary now.

The managing agents have promoted certain industries, no doubt. That is admitted. But, on the other hand, the mischief which this system has been able to do has been of a greater magnitude. I shall give you certain statistics which I came across. It is not of recent date. During the period of 15 years from 1923 to 1936, every year, some new companies were registered. Their average is from 400 to 850. In the year 1935, the number of new companies registered was about 1,055, and in 1922, it was about 400. Thus, we see that not less than 400 companies were registered every year on an average. The casualties during this 15 year period are worth noting. In 1935, the number of companies that failed rose to 885. Every year, on an average, the number of failures has been of the order of 400 to 855. So many companies were spoiled. I can say many things aside. Many memoranda were submitted; there were many approaches to this question, the quintessence of all of which was inefficiency, incompetence, malpractices, fraud, dishonesty, selfish-

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ness, circumventing of the law by the managing agents. There has been a habitual formation of a character in the managing agents during all these 100 years, a character that has been responsible for the failure of these companies by the promoters, managing agents or whatever they may be.

After 1936, we have ourselves seen the things. The situation has not improved. We know Wolsey said, "Had I but served God with half the zeal as I served my king" the matter would have been different. Had the managing agents thought about the interests of the country with half the zeal with which they selfishly wanted to gain profits, certainly, these companies 400 to 855 would not have failed. There would have been an increase in the number of companies and the mechanical devices, modern marketing; and all these things would have been there. The present situation would have been happier and more enthusiastic. Growth of enterprise has been benumbed, chilled, and crippled by the abuses of the managing agency system all these years.

On that basis, you are not going to improve or redeem a confirmed criminal by probation. Here is a man who has committed 10 murders, 15 dacoities and who has gone to jail 1,000 times and violated the law. In the fag end of his life, you want to improve him and say, you will be on probation for 3 months or 3 years, get yourself purified. I think it is impossible. This is a half-hearted measure, a jolting measure. Once the principle is accepted, the abuses that have been practised so long have been admitted, victimisation of the shareholders and abuse of the shareholders' money during all these 100 years is on record, where is the hesitation in ending this system at once? What will happen if the system ends? I read the entire evidence. Shri Magan Lal, representative of the Bombay Shareholders Association, said that to end the system all of a sudden may not be in the interests of the country.

What are those interests of the country? The Hon. Finance Minister said that in the interests of the country, it should not be ended. The wish is there. Opinions differ. We respect the opinions of others. What is the interest of the country that is going to be lost by the abolition of the managing agency system? People speak that under the Bill honest men are not enabled to participate. Who are those honest men? Where is the list of honest men in the managing agency? From 1866 up till now, they could have given a list of honest men and dishonest men and shown that the percentage of honest men is at least one per cent. more, that is 51 per cent. It is but a sentimental clinging to certain corrupt institutions for which, by tradition, some have been cultivating a certain prepossession. There is nothing but that. In this view, I submit that the Government's decision in this matter is halting halfhearted.

I have read clauses 323 to 329. It is a veiled matter. It is better that we come out openly and say either we retain it or we do not retain it. If we read clause 323, it says that by 15th August 1960, in certain classes of industries the managing agency will be terminated. If you go to the other clauses, it is said that even though terminated, the managing agency can be permitted in the institutions in which it has been prohibited, by the Government. The meanings are very subtle. On an analysis of clause 323, if the Government could give a list of industries in which the appointment of managing agency is prohibited, and those in which power may be given to appoint managing agents, it will be better. I must tell one important matter. In all these things, Government will have to state at least for the information of the House in what classes of industries they think it is proper and desirable to prohibit the managing agencies. The cotton textile industry, coal industry, jute industry and the tea industry, are industries in which all these 100 years exploitation and pil-

fering has been going on. In these four industries, managing agency must be put an end to. At least in the textile industry some reform must be effected. Shri Maganlal said in his evidence that about Rs. 80 crores have been taken away by more than 40 managing agencies. If Rs. 80 crores had been abused, there is no justification for retaining the managing agency system. Much has already been said on this matter. I do not want to multiply the number of cases.

There is a view that this Bill is based on the English law. Even in 1913, it was based on the English law of 1908. When England wanted to revise and overhaul the provisions according to their changed conditions and their future requirements, it enacted a law in 1929, totally repealing the Act of 1908. We slept from 1913 to 1936 without attempting any reform in the company law. In 1936, we simply copied the provisions of the English law. What is this Bill? Without any disparagement to anybody who participated in the making of it, 99 per cent. of the entire Bill is only on the basis of the English law. In England, honest men, no supermen, no rogues, took part in the company work and provided for the growth of industry in the light of world expansion and in the interests of the welfare of their society. We have been imitating others and even in 1955, it is deplorable to see that we have imitated to a certain extent the law in England, without regard to our essential requirements.

One factor I would offer as a challenge. The Hon. Finance Minister had said that the structure of the Company Law is maintained, and that the role of private enterprise is maintained in spite of all that has occurred so far, we have succeeded in keeping the structure intact and succeeded in keeping the role of private enterprise intact. The 1867 structure and the role of private enterprise have been kept intact with some modifications and amendments. Is it a glory, I ask, for any legislative body to say that an antiquated structure of 1867

is preserved in 1955 intact with some pruning and cropping of certain superfluous matters? I do not see anything happen in that. If you are to introduce the reform, we have to see what we have done. In the year 1948, this institution of joint enterprise was recognised in the Industrial policy resolution. In 1950, the Planning Commission in its draft report had stated that the joint enterprise, if at all it must survive, it must justify itself by evolving a new role, and by evolving a new code of business. These are the two important factors, because these are the fundamental things on which our prosperity in the present and in the future is to be built. So, we place our faith in the industrial policy and the Planning Commission. Because the Planning Commission did not believe that the existing managing agency system or private enterprise was on a propitious or a better footing, they wanted their role to be renewed, the discipline to be renewed. And what is the discipline and role renewed under the Bill? I do not know! There is nothing. Simply the Bill has put hedges around shareholders and then has let loose the managing agents and their partners to roam about. So, the Planning Commission's requirements are not at all met with in this Bill. On the other hand, a more refractory and more reactionary measure has been brought in, in which the old antiquated structure and mechanism are still allowed to exist. Under the circumstances, private enterprise cannot go on. The Finance Minister was pleased to say, the private enterprise is limited in more than one sense. First, it is limited only to the sphere where the public sector does not come in. This is one limitation. Secondly, the managing agency system as it is, is baneful. We will give it a trial and if it does not succeed, it will be abolished. Therein lies the halting nature, therein lies the half-hearted nature of the measure. My suggestion is that, whether the present structure remains or is altered, the shareholders should have a small representative body of their own on a statutory basis just to watch vigilantly the

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activities of the management and submit it to Government, because Government has assumed control and responsibility for everything. Under the circumstances, I submit that the shareholders' position may be emboldened.

Another point is that the managing agent is given the power, to nominate not more than two directors. As it is, the structure of the share capital is not merely the conception of ordinary shares and preference shares. The structure of the capital is the mutually conflicting capital of the managing agent which gives him a place and the capital of the independent shareholders who are exploited by him. How are we going to dilute the managing agent's capital in it or convert it in such a way that it will also assume the role of independent share capital to be ranked along with the others? In the new system of capital structure there is a thorough revision and the managing agent is now an employee. He is paid, his terms are prescribed. He can be nominated or dismissed. Once he becomes an employee, why should he be given the power of nominating directors himself? What is the underlying purpose? In some companies his shareholding is very small; in some others it is larger, say 51 per cent.; but what is the criterion on which he is given this power. This power of nomination has been in existence since 1867 and deliberately designed for the fundamental crippling of the rights of the shareholders. The Government wants to have some supervisory power. On this I congratulate them and agree to the fullest extent. Except for this, the rest should be left to the shareholders themselves. The management inside belongs to the shareholders and there must be no fetter on them from within or without. The managing agent, must be on a par with other shareholders to the extent of his shares. To the extent it is guarded by the State or legislation I do not object to any representation which the Government wants. Even if the Government takes it entirely, I do not object.

It would only amount to nationalisation.

What is the reaction to this Bill on the part of the so-called capitalists and industrialists in this country who are managing agents *prima facie*. Government spokesmen in many of their speeches have said that the private sector must rise to the occasion and work out the second Five Year Plan. I do not want to give names, because the names are very big.

Shri V. P. Nayar (Chirayinkil): No, no.

Shri Kamath: Just one or two names.

Mr. Deputy-Speaker: Names need not be referred to.

Shri V. P. Nayar: Names of firms can be referred to.

Shri Vallatharas: Even after condemnation for several years by large section of the society they survive. That is their strength. The tradition is that if several lakhs of people or numerous people cry down a man, he will die or suffer. Here, these people are immune.

Mr. Deputy-Speaker: All that I wanted to say was that individual names need not be brought in here.

Shri Vallatharas: I have not said anything about individuals or companies.

Mr. Deputy-Speaker: Managing agencies can be referred to.

Shri Vallatharas: These people have presided over conferences of Chambers of Commerce or other meetings and have made declarations publicly. There is no secrecy about it. You would have read the reports. They have given a warning to the business community. They have said: "We do not want any guarantee from the Government. This Government may say so today, but another Government may say differently tomorrow. We should be on our guard and adjust ourselves to the changed con-

ditions. In this country every one wants to enjoy as a capitalist. All of us must become capitalists". How that is possible I do not know, but that has appeared in the papers. This array of disciplined army of vested interests will always circumvent the Law. They will come and cajole the Government. In their presence, it is very difficult to extricate ourselves, and in order to extricate ourselves, the farther away we are from them the better. Whether it is possible or not is a different question. Our past has a capitalist tradition. Therefore, we must transform ourselves to the level of a mass man and see whether the directive policies of the Constitution are followed or not. It is only in this way I submit that the capitalists, industrialists and vested interests who have openly expressed their ideas and given a warning to the business community...

Shri V. P. Nayar: May I rise on a point of order in regard to procedure? You may remember that the Hon. Member, Shri Vallatharas, had given notice of a motion for circulation and you were good enough to call upon him to give his explanation why that motion was necessary. I consider that this is a case in which the Hon. Member has taken the opportunity to speak on it at this stage of the Bill. I would seek your guidance and ruling whether permitting him just now would amount to a precedent in this House. I am strengthened in this because the other day you yourself gave a ruling and expunged the speech which was inadvertently made by Shri Barman. It is confusing from the point of view of procedure.

Mr. Deputy-Speaker: Why confusing? Even if it is not confusing, I must set it right.

Regarding the point of order, I definitely asked the Hon. Member who tabled that motion to confine his remarks only to satisfying the House as to why there should be circulation or re-committal. On that small issue alone he was given an opportunity to speak. That was put to the House immediately and thrown out. Therefore, this is not a second time. He

had no opportunity to speak on this Bill.

Regarding Shri Barman, he had spoken on the Bill and himself was not aware that he had spoken at an earlier stage. Therefore, as soon as it was brought to my notice. I drew his attention to it. He was sorry that he had spoken inadvertently. Therefore I said there cannot be two speeches on the same Bill.

Then, the Hon. Member is a little too late. He must have raised it a little earlier.

Shri V. P. Nayar: A point of order can be raised at any stage.

Mr. Deputy-Speaker: Very good. But it can also be over-ruled. I over-ruled it.

Shri V. P. Nayar: My difficulty is...

Mr. Deputy-Speaker: There is no difficulty. I have given my ruling. How can I go on explaining.

Shri V. P. Nayar: Nor do I question your ruling. I only want a clarification.

Mr. Deputy-Speaker: No question of clarification. I have given my ruling. I have spoken in English, not in any other foreign language.

Shri Vallatharas must conclude.

Shri Vallatharas: We cannot place too much reliance upon these vested interests for the execution of our Plans. They had spoken out their mind openly that if the present Government is not able to solve the problem of unemployment and poverty, it must end. Suppose the Government is not able, who is able in this country I ask. There are two ideologies one against the other, but otherwise there is practically no difference, despite the existence of rival political parties. Who else is going to see that these questions of unemployment and poverty are solved? Is it the capitalist? I have read a lot of literature about it. They think they are thought of by the Government as the chief instrument which will solve these problems of unemployment and poverty

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by working for the success of the Second Five Year Plan. Let them work, for they must work; or else they cannot have a place in this country. That is quite definite. I would like to suggest to Government that their dependence on these industrialists and vested interests, which as I see from day to day, is growing; it should become lesser and lesser day by day, so that they may also know that Government as a representative institution of this country does not place any reliance at all on them. So, the question whether unemployment or poverty is solved or not is a different question altogether; the main question is that a democratic form of Government must certainly get through in spite of all the ills that are bound to exist. And if they do not help us to remove these evils, certainly they cannot have a place in the country, and it is no use simply saying that Government may not have a place in the country.

Under these circumstances I submit that very great implications are underlying this Bill: social changes, political changes, our futurity, our present, our welfare, etc. So, a careful solution is necessary for this problem. But for the endeavour of the Hon. Finance Minister on the other day, the Congress Parliamentary Party would have been able to say that the managing agency should be abolished. I would appear to Govern-

ment to revise their policy, and see what best can be done.

Shri C. D. Deshmukh: After these 25 hours of debate, I feel more than ever convinced that by and large the scheme put forward by the Joint Committee is the best in the circumstances.

Mr. Deputy-Speaker: The Hon. Minister may continue his speech tomorrow.

MESSAGE FROM RAJYA SABHA

Secretary: Sir, I have to report the following message received from the Secretary of Rajya Sabha:

"In accordance with the provisions of sub-rule (6) of rule 162 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to return herewith the Indian Tariff (Amendment) Bill, 1955, which was passed by the Lok Sabha at its sitting held on the 26th July, 1955 and transmitted to the Rajya Sabha for its recommendations and to state that this House has no recommendations to make to the Lok Sabha in regard to the said Bill."

The Lok Sabha then adjourned till Eleven of the Clock on Friday the 19th August 1955.