

incorporation and regulation of corporations for the purpose of development and warehousing of agricultural produce on co-operative principles and for matters connected therewith."

The motion was adopted.

Shri A. P. Jain: I introduce the Bill *.

Shri U. M. Trivedi (Chittor): I wish to raise one point here. Last time also it was brought to your notice that the Bills to be introduced may be made available to Members before introduction. This procedure has not been followed in this case.

Mr. Deputy-Speaker: They are available at the Publications Counter. Whenever hon. Members receive notice of introduction of Bills, they will kindly take copies which are available either in the Lobby or at the Public Counter. They are always made available before the Bills are introduced.

CAPITAL ISSUES (CONTINUANCE
OF CONTROL) AMENDMENT
BILL—concl'd.

Mr. Deputy-Speaker: The House will now proceed with further consideration of the following motion moved by Shri C. D. Deshmukh on the 24th February, 1956, namely:

"That the Bill further to amend the Capital Issues (Continuance of Control) Act, 1947, be taken into consideration."

Out of four hours allotted for this Bill, 55 minutes have already been availed of and therefore it leaves 3 hours and 55 minutes for the Bill.

Shri Bansal will continue his speech.

Shri Bansal (Jhajjar-Rewari): I was speaking on the question of the scope of the Capital Issues (Continuance of Control) Act, and I was trying to suggest that the scope of the Act is really not so wide as my hon. friend, Shri Asoka Mehta, was trying to make out that day. I would draw his attention to the fact that we have a large number of other Acts, particularly, the Industries (Development and Regulation) Act, the Banking Act, the Insurance Companies Act, which try to regulate the investment policy in those respective sectors. And the purpose of the Capital Issues (Con-

tinuance of Control) Act, which piece of legislation we are now going to place permanently on the statute-book, is really a limited one. I find that in 1954, out of a total number of 220 companies, for which sanction was given under this Act, 140 were industrial concerns. The capital of these 140 concerns was Rs. 93.86 crores as against the total of Rs. 110 crores. That means that roughly 80 per cent—actually slightly more than 80 per cent—is covered by the industrial sector, which comes within the purview of the Industries Development and Regulation Act. Financial floatations would mainly be covered, in my view, by banking and insurance companies, for which again there are special Acts. Before any banking company can do banking business or before any insurance company can do insurance business, they must obtain licences from the Reserve Bank under the Banking Companies Act, Section 22, and under the Insurance Act, section 3.

Actually, I was going to say that this Capital Issues (Continuance of Control) Act, even as it is, being used in a manner which was perhaps not quite envisaged when the Act was promulgated. And certain restrictions that are being placed while granting new issues are really not quite authorised by this Act. I know there is the Advisory Council attached to the Finance Ministry which discusses these matters and lays down certain principles as to on what basis permission should be granted. But I would like to know from the Finance Minister whether these restrictions can really be placed under this Act. For example, one of the conditions which is imposed on a company which seeks permission under this Act is that it will try to maintain a particular ratio between the equity and preference share capital. I want to know the principle on which this is sought to be done. Even under the new Companies Act, the Lok Sabha has now made any provision for this purpose. Perhaps the House would like to be enlightened as to why it was found necessary to enforce on the promoters of new companies this particular condition.

There is another condition sought to be imposed that a certain minimum percentage of capital must be raised by private subscription before consent can be granted for a public issue. I realise

*Introduced with the recommendation of the President.

[Shri Bansal]

that in some cases it may be essential to ensure that the floatation is not vague, that it is meant seriously and that there is some financial backing. But when it comes to laying down a particular percentage of private subscription, I have my doubts whether Government are empowered under this particular Act to lay down such a condition. This assumes importance in view of the fact that we are now entering into a field of industrial development where huge capital resources will be called for. Supposing a big engineering concern is launching out—its capital may be Rs. 5 crores—if Government insist that about twenty per cent. must be subscribed by private subscription, it means that the people in charge of floating the company have to find about a crore of rupees from their own resources. This question was discussed in detail in this House as well as in the Select Committee. The view generally was that new type of people, technical promoters, technicians and engineers should be enabled to float new companies. If you lay down such a restriction that everyone who floats a new company must try to find some capital from out of his own resources, then such persons will certainly be debarred. What other purpose—apart from seeing that the floatations are genuine—are these restriction supposed to fulfil? I would like to know.

The House is very well aware that the issue of bonus shares was prohibited for quite a long time—not actually prohibited, but the applications were kept in suspense for quite a long time. Perhaps the very technical interpretation of the Act may suggest that the issue of bonus shares would be controlled under this Act. But here I do not find any mention of bonus shares if you read section 2 (b) or sections 1, 2, 3 and 4. The only types of issue which are mentioned here are: shares, stocks, bonds, debentures and other instruments creating a charge on the assets of the company and other instruments acknowledging loan to, or indebtedness of, the company and guarantee by third party or entered into jointly with a third party.

An Hon. Member: Shares—that word includes bonus shares also.

Shri Bansal: Perhaps the Finance Minister would say so. Inasmuch as bonus shares are issued out of the funds of the company, I should have thought that they would not be strictly covered by this Act because the Act does not specifically state that bonus shares will

be controlled by the State. I have no quarrel that bonus shares were not permitted to be issued but I want to be clear on that point. I was trying to interpret this Act literally and I would like the Finance Minister to consider this. If he thinks there is some point in what I am saying, then perhaps this Act may merit some amendment. I am not saying that the issue of bonus shares could not have been controlled by the Government.

I would try to amplify my point with reference to the notification which was issued—the point that bonus shares were not perhaps strictly covered by this Act. In 1949, a notification called the “Exempting Order” was issued by the Finance Ministry. In that order, bonus shares had been mentioned specifically. It is not that bonus shares would be exempted but that bonus shares could not come within the exemption limit of Rs. 5 lakhs. I thought it to be a very round-about way of roping in the issue of bonus shares within the purview of this Act. I would suggest to the hon. Finance Minister to get some legal advice on this particular notification.

I find that Government are bound by this Act to give reasons under section 35 for rejecting applications or modifying the applications. I have been told that in some cases—if I am wrong, I may be corrected by the Finance Minister—no reasons were given. Strictly speaking, the Finance Minister may say that inasmuch as that notification dated the 20th January 1949 applies to sections 3, 4 and 5, sub-section (5) of section 3 is also covered and therefore, they are not bound to give any reason for rejecting applications in respect of bonus issue. I should think that it is not a very valid reason; in such cases they must state their reasons: even though such applications are rejected in large numbers, no harm would be done in giving the reasons. Before I take up Shri Asoka Mehta's point, I would like the Government to notify certain basic principles, for the information of the general public which guide them in considering the applications for capital issues. If the applicant knows that his application has a fair chance of being accepted provided he complies with certain basic conditions which Government have in view, then I think a lot of labour would be saved and there would be a general sense of satisfaction all round. I do not see any

reason why the Government should not notify broadly the principles which they take into account while rejecting or accepting the applications. I know that the advisory committee goes into these principles. Perhaps they know about them but the public generally remain unaware and I think it would be good if Government notified those conditions or principles.

I would now come to the point of Shri Asoka Mehta. He said that no investment policy had been furthered by this Act. This Act does not cover the whole field of private investment. Firstly it exempts issues which are of a lower order than Rs. 5 lakhs. There are certain other enactments which take care of investment policy in the broader sense—I am not meaning investment policy in the sense of capital issue but investment policy in the wider sense to which Shri Asoka Mehta referred. He said that in our country about 45 per cent. of the applications were from established concerns and so a sort of concentration of economic power had developed in the hands of certain individuals or in certain areas. I come from a backward area. I would very much like that my area is industrially developed. But the whole point is that industries are bound to go to areas where there are certain facilities; where, for example, transport is available, where raw materials are available and where power is available. I know it is a vicious circle. In backward areas transport is not available. If on the score of transport not being available industries are not allowed to develop, then because there are no industries, transport also will not be developed there. Therefore we have to break this vicious circle somewhere. It is not correct to say that this particular Act is not taking care of that, because in my humble opinion this Act is not meant for that purpose. That purpose is to be served by the Industries Development and Regulation Bill where I know that the Licensing Committee takes the locational factor into account. I would suggest that it takes the locational factor into account more and more so that the tentions to which my friend Shri Asoka Mehta referred to so ably are put an end to or at least tried to be reduced as far as possible.

But, I do not agree with Shri Asoka Mehta when he says that the types of floatations that have been there during the last two or three years have been creating a sort of monopoly or develop-

ing concentration of economic power in a few hands. Sir, as you know, the total number of applications under the Control of Capital Issues Act in 1954 were only 257 out of which 220 were granted. Out of these industrials were only 156 and 140. But, from the study of the reports under the Industries (Development and Regulation) Act, I find that in 1954 the applications under that Act were much larger. If I remember aright, the applications in 1954 were about 540, out of which about 450 were actually sanctioned. In 1955, for which I have the figures, the applications were as many as 800, out of which I think about 580, or some such number, were actually sanctioned. A few were rejected and others were transmitted to committees for consideration.

Now, if you study the types of applications that came and that were sanctioned I think Shri Asoka Mehta will find that it will be worth this while in coming to more reasonable conclusions as regards the concentration or otherwise of economic power in the hands of the existing companies. I have a whole list with me of the summary of applications that have been made during the year 1955. If you will permit me, Sir, I will try to read—I will not select any application—the names of the applicants with respect to the various scheduled industries. I am now trying to read from "Scheduled Industry No. 1—Aircrafts". There was one application for Messrs. Aeronautical Services Ltd., Calcutta. I do not think we have ever heard of this company. This seems to be a new company. There are no other particulars given. I imagine that it is not an established monopoly concern. Of course, the application was rejected and so the question does not arise.

I now come to "Schedule Industry No. 2—Arms and Ammunition". There was only one application which again was rejected because arms and ammunition are supposed to be done in the public sector. Then there is coal. There were certain applications and the names of the firms are these: Messrs. Bhowra Kankanee Collieries Ltd., Messrs. Borachuck Colliery, Shri Raghoo Ram Chawara Colliery and Messrs. Dunlop Considine (Ghordewa Coalfields) Ltd.—it is not Dunlop Rubber Company; it is some other Dunlop concern. Then I come to the main list and that will prove my point. That is the list of

[Shri Bansal]
"Scheduled Industry No. 4—Iron and Steel". This is a difficult industry and a new man cannot easily get into it because of the techniques and the "know-how" involved in it. Even so, I think, if I read out a few names from the list just in the serial order it will help in disabusing the mind of Shri Asoka Mehta that even in this industry a sort of monopoly is developing. The names are: Messrs. Vishva Karma Iron Works Co-operative Industrial Society, Chandigarh; Messrs. Ramakrishan Industrials Ltd., Peelamedu (Coimbatore); Messrs. Singh Engineering Works Ltd., Kanpur; Messrs. Imperial Tobacco Company of India Ltd., Calcutta for the carrying on the business of their undertakings for the manufacture of tin containers; Shri Biasdev Chandershekar, Bombay; Shri Jaidayal Dalmia, New Delhi, for manufacture of grinding balls . . .

Shri T. S. A. Chettiar (Tiruppur): May I know what the hon. Member is trying to prove by reading these names?

Shri Bansal: I think I have said it quite clearly in the beginning.

Mr. Deputy-Speaker: He wants to prove that it is not concentration of wealth in the hands of a few companies.

Shri T. S. A. Chettiar: Unless you go into the partnership, these names mean nothing.

Shri Bansal: I am quite satisfied in my mind that there are no doubtful partners of the type my friend has in view. I have got a list of managing agency company also but I do not want to take the time of the House by reading that. I have got all the files which will be equal to a full donkey's load. I have not brought them here. But, I can assure him that as regards the names of the companies I have just read—I will be able to place the names of partners before him when he will be satisfied—they do not relate to concerns which are at present a sort of very huge or big combines. I do not want to take the time of the House but I would just suggest to Shri Asoka Mehta, a very studious Member of Lok Sabha that he is, that it will be worth his while to go through these lists and see the way the trend of our industrial development is going on. Actually, when I went through this list and the last year's list I was really very pleasantly surprised to find that the industries in our country are being diversified and a large number of new or younger people are coming in the busi-

ness line. We know quite a few names which have become household names but about whom no one heard about ten years back. I do not want to refer to them; I would just be advertising them.

Shri Asoka Mehta (Bhandara): If they are household names, you are not advertising them.

Shri Bansal: If you want, I can mention their names, but I do not want to mention their names here.

Shri Kamath (Hoshangabad): Don't bring them outside the household.

Shri Bansal: I would certainly be able to tell my friend Shri Asoka Mehta that there are a large number of concerns now which are in the industrial field about whom no one knew, not even heard, five or ten years back. That is a very healthy sign and a move in the direction in which Shri Asoka Mehta wants the industrial development of our country to take. I would therefore suggest that, before drawing such sweeping conclusions a study of the new development that is taking place in the country should be made. I think it will be good for the Government also to give greater publicity to this new kind of development that is taking place in the industrial field of our country.

Shri Morarka (Ganganagar—Jhunjhunu): Mr. Deputy-Speaker, I rise to welcome this Bill which seeks to put the Capital Issue Control Act permanently on the statute book of our country.

There has been some argument about the scope and purpose of this Bill. One hon. Member at least seemed to think that through this Bill alone we can evolve a national investment policy and that by doing so . . .

Shri Asoka Mehta: Sir, I rise on a point of clarification. I am surprised at the persistent misunderstanding of my point of view. All that I pointed out was that, after all, a tree is to be judged by the fruit it bears. In the last few years this particular Act together with similar Acts has operated in a certain manner: I am not saying that this Act alone would be able to bring about a national investment policy. There are all kinds of weapons in the armoury. All these weapons have been jointly used so far. As it happens, we are just now discussing one particular Act. When we discuss that Act we are entitled to review the results of the investment policy as it has been worked out in the last five or seven years. I have never sug-

gested that a national investment policy can be worked out with this single piece of legislation alone.

Mr. Deputy-Speaker: We are discussing the effect of this piece of legislation on that national policy.

Shri Morarka: What I wanted to say was that the purpose for which this Bill is designed has been fully achieved. As the Finance Minister pointed out, this measure was first introduced in 1943 and at that time the purpose was: firstly to conserve, the resources for promoting war efforts, and, secondly to combat inflation. In 1947, the Finance Minister of that time—Mr. Liaqat Ali Khan—endorsed these two aims and he said that the life of this Bill should be extended till 1950. In 1950, Dr. John Mathai said that the purpose of this Bill was three-fold: firstly, to prevent the use of investible funds for purposes other than those of national importance; secondly, that some beginning should be made towards the formation of a national investment policy, and thirdly, a scrutiny of the foreign investment in India. It was only in 1952 that this Bill again came before the Lok Sabha and our Finance Minister, Shri C. D. Deshmukh, said that the main purpose of the Bill was to prevent the limited resources from being invested in a manner which may run counter to the policy of Government. Again, this purpose was reiterated here when the Finance Minister moved his motion for consideration of the Bill.

Now, Shri Asoka Mehta, while criticising this Bill, made certain points. His first point was that during the last few years, when sanctions were granted under the provision of this Bill, it was granted more to the private companies and less to the public companies. Secondly, he said that permission was given more to the existing companies than to the new companies. Thirdly, he said that the permission was given more to the industrial companies than to the agricultural companies. Then, if I remember correctly, he said that permission was given more to the companies in big towns and cities than to those in small towns in mofussil areas. All that Shri Asoka Mehta has said may be correct and with whatever objects he has, I have no dispute. But the question is, when an application is made to the Controller of Capital Issues he can either accept an application or reject it. But he cannot say, "Well, your application

is for establishing a cotton industry. I cannot grant this, but I can give you permission provided you agree to grow sugarcane in that area". It is not within the power of the Controller to say, "I cannot give you permission for this but I can give you permission for that". He can either give permission or reject permission. Of course, while giving permission, if he likes he can lay down certain conditions, but what are those conditions? What type of conditions can he lay down? The only condition that he can lay down is this: that till you make full use of the capital for which you are seeking permission, you will keep this capital invested in Government securities, or, you will keep this amount deposited in certain Government treasuries, so that the amount which you collect from the public would not be misused or would not be utilised for unauthorised purposes. Except that, the Controller of Capital Issues cannot lay down any other condition and ask the entrepreneur to do this or that, because, his powers are only to say that you can raise this capital for this purpose for which you are applying, but till you actually utilise this capital you will keep this amount invested in the Government securities or deposit it in any Government treasury. And this type of condition if often put by the Controller of Capital Issues. But it is certainly not within his jurisdiction to say that unless you make your company a public company or a private company or unless you propose to establish your factory at, say, Rajasthan instead of in Bombay, I am not going to give you this permission. Those are the objects which may be served by the Industries (Development and Regulation) Act, but so far as this Bill is concerned, it can only authorise the raising of the capital in a certain manner.

This Act, as I said, was first brought on the statute-book in 1947. At that time, the political set-up of the country was a little different. The native States were there. The Assembly could at that time, legislate only in respect of certain areas and not in respect of the entire country. At that time, the provisions of the Bill were, therefore, only confined to certain areas in respect of which the Assembly could legislate. Later on, in 1950 and 1952, when the Bill was extended, it was only for a limited period, and hence no efforts were made to stream-line this Bill. Now, I think at this time when the Bill is being sought

[Shri Morarka]

to be put on our statue-book permanently, opportunities should have been taken by the Finance Minister to redraft it and make the Bill a little more elegant than what it is.

I would like to quote one example. If you kindly look into section 2 (c) of the existing Act, it says:

“‘States’ means the territories comprised within the States in which this Act extends.”

Then, section 3 (2) says:

“No company, whether incorporated in or not, shall, except with the consent of the Central Government, make in the States any public offer of securities for sale etc. etc.”

What it means is that no company registered in India will issue capital in India without the permission of the Government. Of course, the provisions of this Act will not apply to the State of Jammu and Kashmir, but as we generally do in all other bills also it could have been excluded in this Bill as well. But it could easily have been said now that in respect of all States—and the word ‘States’ is just a very confusing terminology—the provisions of this Act shall apply to the whole of this country and that no company, registered in India, will be able to issue capital without the permission of the Government of India.

Similarly, if you look at section 16, it says:

“All orders made or deemed to be made under the provisions of the Capital Issues (Continuance of Control) Act, 1947, and in force immediately before the commencement of this Act, shall continue to be in force and be deemed to be orders made under the corresponding provisions of this Act.”

This is a most important provision in this Bill, because, this Act is applicable in respect of permission for raising capital above Rs. 5 lakhs. If anybody wants to raise capital up to Rs. 5 lakhs, no permission or sanction from the Controller is needed. That is a very important provision. Now, when we are making this enactment as a permanent law, I think that provision should have been made in the body of this Act itself so that anybody who wants to know the provision, could say by looking at the Act, that up to Rs. 5 lakhs he need not have any permission, and that

permission, would be required only when he wants to issue capital of more than Rs. 5 lakhs. That may appear to be a small point, but I think when we are making this law permanent, it would be better if the few clauses were redrafted and all the provisions were brought at one place, so that any person, or any ordinary businessman, could also know whether he will have to obtain permission or whether he need not take permission if he floats a company up to a certain amount of capital.

I shall now proceed to say a few words about the Advisory Committee.

Mr. Deputy-Speaker: If a person goes on starting a company with Rs. 5 lakhs every year, what happens?

Shri Morarka: Every year, one can go on adding Rs. 5 lakhs. That is permitted. In one company, every year, one can go on adding Rs. 5 lakhs.

Mr. Deputy-Speaker: Are there no restrictions in regard to the interval etc.?

Shri Mararka: One cannot issue more than Rs. 5 lakhs in any one year for any one company. That is the only restriction. But one can issue for more than one company, more than Rs. 5 lakhs in one year. Similarly, for one company, one can issue more than Rs. 5 lakhs in two different years.

Mr. Deputy-Speaker: Is there anything to show how that portion of the Act has worked so far?

Shri Morarka: Unfortunately, in the information published by the Government we do not have enough statistics to make any criticism on that point. I will soon be referring to the question of statistics.

Mr. Deputy-Speaker: Is there anything to show how many of these business concerns have been followed up by the establishment of industries and how much has the Controller given by way of permission to capital issues?

Shri Morarka: It is a statutory requirement that once permission is given the company should inform the Govt. of the actual amount raised the capital. But surprisingly enough, we have no information at all. The other day, the Finance Minister said that for want of proper set-up and following-up, they have not been able to get that information. This information is bound to be given in the balance sheets of the companies and

under law the balance-sheets are bound to be submitted to the Registrar. If the Registrar looks into the balance-sheet of the concerned company, he can know whether the company has been able to raise the necessary capital or not.

But before I come to that, I want to say something about these advisory committees. Under clause 11, there is a provision for an advisory committee for advising the Government about this capital issue. My impression was that all the applications made for the issue of capital would be considered and decided by the advisory committee. But the other day the hon. Finance Minister told us that it could not be the intention of the House that all such applications should be individually scrutinised by this committee. I do not know how much work it would involve, but if the figures quoted by Mr. Bansal just now are correct, namely, that only about 250 applications are made in a year, I do not think it would be a formidable task for this committee to examine the applications and to advise the Government. Mr. Bansal has said just now that in the Commerce and Industry Ministry, there is a sub-committee of the Industries Development Council and as many as 800 and odd applications are received by the committee every year. Those applications are individually scrutinised and examined by that committee. If that is possible for that committee, I do not know why it should not be possible for this committee also to do it. In nature the applications for capital issue would not be more complicated than the applications for licence to establish an industry. The hon. Minister, Shri A. C. Guha, when he was just a Member of this House. . . .

Shri K. K. Basu (Diamond Harbour): He is still a Member.

Shri Morarka: When he was only a Member, in 1952 he was a Member of this committee and he also complained that this advisory committee did not meet for 2 years at all. It did not meet because the Chairman was ill or one or the other Member found it inconvenient. Unless all the Members found it convenient and all the Members agreed to a particular date, the committee did not meet. Of course, it may be desirable to consult the convenience of all the Members, but at the same time the work of the advisory committee should not suffer merely because it is inconvenient for one Member or the other to attend the meeting. This committee should meet more

often and should take an active interest in the applications, those which are accepted and also those which are rejected. There is no information at all from the Government as to how often this committee met, who were the Members of this committee, when were they appointed, how often they met, whether their advice has always been accepted or rejected in any case and if so, for what purposes, etc.

In the statistics which are published from the Department of Economic Affairs, there is no information given at all about the permission given by the Government to the companies for raising capital not by issue of shares or debentures, but for borrowing money against creating a charge. As you will notice under this Act, a company cannot even borrow money by creating a charge on its assets. If a company borrows money in that fashion, then even for that borrowing, the company must get permission from the Government. I do not know whether such cases were referred to the Government and whether the Government gave or refused permission. Anyhow, I did not come across any information of that type in the statistics which are published by the Government.

Mr. Deputy-Speaker: Does ploughing back profits also require permission?

Shri Morarka: No, Sir. A complaint was made in this House previously and I shall repeat it now. I do not see why the Government cannot get this information, because the companies seeking permission from the Government are bound to supply this information. Apart from the Registrar being able to get this information indirectly from the balance-sheet, if a company which is bound to supply this information does not do so, I think the Government should have taken some action against such a company. Unless action is taken against one or two companies, the information would not be forthcoming. I think the Finance Minister should be able to tell us at least that the Registrars in all the various States have now been asked to follow up those applicants. Some sort of penalty or fine should be imposed on any company which fails to submit the necessary statement to the Government.

Shri T. S. A. Chettiar: This Bill has served the purpose. We in this country do not have enough private capital to be invested and we would have liked to utilise in the most profitable manner

[Shri T. S. A. Chettiar]

the existing capital. From that point of view, this Bill is necessary. In this matter I would like to reinforce one idea which has been mentioned by Mr. Bansal. Generally, people should know the conditions under which capital issue will be granted. It is an improvement that the limit has been raised from Rs. 1 lakh to Rs. 5 lakhs. To that extent, there is a certain amount of latitude, but it is necessary for people who want to go into business to know the conditions which would govern the capital issues, so that certain companies need not be applying to the Government for capital issue under certain false ideas. I know of cases where there has been a delay of more than 2 years. To my mind apart from avoiding all these delays, it is necessary for us to give clear information to the people, so that they may know that only under certain conditions capital issues will be given. I think the Government will be well-advised in issuing a communique making this point very clear. Big capitalists are already in the know of things, but the smaller people who want to go into business do not know the conditions. As you know, people have to make many a journey to see people and understand things. So, I think Government must be in a position to make things perfectly clear, so that the ordinary trader or merchant will understand the conditions under which capital issues will be given.

I now come to another matter over which there has been difference of opinion. If anything has been proved by the statement of companies given by Mr. Bansal, I would like to state that there has been a concentration of wealth. I do not know how you can avoid it for centuries. People who have money are floating a large number of companies and have large capital issues with them and when new companies are floated, it is naturally those people who float the other companies also. A few joint-stock companies manage all the companies and in any industrial area, almost all the new issues are taken up by people who have been already in the trade. Even in the case of the one or two names mentioned by Mr. Bansal, if the House will go into the details, it will find that those companies are floated by people who have already large interests in business. I would like this concentration to be avoided, but I fail to see how that can be avoided under this Bill. Evidently this Bill cannot be utilised for that purpose. I think I will have to leave

it aside as a hopeless case, as something which cannot be dealt with through this Bill.

I now come to another point. The second Five Year Plan has been published and we know which are the industries which we would like to flourish in this country in future. We may also reasonably understand which are the industries in which we will not like the private sector to come in. In this matter, as has been said in the Second Five Year Plan, we must safeguard that there is some sort of equal distribution of companies in all the regions of this country.

I know there have been discussions on this matter in the National Development Council, especially because of the fact that Rs. 800 crores in the iron and steel industry is going to be entirely invested in the eastern region and the southern region will get very little share out of that public investment. The result is that the creation of wealth and the raising of the standard of living of the people in those areas will be much higher than in areas where there will not be industries. So, there will be maldistribution of wealth. There is an assurance in the Second Five Year Plan,—it is only a assurance and we will hear much about it later—that an attempt should be made to see that the industries are distributed regionally so that all the regions may be developed. I would like to put it to the Finance Minister whether he cannot do something under this Bill to see that the industries are distributed in all regions, so that the development of the whole country can take place. We know admittedly that there are certain regions which are backward. The biblical saying, to him who hath more shall be given, is very much true in regard to this material world. We would like to have a more equal distribution of wealth. I would like to know whether one of the considerations in determining capital issues under this Bill could be, encouragement to applications from areas in which there has not been very much of development.

The next point that I wish to take up is with regard to bonus shares. If I remember aright, a statement was made in this House that in certain companies bonus issues have been allowed, but the question whether the bonus issues will be taxed or not, has not been decided. I hope I am correct in saying that bonus issues have been allowed without prejudice to the decision that may be taken by the Government with regard to the

taxation of these issues. When I went into the matter of the capital issues in the last 10 years, I have been advised by certain economists that a large portion of this capital investment has come out of the companies themselves, by bonus issues, by ploughing back the interest, etc., got from the companies in further investment in the companies themselves. We want to develop certain industries like engineering, iron and steel, etc. I would like to put it to the Government whether they would not like to make a difference between the industries that we want to develop and the other industries. The other day, the Prime Minister said—I welcome that statement, but I do not know whether that would be possible—that all the machinery required to make machines should be made in India. That is a laudable objective. Take, for instance, there are many engineering companies in various parts of the country. The question, to my mind, is whether, in respect of the industries that we want to develop and encourage, we could not give permission to start of their own, up to an extent higher than this amount of Rs. 5 lakhs, without going through this process of people making a large number of journeys to the Government of India. The object of legislation should be, not to put everybody equally to trouble, but to see that in sectors that we want to develop, we avoid certain restrictions. I do not think that in the sectors that we want to develop, we should impose these and other restrictions. I would like the Government to examine this question.

This matter of capital issues comes under the Companies Act. Under the Companies Act, we want to avoid the managing agency system and very piously we hope that a number of technicians will come in as secretaries and treasurers and they will form a new type of management. I would like to know whether there is anything in the rules under this Act by which we could develop that sort of technical management. Certain conditions have been imposed in giving permission for capital issues, which were mentioned by Shri Bansal. I do not want to repeat them. I would like to know whether these restrictions and other things that would lead to desirable results could not be laid in the rules. Shri Morarka made a point that as the rules stand at present, capital issues under Rs. 5 lakhs can be issued by any company every year and they may go on to any amount. It is a matter covered by the rules. Government must take note of this fact and see whether any company has

been taking advantage of this rule and doing something which is not advantageous to the community. If people have been taking advantage of this, it is up to us to say that that rule must be suitably amended. As it is an amendment of the rules, it need not come by way of an amendment of the Bill to the House.

I do not want to take more of the time of the House. I request that consideration may be given to the points raised by me: regionalisation of industries with a view to development of all the regions and relaxation of some of the restrictions in respect of industries that we want to develop.

Shri Jhunjhunwala (Bhagalpur Central): The Bill as it has come before the House has to be welcomed. The main idea of the Capital Issues Control Bill was that the limited resources of the country should be utilised to its best interests, and that much of the money which could be frittered away by the people seeing a large profit in a particular industry in a particular region should be ploughed back in that industry which would lead to a proper development of our country. This is the objective as far as I have been able to understand. Nobody can say that this Act should not be on the permanent statute-book.

Various points have been raised as to whether this Act has fulfilled the objective with which it was conceived and about the way it has been administered. My hon. friend Shri Asoka Mehta pointed out several things. Shri Morarka said, what he says is correct, but how could it all be done by this Capital Issue (Continuance of Control) Bill? By this Act alone it is not possible to do it. While discussing the point raised by Shri Asoka Mehta, the Finance Minister explained that under this measure alone we cannot do it. My submission to the Government is that when there is particular Act, that should not be sought to be administered singly; all Acts which are allied with one another should be taken note of while administering and Act.

1 P.M.

Now, take the question of capital issue. The other day Shri Bansal was saying that when a licence had been granted by the Industries Development Council for a particular industry, there should not be any delay on the part of the Capital Issue Department immediately to dispose of the application of that industry. On that the Finance Minister asked whether when a licence is granted by the Development Council, the Capi-

[Shri Jhunjunwala] tal Issue Department should automatically sanction that application. He was right. The Capital Issue Department has to see many other things—whether the industry for which licence has been granted is necessary, whether under the existing circumstances that industry has to be given priority, or some other industry has to be given priority for the proper development of the country. These are matters which have necessarily to be taken into consideration, as there should be coordination between one Department and another. It is in that context that the question of concentration of wealth comes in so far as the issue of capital is concerned.

For instance, an industry should not be concentrated in a particular area, in preference to other areas, and capital issue should not be sanctioned for an industry which is less important, while more important industries and necessary for the development of the country. It may, however, be said that when there is no application for a particular industry which it is necessary to be started in the interest of the country, in that case the Capital Issue Department has to say either 'yes' or 'no' in respect of an application which comes to that. I would, however, say that that is not the correct attitude to be adopted. The Department should take an all-round picture of the industrial development of the country and decide from the point of view of priority. If under the present Act that Department cannot exercise that power, I would submit that when this measure is permanently placed on the statute-book, all those powers should be taken by Government. Then alone can we expect an all-round development of the country. Each Act administered singly cannot achieve the objective in view; the objective can only be achieved if the different Acts are administered on an all-round basis.

Shri K. C. Sodhia (Sagar): By whom? By one Ministry or by different Ministries?

Shri Jhunjunwala: By Government—by the different Departments of Government.

Shri K. C. Sodhia: Which will be the co-ordinating authority?

Shri Jhunjunwala: Government will be the coordinating authority.

Shri K. K. Basu: There should be a Minister of Coordination!

Shri Jhunjunwala: I was referring to the point raised by Shri Asoka Mehta.

If the Finance Minister has got any difficulty in administering this Act and requires more power he should take those powers.

Shri K. C. Sodhia: As a matter of fact, the Finance Minister is quite helpless in the matter, because when the Minister of Industries has issued a licence for a certain industry, capital issues have to be granted to that industry.

Shri Jhunjunwala: I do not agree with the hon. Minister. When Shri Bansal raised this very point yesterday, the Finance Minister asked: "Does my hon. friend, Shri Bansal expect me that the Capital Issue Department should grant issue of capital because the licence has been granted?" I think what the Finance Minister had in mind was that automatically it will not be given, because they have to be taken into consideration other factors also.

The Minister of Finance (Shri C. D. Deshmukh): The point of my question was in regard to the alleged delay. I asked him whether he meant cases where everything overlapped, or cases where there was some residual field to be dealt with under the Capital Issue Control Act. The point of my question was that where it overlapped, possibly we may expect that there would be no delay.

Shri Jhunjunwala: Am I to understand the Finance Minister as saying that if a licence has been granted, in that case there is less likelihood of delay, or that automatically the Capital Issue Department should grant permission?

Shri C. D. Deshmukh: Both questions are more or less the same: there should be no delay.

Shri K. K. Basu: 'Automatically given' is a different proposition.

Shri C. D. Deshmukh: 'Automatically' is not used either in one law or the other.

Shri K. K. Basu: The point is if the licence is granted, does the Finance Department have any say about the issue of granting permission under this?

Shri C. D. Deshmukh: I was hoping to be able to clear up the position in the course of my reply. Briefly, it is this that the licensing committee has my representative on it.

Mr. Deputy-Speaker: Even if a licence had been granted it should not be merely rubber-stamped. The Capital Issue Department should go through the details to see if any mistake had been committed.

Shri C. D. Deshmukh: The point is that I am represented on the Licensing Board itself.

Shri K. C. Sodhia: If the industrially backward regions are to get any advantage, there should be provisions in this Act itself. Only those applications should be taken into consideration which try to open factories in backward regions.

Mr. Deputy-Speaker: I do not know if the hon. Member has spoken already.

Shri K. C. Sodhia: No.

Mr. Deputy-Speaker: Does he want to speak?

Shri K. C. Sodhia: Yes.

Mr. Deputy-Speaker: Then why this interruption?

Shri Jhunjhunwala: If the Capital Issue Department looks into all things, while sanctioning issue of capital, and everything is coordinated, then there is nothing more to be done.

I would now ask the Finance Minister as to what is the policy of the Government on points which have been raised by Shri Asoka Mehta. It has been said that industries will be started only by men who have got money and in areas which have got all facilities. Shri Bansal was saying that there may be good field for a particular industry in a particular area, but if there are no proper transport facilities, an industrialist would think twice before coming forward to start an industry. That is a point which I too would like to bring to the notice of the Finance Minister. Government should see to it that industries are not concentrated in particular places and in the hands of particular persons. If people who have got money could alone start industries, there is bound to be concentration of wealth. It is now for the Government to think out in what way they can solve this problem. This is a very important problem that has to be solved. I say that if with the Act as it stands it is not possible to do all that is necessary and if more powers are necessary, we may not pass this continuing measure at present, but we can revise the Act and take more powers.

Shri Bansal has raised some points. He said that the way in which the Capital Issue Department should administer the Act has not been envisaged in the Act. He pointed out that a condition is being imposed by the department that when persons start a company, they must

subscribe some private capital or raise some capital. Secondly, he pointed out, there are some restrictions regarding preference shares and other things. I am of quite a different view. As a matter of fact, it is my grievance that when anybody comes before the department for fresh issue of capital or for additional issue of shares of such things, the capital issue department does not take into consideration whether it was not possible for the company which wants more capital to raise it by way of debentures or preference shares. It is the first duty of the department to take these things into consideration for this reason that if they cannot raise capital by way of preference shares or debentures, that shows that company is not in a good position, or that its management is not good. If the management is good and if the industry is run on right lines, there should not be much difficulty in issuing preference shares or debentures. I have not got the list of the companies which were granted permission for capital issue, but I am given to understand that permission for capital issue has been granted to companies which have not worked all right. When the people see that it has got the stamp of the Government, they believe that the Government must have scrutinised it from all points of view, that it is a sound concern, that it is in the interests of the country, and that it will give good dividends, but the report of some of these companies to which capital issue permission has been granted, I understand, is not very happy.

Further, capital issue permission has also been granted, as Shri Asoka Mehta pointed out, to the film industry and such other industries. If that is so, I do not think this department has worked nicely.

Shri Morarka pointed out that there is no use of going to the Government for capital issue permission. A person starts an industry today for Rs. 5 lakhs, and goes on investing, by borrowing or other ways, Rs. 5 lakhs more every year. In this way, there can be so many film companies, rice mills, cloth mills etc., which may not be required in a particular place but which might give good dividend immediately. He also stated that as a matter of fact some friends were asking him as to what industry they should start and he was saying, well, the film industry gives very good profits. I say if it gives good profit, that is all right, but look at the effect it will have on the morals of your young sons and your brothers if you take that line.

[Shri Jhunjunwala]

I do not know if you can go on adding to the capital without permission, I am not very clear about the rule, but that is the way in which Shri Morarka has explained.

Shri K. K. Basu: He does if often, he knows well.

Shri Jhunjunwala: He does it often? I don't know. I do not think I have much more to say on this. This measure is very important, and it should be placed permanently on the statute-book, subject to the remarks that I have made that if any further additions and more powers are required, they should be taken so that it can be administered in the best interests of the country. Such industries may be started which are very necessary, and if it is the policy of the Government not to allow concentration of wealth, it should not be allowed, and Government should find out how all the departments can be co-ordinated so that the Act can be administered properly. I find that the industrial corporations set up by the Government give loans to industries which can give immediate profit, but if anybody goes to them with a proposition which will make profit say after year or two but which is in the interests of the country, they are reluctant to give them loans. All these institutions have to be co-ordinated properly. The policy of these State corporations should not only be to help such industries which will give immediate profit—their object is not mere banking—but they should try to help new industries also.

Shri G. D. Somani (Nagaur-Pali): I would only like to make a few brief observations because most of the points that I wanted to raise have been already covered by the preceding speakers, and I would, therefore, not like to take the valuable time of the House by repeating those points and the arguments in connection with those points.

At the outset, I would like to say that I am not opposed to the principle of the Bill. I quite agree that in view of the limited resources that we have, Government must have the power to regulate the issue of capital.

The hon. Member Shri Asoka Mehta and the preceding speaker Shri Chettiar have raised vital issues regarding the concentration of economic power and the question of regional disparities. So far as these regional disparities are concerned, I would say that I myself come from a backward State like Rajasthan

and I would certainly welcome if anything could be done by capital issue control to encourage the development of industries in the backward areas.

Mr. Deputy-Speaker: They ruled the world once. How could it be backward?

Shri G. D. Somani: But from the practical point of view, I seriously doubt whether the functioning of capital issue control could in any way materially help the two vital points that have been raised. After all, the capital issue department cannot force a party to start a factory in any backward area or, for the matter of that, prevent any existing company from increasing its capital simply because the company is big. Therefore, I think these two issues are of a much wider significance and are not very much relevant so far as the present Act is concerned.

I would now like to draw the attention of the hon. Finance Minister to certain unnecessary delays that are taking place in the handling of applications by the capital issue department. I am myself aware of a case of a Bombay company where the applications was held up for more than three months without any justification, and when eventually the capital issue department gave the permission to the Bombay company, the stock exchange had already crashed, and the company has not been able to raise the capital. The application was quite straight forward, and was well within the rules and regulations under which such applications are granted. Therefore, there was not the slightest justification to have taken so many months to dispose of such a simple application.

In this connection, I might also refer to the question of the issue of bonus shares. I do not want to say anything on the legal aspect, about which my hon. friend Shri Bansal had something to say. But it is very relevant to point out that all the bonus applications were held up for consideration by Government, pending the examination of the tax issue in the light of the recommendations of the Taxation Enquiry Commission. Government took well over eight or nine months in examining the very unanimous and strong recommendation of the Taxation Enquiry Commission not to tax the issue of such bonus shares. When eventually they did decide to dispose of these bonus issue applications after eight or nine months of the receipt of the Taxation Enquiry Commission's report, they still left the issue quite in suspense. Perhaps, we shall

know only on the evening of the 29th instant as to the nature of the decision that Government may take about the taxation of bonus issues shares. I am not complaining about keeping the issue in suspense; Government certainly have to decide the issue of taxation on its own merits and at their own time. But there was absolutely no justification for keeping the various bonus applications of the different companies pending for well over a year, saying first that the applications were being held up because the recommendations of the Taxation Enquiry Commission were under examination and then saying that this question of taxation would have to wait till Government are in a position to come to a decision on the same.

What I want to point out is that the functioning of the capital issue department must be much more prompt and much more efficient; in view of the tremendous pace of industrialisation that we want to accelerate in our country, it is highly desirable that the major issues should not be allowed to be kept in suspense and uncertainty for a pretty long time thereby causing a lot of suspense and dislocation in the functioning of companies.

Coming to the various rules and regulations under which this capital issue control functions, I would like to draw the attention of the Minister to the recent trends in the department to force the existing companies to issue the increase in their capital only at a certain premium. I do not think the capital issue department should go against the discretion of the boards of directors of the existing companies about the manner in which they want to increase their existing capital; and I think the capital issue department is rather going too far when they insist that the capital of the existing companies will be allowed to be increased only at a certain premium and under certain conditions. This again creates a lot of uncertainty and suspense. So long as these issues are not decided by the capital issue department, and the applications of some of the big companies are kept pending, a lot of speculations takes place about the nature of the decision that Government may ultimately take about those matters.

In regard to the suggestion which my hon. friend Shri Morarka has made in regard to individual applications being examined by the committee which is attached to the Ministry of Finance, I am afraid I am not agreeable to his sugges-

tion because after all the committee consists also of the representatives of trade and industry and other non-officials, and it is only fair and reasonable that that committee should be concerned only with matters of general principles and policies, and it should be left to the department of Government to examine the individual cases in the light of the principles and policies that are recommended by that committee. In the very nature of things, I do not think it would be advisable to burden that committee with the examination of each and every application of individual companies.

Shri T. S. A. Chettiar has raised the point in regard to the managing agency issue also being decided or regulated by the capital issue department. This again, I submit, is absolutely irrelevant. This is a matter of vital importance, and certainly it should not be the function of the capital issue department either to encourage the issue of capital by those companies which have no managing agencies, or to discourage or in any way come in the way of those companies which choose to have managing agents. That is absolutely a separate issue of importance, which may be examined and decided by Government in proper time on merits, and it certainly should not be the function of this department to go into the merits of the managing agency system while sanctioning or rejecting any applications for capital issues.

Some hon. Members have questioned the desirability of keeping the issue of Rs. 5 lakhs of capital free, and pointed out that this may lead to the companies increasing their capital by Rs. 5 lakhs every year. I beg to submit that so far as one knows, there has been absolutely no instance of any misuse of this liberty that has been given to the small and medium-sized companies to have their capital issued without going into all the formalities involved. Therefore, I do not see the slightest justification for restricting the scope of the issue of capital up to Rs. 5 lakhs.

I believe this question has been examined time and again by the committee attached to the Ministry, and has also been the subject-matter of representations by various trade and commercial organisations. As a matter of fact, these organisations have pleaded for this relaxation to be liberalised. In view of the fact that the issue of Rs. 5 lakhs worth of capital has not led to any sort of abuse by any of the companies, I submit that it should not in any way be interfered with now, but on the other

[Shri G. D. Somani]

hand, everything should be done to encourage the formation of small and medium-sized companies without forcing them to get through all these formalities.

Shri K. K. Basu: We welcome this Bill because it seeks to make the law relating to capital issue control a permanent part of our statute-book. We should all see that this particular provision regarding control of capital issues should be so utilised as to ensure that the investments in our country are done in the proper manner.

Some hon. Members have stated that there should not be so many restrictions as obtain at present because private capital should be allowed to work according to its own choice. It is well known that we have private capital, and we have a private sector, but they must fit in with the overall plan and the overall economy of our country, if we are to achieve the goal of a welfare state—I do not know how far we shall be able to achieve that—socialist or whatever it may be.

In the First Five Year Plan, and also in the Second Five Year Plan which is in the offing, there is a particular sector which has more or less been reserved for the private sector. Therefore, it is absolutely necessary to see that whatever resources are available in the private sector are so utilised that they will fit in with the overall economy and the pace of industrialisation which we want in our country.

From that point of view, I feel that this law should form a permanent part of the statute-book, and it should not be necessary for Government to come every now and then before the House for an extension of the Act.

It is true, as my hon. friend Shri T. S. A. Chettiar has suggested that a time may come when private capital will be flowing to such an extent that it will not be necessary at all to have any control. But I do not know whether such a thing is possible in the present context of world affairs, and especially in the pattern of economy that Parliament and the country have adopted for our country.

Unfortunately, the figures that have been supplied to us are not adequate, but from whatever figures have been supplied, we are unable to find out whether this department has tried to ensure that the resources available have been uti-

lised properly to the maximum benefit of the community.

We find that in 1955, nearly Rs. 220 lakhs worth of capital have been allowed to be issued in the tea industry. Often, we find that licences are granted to persons who are not, strictly speaking, industrialists. I come from a part of the country which fortunately has some concentration of industrial and economic activity. There we have often seen that tea gardens are taken over by persons; but in course of time, they take back their money by some speculation or other undesirable method, and gradually the tea gardens come to ruin. All the tea plants are practically ruined and the industry collapses, and sometimes it has to close down. I know of one instance. A very big company was taken over by somebody. In the course of four or five years, some money was raised. But the actual sponsors, the group of persons who took over the company, got back their money by speculation or whatever other method. Then the whole company had to go into liquidation and ruin, thereby ceasing their activity and stopping the service that that particular undertaking was rendering to the community. Therefore, I feel that Government should take this aspect into consideration. They should issue licences to those who are really in a position to develop the particular branches of the industry for which the licences are granted. There is no point in granting licences to those who only might be in a position to gather round some money from the community or from individuals, but do not develop the industry. Often, we find that these concerns are run in such a way that the basic asset, the trading unit, comes to grief and has to close down. Therefore, when I saw this figure of Rs. 220 lakhs being allowed to be issued, I was rather surprised. I do not know to whom it has been given. Of course, it is mentioned there that it includes processing and manufacturing operations. If it is only restricted to the manufacturing and processing part of certain tea gardens already existing and properly run, then it is quite different. But from the report, it is very difficult to find out for what purpose it was utilised. We often hear of chronic crises in the tea market. We are told that we have over-production. We are told that we cannot compete properly in the international market, and we have to face crises. I would urge upon Government to see that licence is not granted to those persons who only run it for one or two

or three years, but licence should be granted to those people who really benefit the economy of the country and make faster the progress of industrialisation in our country.

Then I find another item—the manufacture of rayon, including staple fibre—for which consent has been given to raise nearly Rs. 13 crores in 1955. From the report, it is very difficult to find out, as some hon. Members have said and as you yourself also pointed out, as to what actual percentage of this issue had been mobilised physically. I would like to know what point there can be in granting licences to the tune of Rs. 13 crores for the manufacture of rayon including staple fibre. We know in our country we have other things, the handloom or similar substitutes, and we sometimes have to get through economic crises. I do not say that the rayon industry should not be developed, but it should not be developed so disproportionately, because we have other urgent things to be developed. If we can do that, if we can have an overall view of the economy of the country, a time may come when not only shall we be in a position to utilise the entire produce of the textile mills and handloom units, but the people may also develop the habit of utilising rayon cloth or other materials. But I feel at this stage, with our limited resources, Government should not grant licences to such type of industries which does not materially improve or make faster the pace of industrialisation in the country, as it may adversely compete with some of the existing industries in the country.

Then I find that permission has been granted to raise nearly Rs. 2 crores to ship and boat manufacturing concerns. So far as ship manufacture is concerned, we have only one, the Hindustan Shipyard, of which Government are the largest shareholder. Of course, we are told that there are some smaller units in the West Coast and one or two near about Calcutta. I do not know to which ship manufacturing concerns such licences have been given. I think allowing shipping units to be formed by the private sector has no meaning. The other day we were discussing about shipping. The economy of the country is such that shipping companies by themselves cannot run properly. Every time, as the Minister himself has agreed, Government have to provide nearly 90 per cent of their finance. If that be so, what is the point in allowing new companies to be formed? I for myself would personally wish that

the old companies should be taken over, because there is no point in allowing private shipping companies to be run when 90 per cent of the money is given by Government. I was told that even in the international field the situation is similar. Even in countries like Great Britain and France and others the shipping companies have largely to be subsidised by the Governments concerned. If that be so, I do not think in the economy of our country any private shipping company can establish itself. Therefore, I do not understand why Government allowed issue of licences for ship and boat manufacture to the tune of Rs. 2 crores.

Then I find from the figures that in the year 1955 in regard to the motor vehicles industry, five applications were sanctioned involving nearly Rs. 4 crores. We all wish that in our country we should have motor manufacturing concerns manufacturing conveyances for the public like lorries and buses. Of course, the private motor car owners for the time being can afford the luxury and buy from imported stuff. But we all know that in the case of even the two or three we have set up in the country, more or less 60 per cent of the parts are assembled. We have discussed this matter in the House. These concerns are not able to stand on their own feet. In spite of all this, I find this year Government have granted five applications. I do not know—it is very difficult from the papers to find out—whether they are absolutely new companies or old ones who have been allowed to raise more funds. Unless the Government come forward and justify that there is a possibility of these private concerns being able to raise more funds on their own and to stand on their own legs and establish themselves on a sound footing, there is no point in allowing new motor vehicle manufacturing concerns to be established. The report says that even the three existing companies we have got here have 60 per cent of their parts assembled.

So they are nothing but assembling shops. Even they come forward and say that unless Government come to their assistance by way of protection, they will not be in a position to run economically. Also so far as prices are concerned, the consumer has not yet benefited to any extent though these companies have been already established in the country. Therefore, we must see that our limited resources are so guided, so channelised as to confer the maximum utility and maximum benefit in terms of the investment

[Shri K. K. Basu]

involved. Hence, I do not see what is the point in granting licences to five new concerns of the motor vehicle industry.

Then we have the machine tools industry for which licences totalling Rs. 1 crore in value have been granted. I have worked for nearly two years in one of the parliamentary committees. We have also discussed the report on the machine tool factory at Bangalore. We had some private manufacturers and industrialists giving evidence before us. They themselves have said and it is also a fact that has come out in some of the papers that even the existing companies or units are not in a position to run properly. I myself know that round about Calcutta and Howrah and the suburbs there have been a good deal of small machine tool factories which have been manufacturing good tools and they did some good service but because of competition and lack of proper steel etc. they are not in a position to run. Some of them had to close down, and a large number of people became unemployed. Perhaps these were concerns which were small and the capital was not much and they could not be considered as monopolistic one. Often they are workers themselves who have some shares, some technical workers, some small people with a few thousands of rupees—not exceeding a lakh—and they established small factories. They did good service during the war and after the war even but because of their meagre resources they are not in a position to utilise whatever steel is available in the face of the competition by monopoly interests.

Some time ago there was a special committee appointed to go into the problem of small-scale industries round-about Calcutta and they have also recommended some form of help to be given to this industry.

Shri K. C. Sodhia: Is my hon. friend discussing the industrial policy of the Government?

Shri K. K. Basu: Because information has been given, I think, it is relevant.

I think that when permission is given to these companies for the issue of new shares we must take into consideration whether the existing units are sufficient to supply all the needs of the country and whether there is any necessity of extending the capacity of the particular industry.

Mr. Deputy-Speaker: So far as motor vehicles are concerned, the 5 companies

are not new companies; they are existing companies because under the heading new ones, this is not shown. I am referring to the Annual Review for 1955. You will find in paragraph 5. On page 4, it refers to 76 new companies. In the new companies motor is not shown whereas in the consolidated one—both new and old—5 companies are shown with Rs. 439 lakhs shown against that item. Therefore, these are existing companies.

Shri K. K. Basu: If that be so, what I would like to urge is that before any sanction is given, Government should take into consideration whether it is necessary to develop that particular plant or industry and whether we can have a better utilisation of the existing ones. It may be argued that 10 years hence we might have this demand. We must have the maximum benefit out of the limited resources at our command.

There is another point about machine tools. I feel that we should rather see that existing units should be properly developed so that they are in a position to command more resources. I can say that there are a large number of units which have been doing good service and if they are given financial help some of them at least may be in a position largely to meet the demands of the country. As I have said already, these are applications for Rs. 5 lakhs and more and naturally larger units and possibly smaller units might have to go out of the field due to competition and ultimately there will be more concentration of economic activity.

There is another application regarding kerosene and petroleum refineries. I take it that it must be of one of the old companies. As far as I know, there are only 3 petroleum refineries that have already gone into production and the other is to go into production in 1957. I do not know actually what this type of application is. We know that some of the agreements entered into with these companies confer only limited rights on the Indian share-holders about management. Whenever we allow these companies to raise capital in our country, certainly, we should take into consideration that our capital is rightly utilised and that we are actually benefited. We are allowing these foreign companies to be established here and very often we are told that there is lack of technical know-how in the country. We do not have the know-how, but we must see that we should always insist that they benefit our

people. If there is participation of capital we must see that in course of time we are in a position to know the technical know-how, and be able to replace the foreigners. I would urge upon the Government that utilising the power under this Control Act they must see that it will really help to adequately industrialise our country. It may be said that it is the concern of the Commerce Ministry. But the Finance Minister said that where a licence is concerned they do have some sort of discussion and that the representatives of the Commerce Ministry are there. In planned economy we cannot have any sort of individual working. That must fit in with the overall development of the country.

Then there is the question of regional development and the growth of monopoly interests, as some hon. Members have referred to. From the figures, it can be seen that whatever issue there has been, it has been confined to the State of Bombay and then to the State of West Bengal. I can see that there are certain national advantages in particular areas which should be taken into consideration. But, by and large, we must see that all the regions of India are developed properly. Even when the Government allows the private sector to continue, they must have sufficient amount of power to see that every region gets the benefit. True there are certain industries like coal which can be developed only in the mining areas but there may be some other industries which can be developed in other regions also. There are the cotton mills, the sugar mills and the cement factories. The tendency for the persons in charge of the finances of the country is to try and concentrate in particular areas. Therefore Government must see that the different regions are properly developed. Otherwise, we would be told, at the time of the reorganisation of States that different regions are differently developed and that their economic conditions are not the same. Then the State-wise conflicts arise.

We are having the Second Five Year Plan and we are likely to have one or two more plans. By and large we should see that the different regions of India are evenly developed and then only can the real unity of India be achieved. Otherwise, whatever we might say, if there is uneven economic development, there will always be rivalry, jealousy and conflict.

I am also of the view that the powers under this Act should be utilised in such a way that the growth of monopoly can

be checked. We have accepted as our goal the socialist pattern of State or the Welfare State and it naturally connotes that in course of time the concentration of wealth in very few hands will be reduced to the economic benefit of the country, which should be evenly distributed among the different sections of the people. Therefore, I would urge the Government to see that, whenever they grant permission, newcomers also come in and they are given permission. They should control the resources of the different sectors and keep control over them and they should have the picture of the corporate body of the country in view.

Therefore I would urge that in course of time this monopoly should be gradually got rid of and this is one of the powers under the Act which can be utilised for that purpose. The other day Shri More in a discussion stated that Maharashtrians were only manufacturing *thalis* and nothing else. That sort of attitude should not be allowed to exist in the country. We should be in a position to see that real industries come from that area and that they are also allowed to develop.

In regard to the permission regarding bonus shares, which has been discussed and referred to by some Members, we know that Government have made a statement that they are going to allow bonus shares, but I do not know whether Government have made up their mind regarding the tax that they will levy on the bonus shares. The present position is such that the Government loses some money in the form of tax on the benefits that the shareholders get in this way. We often see that there is overcapitalisation in the industry and, therefore, we should be careful in seeing whether that particular money issued in the form of bonus shares has been utilised for the development of the real assets of the company. But actually we do not take this into consideration. Generally, as far as I know there is overcapitalisation—it may be 10 per cent. if not 20 per cent. In many of the cases, the bonus shares are issued and the companies simply say that they are utilising the money for the development of the industry, but actually they do not do so. Often they ask for permission from Government for the purpose of utilising the money for rationalisation of the industry, which leads to unemployment. But what is the type of rationalisation that they introduce? We have seen from

[Shri K. K. Basu]
our experience that many times this rationalisation does not improve the quality of the production, but only results in the displacement of workers, that is, instead of 20 workers, they will have only one worker. Although these workers are retrenched, they have not been able to show any improvement so far as the quality of their production is concerned. Therefore, I would urge that Government should see that this type of rationalisation, which only leads to labour-saving devices and has actually made no improvement in the quality of the production, is not permitted. Improvement of production should be taken into consideration and all such details should be indicated. In future, applications for such permission should be carefully examined before Government grants it. Therefore, Government should take into consideration, when allowing bonus shares to be issued, the fact whether that escapes taxation. When the new taxation proposals come, Government should consider this point and tax the bonus shares. At present, the position is that tax is not paid on the bonus shares, on the profits that the shareholders get, and again the money is not being properly utilised for the real benefit of the industry and of the whole country.

Regarding foreign investments, I am willing to concede that for the time being there may be certain types of industry in which foreign participation is necessary, that is, the basic industry for which the know-how is not available. Of course, from recent experience, we have seen that there is know-how available in the country which may give us much better terms. In the case of the German deal I remember that the Minister told us that this talent is available regarding steel plant—naturally we have experience of this. In the subsequent deals we can get better terms from them. I am not asking that the Government must only go to the Soviet Union for this purpose. I am only concerned that my country should be developed and should get the maximum benefits—it is immaterial to me whether it comes from Soviet Union or Germany or France or Czechoslovakia as it is a matter for the Parliament and the Government to consider. I feel that the time has come when there are competitive markets in the world, and if the Government can properly utilise and tap the resources, it is possible to get better terms for the development of our country. I only want to emphasise that whatever foreign invest-

ment you may allow, you must see that it really helps the industrial development of our country. But the figures given here rather make me worried. Even in the recent report on the foreign assets and liabilities, it is stated in one of the paragraphs that the flow of new capital from the U.S.A. was confined largely to the trading sector, and investment from U.K. went to different sectors such as manufacturing Rs. 56 crores, plantations Rs. 21 crores, trading Rs. 20 crores, utilities Rs. 19 crores and financial Rs. 14 crores. Even if the investment of Rs. 56 crores by U.K. for manufacturing purposes is allowed, what is the position about the plantations, about trading and about financial sectors? I do not understand why the Government is allowing such a type of foreign investment or foreign money to come into our country. If you want money, there is the International Bank and there are other methods of raising it, but why should you raise it from private sources? It is stated that nearly Rs. 135 crores of foreign capital has flowed into this country. Why do you allow this foreign investment when you want our industrial development in the country?

In this connection I find that foreign companies have been allowed to invest capital to the extent of Rs. 75,00,000 of which Rs. 23,00,000 has been issued to non-residents—issued as chartering brokers. There is cellulose then; there is fishing; there are so many other items. We have enough fishing in Bengal, Malabar and many other places, but I do not know what type of fishing we are going to get from these people. We have had the Japanese fishing trials in this country and the fate they met with. I do not know what sort of fishing Government expect from these people—they will fish about something else in the political activities of the people here. I do not see the necessity for Rs. 7.35 lakhs for fishing. Then we have importers, exporters and commission agents. Rs. 1,00,000; we have jute textile machinery, Rs. 24,00,000. We have a large number of mills owned by Indians and Government could have got experts from the country who could have manufactured the machinery. We have sugar, Rs. 50,00,000. We have then Starch and other derivative products, Rs. 1,50,000. We have tea, Rs. 26,000. There are so many other items like paper, chemicals etc. I am willing to concede that for the time being there may be industries for which we do not have the know-how in the country. But what about fishing? We have

much better fishermen on our own country. Similarly, there is no point of having investment for chartering brokers, importers, exporters and commission agents. I would, in short, urge on the Government that whenever they allow foreign money or foreign investment to come into our country, it should be allowed only in those industries in which that know-how is absolutely necessary and not available within our country.

I have only to refer to one or two more points before I conclude. From the figures given in respect of the number of consents during the years 1954 and 1955, I find that in respect of coal mining, applications worth about Rs. 85,00,000 and Rs. 30,00,000 respectively were granted.

As my friend, Shri Asoka Mehta, referred to the case of film distributors, I say that we should develop our industries on the cottage industry basis, that is, even out of small industries, as for example, footwear. I do not know why Rs. 6,74,000 has been allowed for footwear. There may be very good concentration with Flex or Batas who are no better than foreign concerns or foreign agents. Again I do not know why permission was given to coal mining because I was told that coal mining is for future development in the public sector. No details are given here. I wish in future we have more detailed reports about the working of this Department. The Company Law Administration Department which will ultimately work this Department also has been expanded and they have already, I am told, appointed statisticians. Therefore, they should see that full information is given showing to what extent the Department works for the industrial improvement of this country.

2 P.M.

Before I conclude I would like to say this. In some cases there have been inordinate delays. I am told some concern in Hyderabad State had to wait for ten months for getting permission for the issue of capital. Some hon. Member said that meetings could not be held for want of time. I understand that the Chairman of this committee is also Chairman of so many committees that, unless he is equated to God, I do not know how he will be able to attend to the meetings of so many committees. Before I conclude, I may say that I hope that Government will take the full picture into account and realise the scope of the particular enactment and see that it is properly utilised for the develop-

ment of the country—the economic development—so that it may fit in with the objectives that we have accepted in the Second Plan. I wish that this legislation should be passed.

Shri K. C. Sodhia: When I looked at this Bill, I was rather inclined to support it through and through. When the capital resources of the country are limited, it is but natural that there should be a law which should direct them to go into channels which are most beneficial to us. But listening to the speeches that have been made here, I find that certain parts of the country which are industrially forward are likely to receive more of the assistance in the industrial expansion and the poorer people will remain poor. In their report, the Planning Commission have laid down that the future industrialisation of the country should be so planned that the regions which are backward should receive their due share in the industrial regeneration of the country. But five years have gone and from the list that has been read out by my friend, Shri Basu, I find that most of the industries had gone either to Bombay or Bengal or other industrially forward provinces.

Shri K. K. Basu: They went to Rajasthan.

Shri K. C. Sodhia: Rajasthan constitutes only a very small portion of the backward regions of the country.

Shri K. K. Basu: Their advance is somewhere else.

Shri K. C. Sodhia: So long as this disparity between the different regions of the country in matters of industry remains, there will be heart-burning. It is natural because industries bring not only income to the owners but also technological and other developments which are to be found only in those places where they exist. Industrially backward people cannot have technological and industrial ability. Therefore, my submission is that somehow or other this development should be brought about.

I heard just now that this Bill was not the proper way to regulate industries so that industries could be had in the backward provinces; an hon. Member said so. Do this Government want industrially backward regions to be developed? Then, if they want that, what are the measures that they are going to take? I understand that if we concentrate industries in particular regions, there are so many other conveniences

[Shri K. C. Sodhia]

which they needed and so they want to collect in particular place. There is very little hope for the industrially backward people unless Government in their own sector try to put down industries which they want to open in the regions which are backward. The hon. Minister should devise some measure by which industrially backward regions of the country should get their due share in the industrial regeneration of the country.

In this measure, it is said, the Finance Minister can do very little because most of the industries are given licences by other Ministries and so his hands are tied down and he has to give sanction to those industries without considering other things which he may otherwise have considered. From the list that has just been read out, it appears to me that he had also a good share in giving permission to the industries. In his province, he should influence the Government to give their permission and make the industrially advanced sections of this country to put forth their capital in the backward areas. It can be done if dividends from industries in developed areas like Bombay and Madras are limited to six or seven per cent. while allowing higher dividends from industries allowed to be opened in the backward areas. This will come up only when we have got some measure by which we can put a limit to the dividends. This issue has to be tackled very expeditiously so that there may not be heart-burning in the industrially backward areas of the country. My submission is that instead of having so many Ministries giving sanction to industries, there should be a section of the Government which may deal with these industries with a view to promote the rapid advancement of all the regions of the country. Unless this is done, people will quarrel for this particular District coming into one State or that particular District going into another State. That has got something to do in this quarrel. This uneven expansion of industries in different parts of the country is a factor which is working in the minds of the people when they quarrel for this portion or that portion of a State.

Therefore, the time has come when we should take necessary steps in this direction. I understand that under this Bill there is no scope for having an overall view of the whole picture. My submission, therefore, to the Government is

that they should devise some measure by which this much desired objective is attained within a short time.

Shri C. D. Deshmukh: Mr. Deputy-Speaker, on the last two occasions on which the life of this Act was prolonged it was prolonged only for a limited period and, in any case, the national planning had not got into its stride. This is the first time that both these conditions are being fulfilled. We are now far more conscious of the importance and significance of country-wide planning and it is in this context that I am proposing that this measure be now put permanently on the statute-book. It was therefore to be expected that the debate on the Bill would be far more profound and comprehensive than in the past, and I am most grateful to all the hon. Members who have examined the operation of this Act so critically and, nevertheless, so constructively.

It will not be possible for me to say in reply to each point that the existing law will be amended in this or that particular way or that the operation and administration of the Act will be modified in a particular way. But, I might say that I am in general sympathy with most of the points of principle made in the course of the debate. It must be possible for us to review the administration of the Act in the light of these observations and to come to conclusions on (a) what amendment is called for in the Act itself or in the rules, and (b) what modifications or practice are required in administering it.

With one thing, for instance, I agree very readily and that is that the periodical reports that we bring out ought to be far more informative and analytical than what they have been. I have looked through some of the reports again and I find that perhaps they are a bit too laconic and too statistic. Therefore I think it is our duty to try and make them more informative so that the House and anybody else who is interested would get the inwardness of the operation of this measure. As I hinted in the course of my questions to the Member opposite, the Bill itself is just a piece of mechanism, but it is the end piece of a mechanism probably at the top of the some pyramid consisting of policy and practice which is not all statutory. Some of it is obviously, as the last hon. Member pointed out, the business of the whole Government. Therefore, it is all the more necessary that this apex should really be

illuminated from which people would be able to draw conclusions. So we shall try to make up this deficiency as well as we can.

On the last occasion on which the life of this measure was prolonged I find I gave two assurances. One was that the meetings of the Advisory Committee of the Capital Issue Control would be convened more often, say once a quarter and that delays will not be allowed to occur. Secondly, if the commercial and industrial community succeeded in proving to the Planning Commission and the Government that the interests of the country are not being properly served by this particular shackle on the floatation of capital then we shall undertake to bring a measure to put an end to the Capital Issue Control. Since then much water has flowed under the bridge and I am gratified to see that almost every Member who has spoken on the subject has supported my motion except perhaps the half-hearted support of the last Member who feels discouraged by the speeches apparently of the other hon. Members.

Mr. Deputy-Speaker: He did not wait to hear the hon. Minister.

Shri C. D. Deshmukh: He seems to have made up his mind but I am quite sure he may change his mind now.

Now, as to the first assurance, a meeting of the Advisory Committee was held in July 1952. The question of reconstituting the Committee was then taken up and the reconstituted Committee was appointed in September 1953. It held a meeting on 2nd December, 1953. During 1954 it held three meetings and two meetings were held in February and May 1955. A third meeting scheduled for 18th August had to be postponed as several members intimated their inability to attend. A further date in November was fixed but that again had to be cancelled due to unforeseen exigencies of parliamentary work—the Security Contracts Regulation Bill. The last meeting was held on 5th January, 1956 and arrangements are in hand to convene the next meeting on the 6th or 7th March next. So, I hope the House will accept the conclusion that we are trying to improve. The present Committee consists of Dr. A. Ramaswamy Mudaliar as Chairman with the following members: Shri Ramlal Devkaran Nanji, Shri B. D. Somani, Mr. G. A. S. Sim and Shri S. Nijalingappa, M.P. Shri Ramlal Devkaran Nanji is a banker, not a small banker but the head of bank which

is not among the big five. He has been President of the Indian Bankers' Association for many years. Shri D. B. Somani, I think, belongs to the All India Manufacturer' Association representing small industries. Mr. G. A. S. Sim is the President of the Associated Chamber of Commerce.

Now, a question was raised as to the possibility of the Advisory Committee dealing with each individual application. It would have become clear by my reading out the names of the members itself that that is not going to be possible even if we are going to deal with 250 applications a year. Especially, we want to avoid delays. Nor is this thing comparable to licensing organisation which is maintained under the Commerce and Industry Ministry under the Industries (Development and Regulation) Act, 1952. There, the scheme is, there is a Central Advisory Council of Industries which appoints a Review Committee for reviewing the licences disposed of. That is a sub-committee of the Central Advisory Committee. Below this is a Licensing Committee which consists of representatives of the central departments concerned and the Directors of Industries of all State Governments, and it is presided over by the Secretary to the Ministry of Commerce and Industry. Therefore, although it is a widely representative committee, it is almost entirely departmental, and therefore, it is able to deal with these things in a way in which probably a committee consisting of non-officials will not be able to.

Then the Department of Company Law Administration which now manages capital issues is represented through the Controller of Capital Issues on this last committee. Then, occasionally *ad hoc* sub-committees of the licensing committees are appointed, as in the case of sugar industries, as and when they are needed. So far, there has been only one instance of that, and that is the sugarcane sub-committee. Therefore, it seems to me that as the scheme of the law provided, it is better to confine the activities of the Advisory Committee to what is stated in the relevant section of the Act which I shall read out with your permission:

“The Central Government shall, by notification in the official Gazette constitute an Advisory Committee consisting of not more than five members, and may from

[Shri C. D. Deshmukh]

time to time refer to it for advice any such matters arising out of the administration of this Act as the Central Government may think fit."

There is an indication here that not all matters need be mechanically and automatically referred to the committee if we want to get the best out of the advice of these very experienced gentlemen.

Now, I shall deal with the various specific points that have been raised by hon. Members, but before I do so, I would like to point out that one is apt to be misled by different ideas and connotations of the words capital, capital issue and investment, and one is tempted to regard these as equivalents, but such a course of action is likely to be misleading. For instance, in the figures given in the Reserve Bank Bulletin regarding investment, they probably include ploughing in of profits which is not relevant for the purposes of this Act. Therefore, there is no direct way of comparing or drawing a lesson from the figures which are given in other places. Even here, in regard to the figures given out by us, it is necessary to remind hon. Members that section 2 defines the issue of capital as follows:

"'issue of capital' means the issuing of any securities whether for cash or otherwise;"

Then, sub-section (b) of section 2 says:

"'securities' means any of the following instruments issued, or to be issued, by or for the benefit of a company, whether incorporated in the States or not, namely:—

(i) shares, stocks and bonds;— the word "shares" does not exclude any special kind of share—

(ii) debentures;

(iii) other instruments creating a charge or lien on the assets of the company; and

(iv) instruments acknowledging loan to or indebtedness of the company and guaranteed by a third party or entered into jointly with a third party."

This is a very comprehensive definition. Therefore, it is not easy to deal with the individual questions asked as to why a particular loan was given or a particular permission was given in a particular case.

Incidentally, take the case of the shipping companies. The figure is about Rs. 228 lakhs. But Rs. 198 lakhs out of this represent loans granted by the Transport Ministry to the shipping companies to acquire new vessels. Consent was necessary because the loan created a charge on the assets of the company. Therefore, this answers to the question why we are giving new loans. They are not for ship-building yards. They are really shipping companies. Many other instances were pointed out about coal-mining. That is a very, very big issue indeed. It takes us through the whole range of coal production in this country. Roughly, the position is that we are today producing 38 million tons out of which about three million tons are produced by the public sector and 35 million tons are produced by the private sector. By the end of the Five Year Plan, we shall require 60 million tons, that is to say, about 22 million tons more. Recording it as 21 million tons, you divide it into three portions of seven million tons each. The private sector has undertaken to produce another seven million tons without asking for any financial assistance from the State. Seven million tons will be produced by the private sector. We are not quite sure yet how the rest of the seven million tons will be produced. As we go along, we shall be able to decide, in the light of the progress made by both the sectors, as to whether we should allot all or part of it to the private sector or to the public sector.

There was some reference to the tea companies. The bulk of it was for issue of bonus shares or for the repatriation of the capital of sterling companies which could only be done through rupees raised by an Indian company floated for the purpose. So, it was part of the process of repatriation. It was not a case of enabling any one to start a new tea plantation or anything like that.

There was a case of automobiles. That problem you, Sir, have solved yourself by reading through those figures. That automobile industry which is mentioned here obviously must be the old automobile industry already established and not new, because, it does not occur in the list of the new companies.

Mr. Deputy-Speaker: What about fishing? What about the trawlers that were purchased?

Shri C. D. Deshmukh: To say that we know all about fishing and therefore we do not have to learn from anybody

or to import any capital or to do anything in this matter is such a poor argument.

Mr. Deputy-Speaker: The Estimates Committee had occasion to go into this matter. They found that deep-sea fishing required some special knowledge and they referred to the Norwegian trawlers.

Shri C. D. Deshmukh: That was what I was going to say. I do not agree with the first proposition that we have to learn nothing about fishing. We are probably good at coastal fishing. But deep-sea fishing, as you say, is quite a new problem and we are sufficiently advanced mechanically in this matter. May be some new companies were started in order to explore and exploit deep-sea fishing. Hon. Members are probably aware that the aid which has been given to us by Norway is in the form of a fishing project.

Mr. Deputy-Speaker: Some experts also were given.

Shri C. D. Deshmukh: Yes; they have sent some experts. They have designed a new type of boat which I myself have seen. It is being built by our people here, and we have seen our own people being trained in Travancore, with boats suited to our own conditions of deep-sea fishing.

Shri K. K. Basu: Are they permitted to manufacture the implements necessary for the fishing industry? That is a completely different proposition.

Shri C. D. Deshmukh: This particular permission was given to a company which sought foreign collaboration, with the Japanese. Japanese are well-known to have certain skills in fishing and subject to all the qualifications that the hon. Member has mentioned, I still think there is room for fresh collaboration with foreign interests. I only give this example; it will not be possible for me to give a satisfactory answer to the hon. Member about each case. About 2,000 cases have been decided—about 250 every year—and although it is possible to draw attention to a tendency and for us to note it and examine it, I really cannot undertake to give a satisfactory answer in each case. This is from the information in my possession. This is the answer that I am able to give and I hope hon. Members will find it fairly reassuring.

I shall come to the permission given to foreign investment a little later, because that is a point made by another hon. Member. Regarding the question of bonus shares, this is not the place to discuss whether bonus shares should or should not be allowed, but the hon. Member who spoke on it complained that we kept the applications for ten months. As I had occasion to say in reply to a supplementary question, I think it was open to us to have rejected those applications straightaway, because we had not made up our mind. Therefore, his real complaint is that we have taken so long to make up our mind in regard to bonus shares. All I can plead in self-defence is that it is a very, very complicated issue. Opinions have been expressed on both sides, some holding that there is no logical reason for taxing bonus shares and others holding equally vehemently that there is some ground for doing so. We have to weigh these and come to a conclusion, which we shall in the fullness of time.

Pandit Thakur Das Bhargava (Gurgaon): One day remains.

Shri C. D. Deshmukh: I do not know how the hon. Member could assume it. I am only saying that one should not quarrel if we take ten months to decide a matter of this kind. This is one of the hundreds of recommendations made by the Taxation Enquiry Commission. On some I will take action this year, some I will leave for the next year, some for the year after and so on. It is a kind of guide for us in taxation matters for the next few years and we shall have to turn over its pages from time to time and see what we should do. We came to the conclusion that this was a very, very complicated matter where we could not take a snap decision. Finally, we said, "all right", which I think was a very graceful action on our part. We said, "all right, we will allow the issue of these bonus shares; but, we reserve the right to decide in regard to taxation later". That is the position and I do not think that that delay should be pressed against us very much.

I now come to the various points made by other hon. Members. Shri Asoka Mehta said that in 1951-52 he found that sanction was given for a total sum of Rs. 59.6 crores, and out of this, sanctions were given to two concerns for raising capital worth Rs. 5 crores each. One was Mamatha Films and the other was Everest Film Limited International. An amount of Rs. 10 crores was raised

[Shri C. D. Deshmukh]

in respect of both these concerns. He said, "When resources were so scarce, I wonder how Rs. 4 crores could have been permitted to be diverted to the Mamatha Films", (although it is so named), "and the Everest Film Limited International". The facts are these. Total amount for which sanction was given was Rs. 59.6 crores, but, apparently, the hon. Member has got his other figures from Joint-stock Companies in India, 1951-52 and 1952-53. The authorised capital of these two companies is Rs. 5 crores each, but their subscribed capital is Rs. 1,01,000 in the case of Mamatha Films and Rs. 5,020 in case of Everest Film Limited International.

Mr. Deputy-Speaker: Is it Mamatha or Manmatha ?

Shri C. D. Deshmukh: It is "Mamatha".

Mr. Deputy-Speaker: "Manmatha" would have fitted better with a film company.

Shri C. D. Deshmukh: The letter "n" is missing.

Mr. Deputy-Speaker: Probably the Finance Minister has added the letter "h".

Shri C. D. Deshmukh: Our permission is not required for a company registering itself with any authorised capital. Shri Asoka Mehta also seems to be under the impression that the figures given in the publication of joint-stock companies are necessarily those of concerns given by the capital issue control. So, that removes that particular misunderstanding. He complained—he pointed out, he did not complain—that the total amount allowed to be issued to non-residents was as high as Rs. 68.8 crores out of a total of Rs. 317.4 crores. He enquired if this was a wise policy. The statistics are correct but the conclusion he draws from them is somewhat vitiated by the fact that during these years there were a number of large issues of an unusual type. In 1953, Imperial Tobacco Company (India) Limited, capital re-organisation scheme—Rs. 11 crores; in 1954, Burmah-Shell Refineries—Rs. 22.95 crores. While I am on refineries, I may as well join issue with the hon. Member opposite in regard to prohibiting the issue of a certain kind of shares. In this particular case, the securities issued were preference shares in accordance with the agreement. Therefore, there was no scope for us now to

vary that original agreement. On the original agreement, of course, there has been difference, of opinion and, as the House is aware, it has been discussed. Refinery (India) Limited—Rs. 9.17 crores; and, Tata Hydro-electric Andhra Valley and Tata Power Companies—Rs. 7.70 crores; it appears here,—because the loans were taken from the International Bank for Reconstruction and Development. I am not complaining against hon. Members. It is our fault that we lumped together all these figures and left room for Members to draw conclusions. What I am saying now, it would have been possible to say even in that report. If we had given a little foot-note, may be these criticisms would not have been levelled. I take this opportunity now to explain these things. That makes a total of Rs. 50.82 crores. If these exceptional issues are ignored, then the percentage of issues to non-residents will be found to be less than 6 per cent of the total amount of issues in these three years.

I now come to another point and that is a point made by most of the speakers, namely, the figures do not seem to show that the control has been so operated as to further a sound national investment policy. They found that the industrial enterprises were few and far between. The old ones are expanding and that means all our enterprises are ultimately controlled by limited number of regions. It has been said that there is a marked and significant shift in company floatations from public to private sector and the paid-up capital of the engineering industries has remained almost stationary. As I hinted in my question, although all these are, I think, possibly desirable ends, I am not sure how far they can be secured through this particular piece of legislation. This, for instance, opens up the whole field of national planning, especially planning in the industrial sector and what we are going to do in this matter ?

Mr. Deputy-Speaker: Has any priorities in the matter of capital issues been fixed ? . . .

Shri C. D. Deshmukh: Priorities will be fixed according to the plan. Therefore, it raises the issue, what is your plan in the industrial sector. I can hardly be expected to enter upon that particular field because it will take all the time that is available.

Mr. Deputy-Speaker: Is it not enough to say that it is being worked in accordance with the plan? No details of the plan need to be given.

Shri C. D. Deshmukh: In the First Five Year Plan, our plan was not a very complete one in regard to the private sector. We contented ourselves with indicating the targets for some of the major industries. Therefore, the answer is that the First Plan was not a very perfect plan in this respect. I believe that the Second Plan would be found to be a very great improvement on that situation. Hon. Members will have an opportunity, when the Plan comes up, of drawing attention to the places where it is found lacking in this particular respect. I can understand the anxiety of hon. Members to ensure that the industrial development in our country does not become lopsided, and that more is not given to him that hath and that special efforts are made to bring up the backward regions. I do not think there is any difference of opinion in regard to this matter. The question is (a) as to the means that one can employ, and (b) whether any means can be employed *via* this Act. In regard to the first, I think the fact that the States themselves are far more alive to the aspirations of their own people to have industries of various kinds started is itself a guarantee that this matter will not be allowed to be lost sight of. Secondly, there is the fact, as I read out, that the Directors of Industries are represented on this Licensing Committee. One may expect that they will not fail to bring forward their own special points of view when they deal with the licences.

So far as this particular Act is concerned, only one suggestion has been made, and I think, that was by Shri T. S. A. Chettiar, that we should vary the limit so far as the small engineering enterprises are concerned. It is possible that this is a suggestion that one ought to consider. The position in regard to that matter is,—I may clear it up here—it is regulated by the rules. The exemption provision regarding Rs. 5 lakhs reads thus:

“The following shall be exempt from all the provisions of sections 3, 4 and 5 of the Act.

I shall read only one part, which is the most important part.

“issue of securities other than bonus shares

That is, for bonus shares, there is no lower limit. Let us forget that for the moment.

“ . . . other than bonus shares by any company not being a banking and all transactions relating to such securities issued by any such company

This is the substantive portion.

“ . . . provided that the value of such the consideration involved in such issue together with the—please mark—value of the consideration involved in any previous issue of securities not being an issue covered by Clause 4 (Clause 4 is prospectus and so on) made by such company within 12 months next preceding such issue shall not exceed Rs. 5 lakhs.”

Therefore, the cumulative element has been brought in here. The apprehension that many members felt, I do not think, will be realised. In other words, the situation is under control. This is all incidental by way of explanation. What I want to say here is, it is possible to think of some modification of this rule.

Mr. Deputy-Speaker: Section 6 says, that the Central Government may by general order which shall be notified in the Official Gazette provide for granting exemption from all or any of the provisions.

Shri C. D. Deshmukh: I am talking of the contents of the rules which are in accordance with that section. What I am saying is, it is possible to consider if this rule could be altered so as to give a little encouragement, wider latitude to certain kinds of companies. The other matter

Mr. Deputy-Speaker: It may also be considered whether this power of exemption is being abused by spreading over the raising of capital.

Shri C. D. Deshmukh: That would be hit by this rule itself. We have to discover cases of malfeasance. That, of course, depends on the general character of our administration. Now, with the department of company law administrations strengthened by the appointment of Registrars and so on, I think many more cases will come to our notice than could have come to our notice in the past.

The other important point is in regard to the concentration of economic power. I wish I was in a position to give a very satisfactory and definitive answer to the

hon. Member. The position is that about three-fourths of the finances found for the companies is what is called self finance. It comes out of the reserves and that does not require any permission unless some reserve is going to be turned into bonus share, which would be a domestic arrangement subject to whatever is done in regard to paying the State its share. According to the studies made by the Reserve Bank, only about 14 or 15 per cent is outside investment, or investment through managing agents or guarantees, loans and so on. Another ten per cent may be of other kinds. Therefore, it is not, again, a matter which can be decided only with reference to this particular Act. The point I wish to make is, even if we make an amendment here, we may not succeed in reaching that objective, namely preventing concentration of economic power.

Mr. Deputy-Speaker: Regarding dispersal of industries suggested by Shri K. C. Sodhia, is it not possible to utilise the Industries (Regulation) Bill along with this?

Shri C. D. Deshmukh: That is what I meant when I said that since the Directors of Industries are already there, one may assume that they are already putting forward all the influence that they possess in order to ensure that the industries are spread in a regional kind of way. In many cases where important investments are to be made, the Planning Commission is consulted. It usually appoints committees—take for instance the fertiliser project—to consider as to where it should be. There are special *ad hoc* committees appointed. The matter is not neglected. Whether in the short run one would be able to get statistics which would prove that a desirable change has taken place or not, it is more difficult to say. All I can say is, everybody accepts this in principle. There are many ways by which one can certainly make an advance in that direction. But, if you merely look at the figures which are put out by us under this Act, you may not feel satisfied.

Shri K. K. Basu: Even in the private industries, the Planning Commission was consulted about the location?

Shri C. D. Deshmukh: Oh, yes. Take for instance, the fertiliser factory. What happens is, the Ministry concerned, in this case, the Production Ministry, appoints a committee. After the committee's report is received, they put out

a report. That report goes to the Planning Commission. The Planning Commission makes its own recommendation. Then, the matter is brought before the Heavy Industries Committee which has been constituted by the Cabinet. And usually now all States are well aware of their rights and we receive very frequent reminders of the claims of each individual State.

Shri Asoka Mehta: That is about the public sector. What about the private sector?

Shri C. D. Deshmukh: No, private sector also. After all, the Plan includes both, and sometimes they say a special provision should be made to enable them to advance loans to private industrialists who wish to set up industries in some places, or they wish to operate the various State financial corporations or the industrial finance corporations in such a way that regional development is encouraged.

Mr. Deputy-Speaker: Is it possible to offer any better and larger inducements and facilities for the backward areas being industrialised than other areas?

Shri C. D. Deshmukh: Not so far as big industry is concerned because there are many other factors like availability of resources, transport charges, the consuming centres and so on and so forth. The field of choice is not so wide there, but in the medium and small scale industries it should be possible. So far as the small scale industries are concerned, there is a separate Board which now advances loans and grants. There are separate institutes like the institutes set up on the advice of the Ford Foundation team in order to help them technically on the one hand and to take charge of their product for sale on the other, and so on and so forth.

A complaint was made that we read too much into the provisions of this Act. The section here is a very general one. We may impose any condition. Unless one categorises everything, it is very difficult to say what is within the spirit of the Act and what is not, and in a matter like this I think we ought to rely on logic. What does the logic of the situation involve? Is this something that is cognate or germane to the purposes of this Act? And there is no reason why one may not now ascribe to it a broader purpose than when the Act was enacted, because it is a far cry from 1947, indeed

the Defence of India Rules. It is a kind of war baby it has become respectable by now, and it has now been brought into correlation with the planning needs of the country.

Mr. Deputy-Speaker: If the language is comprehensive, wide enough to cover all these things now, merely because this language was used then, what is the new language that could be found for it now?

Shri C. D. Deshmukh: That is my point.

Mr. Deputy-Speaker: Assuming we were to do it...

Shri C. D. Deshmukh: How to change it except by categorising some things that shall be done and some things that shall not be done. That is practical law making.

Mr. Deputy-Speaker: The boy is grown into an adult. There is no use trying to push him back into boyhood.

Shri C. D. Deshmukh: We are in close touch with the advisory committee in this matter. What happens is, notes are placed before the advisory committee that we think that *vis-a-vis* the public and the company issuing securities this should be the arrangement; so much should be equity capital etc.—you cannot say this is not relevant to the purpose of getting money—that is, the kind of money that is raised from the public. Then we tried various schemes, whether a fixed percentage is better, whether a sliding scale is better and so on and so forth. I shall not weary the House by reading through the decisions given by the advisory committee, but this is their last decision. The Chairman opened the discussion by drawing attention to the fact that there had lately been a shift in the industry to new manufacturing undertakings, from mainly consumer goods to mechanical and heavy industries. These industries require large capital outlay and there was therefore a case for a reasonable sliding scale rather than a fixed percentage of private subscription. In the discussion the committee also took into consideration the views of the Federation of Indian Chambers of Commerce and Industry as expressed by Shri Pranlal Devkaran Nanjee. It was agreed that the rates proposed in para three of the departmental note were on the high side and that the following scale might be adopted:

Up to Rs. 1 crore	15 per cent.
Up to Rs. 2 crores	12½ per cent
Up to Rs. 5 crores	10 per cent.

Above Rs. 5 crores—at a percentage to be fixed on individual merits of the case.

Now, I suggest to the hon. Member that if he feels that some change is called for here, he should activate the particular member on the advisory committee who represents the sort of interests that he might have in mind, so that the matter might be considered. But this is how these things are handled in the advisory committee.

Now, there is this question of delay, but before I come to the question of delay, I would like to explain what exactly is the relationship, the relative spheres of licences under the Industries (Development and Regulation) Act and the capital issue control. A licence is required under the Industries (Development and Regulation) Act for:

- (a) establishment of a new industrial undertaking, (b) substantial expansion of an existing undertaking, and (c) manufacture of new articles requiring a licence in respect of the industries enumerated in the First Schedule to the Act provided the number of workmen is more than 50 if the undertaking is worked by power, or more than 100 if not worked by power.

These industries or groups of industries are only about 42 in number, and the types of cases which cannot be dealt with by the Industries (Development and Regulation) Act but can only be dealt with by the capital issue control are the following:

- (1) Industries not covered by the Schedule to the Industries (Development and Regulation) Act, —obviously.
- (2) Industries covered by the Industries (Development and Regulation) Act, but the expansion of which is not substantial expansion within the meaning of the Act.

There have been several cases where the issue of capital involved was substantial like modernisation of a textile mill which did not require a licence.

- (3) Plantation companies—altogether excluded.

- (4) Banking and insurance companies, which is already admitted by the hon. Member.

[Shri C. D. Deshmukh]

(5) Non-industrial companies.

(6) Issue of bonus shares.

Then, where a licence has been granted, the case for capital issue sanction has to be examined from the following points of view, which are of a financial and technical nature:

(1) whether all the capital asked for is likely to be required in the immediate future, or, if there is any phased programme of expansion by the company applying for licence,

(2) whether the company has already at its disposal adequate funds locked up in less desirable investment,

(3) the terms of capital issue, whether at par or at a premium, —and I again claim that it is very much our concern to decide what the terms should be—

(4) the amount of under-writing and brokerage charges,

—especially as in the context it was a case of rights issue, that is to say, issue confined to the members holding shares already, and therefore it was the first case of its kind and we had to be very careful as to what decision we took—

(5) whether the nature of the proposed issue is likely to cause an imbalance in the capital structure of the company as between equity and fixed dividend bearing capital, which I have already mentioned,

(6) whether the terms of the proposed issue are otherwise in conformity with the provisions of the Companies Act, which is a very big responsibility.

Where a licence has been subject to the approval of the terms of collaboration of a foreigner, no consent can be issued until those terms have been finally approved. And there are various financial aspects which I shall not weary you with. Now, therefore, they are not all straightforward cases, but to the extent to which we have what we may call straightforward cases not requiring the consideration of the above points, I claim that consent to the issue of capital is given within a week or two of the date of receipt of the licence.

Mr. Deputy-Speaker: Automatically is impossible?

Shri C. D. Deshmukh: Automatically is impossible, because we have to examine whether these other things occur there or not. How do we know that this is exactly the same as the other one?

I forgot one point in regard to the conditions. That was to find out whether we can discourage managing agencies through this. I submit that this is not the right use of it—after all, Parliament has passed a law dealing with the matter in a more practical way—but we do find out if the appointment or reappointment of managing agents has been according to the provisions of the Companies Act. Where such appointment requires Government's approval, to that extent we do take notice of the provisions of the law.

Mr. Deputy-Speaker: Indirect pressure may also amount to abuse.

Shri C. D. Deshmukh: I think so. Therefore, we try to determine first the principles which we should logically apply in operating that particular set of conditions.

Shri K. K. Basu: That is only non-violent method.

Shri C. D. Deshmukh: Not third degree method.

Now, I have really covered most of the important points, and, as I said, I shall again go through all these debates so as to find out how we should follow up the many important and valuable suggestions made by hon. Members.

3 P.M.

Mr. Deputy-Speaker: The question is:

"That the Bill further to amend the Capital Issues (Continuance of Control) Act, 1947, be taken into consideration."

The motion was adopted.

Clauses 2, 3 and 1, Enacting Formula and the Title were added to the Bill.

Shri C. D. Deshmukh: I beg to move:

"That the Bill be passed."

Mr. Deputy-Speaker: The question is:

"That the Bill be passed."

The motion was adopted