

**REPORT OF I.F.C. ENQUIRY
COMMITTEE—concl'd.**

Mr. Chairman: We will take up discussion on the Report of the Industrial Finance Corporation Enquiry Committee raised by Dr. Lanka Sundaram on the 4th March 1954. In regard to this, the time fixed is about an hour and I propose to give forty minutes to the hon. Deputy Minister and thirty minutes to three speakers—ten minutes each.

The Deputy Minister of Finance (Shri A. C. Guha): How many minutes for me, Sir?

Mr. Chairman: Forty minutes for him. We will adjourn at 7-40.

Shri Raghavachari (Penukonda): In the Order Paper that was circulated, it was stated that the discussion would be from 6-30 to 7-30; you now say—till 7-40.....

Mr. Chairman: This is not unusual.

Shri Raghavachari: I wanted to know whether you are extending the time.

Mr. Chairman: Yes, the House will adjourn at 7-40. Shri Bansal.

Shri Raghavachari: Have you ascertained the wishes of the House?

Shri Bansal (Jhajjar-Rewari): I thank you for allowing me this opportunity to participate in this debate. I must tell you that when I was listening to the speeches made the other day, a sense of pessimism and disappointment crept on me as regards the future of industrial development of our country. This Industrial Finance Corporation which has been working for the last few years has had, in my opinion, a very good record of service. When some complaints were brought to the notice of the Members of this House, they raised those points in the debate when the Act was being amended and subsequently a Committee was appointed and now that that Committee have had enough time to go

through all the points it is only proper that we consider the report impartially. I am sorry to say that those hon. friends who participated in the debate neither did carefully go through the Report of the Committee nor did justice to the opinions and views of the Board which were circulated along with the Report. The Committee has dealt with the complaints in four chapters—chapters 3, 4, 5 and 6. I will take chapter 3 later on because the bulk of the complaints are dealt with in chapter 4. In this chapter, the Committee has taken note of nine complaints and I have gone through all these complaints very carefully and in every one of them, excepting in one, the Committee have completely exonerated the Industrial Finance Corporation. I do not want to take the time of the House by reading the views of the Committee on these nine complaints but lest I am doubted, I will point out a few observations of the Committee in this chapter. I would particularly invite the attention of my hon. friend, Dr. Lanka Sundaram to these observations.....

Dr. Lanka Sundaram (Visakhapatnam): On what page?

Shri Bansal: If you read page 20, referring to complaint No. 1, the Committee says:

“The scrutiny of rejected loan applications carried out by us does not indicate that the Corporation entertains any bias against industries established or proposed to be established in backward regions”.

About complaint No. 2, the Committee says:

“The Constituent Assembly recognised that the Central Corporation should confine its activities to comparatively larger industries only while the interests of smaller industries will be looked after by the State Financial Corporations...”

This was in reply to the complaint that the Corporation has given assistance to large industries only. I now come to complaint No. 3 that the Corporation has not helped in the dispersal of industries. The Committee's finding on this is:

"We do not think that it is a function of the Corporation to regulate the dispersal of industries....."

I can go on like this but I have only ten minutes and therefore, I request the hon. Members to go through this chapter very carefully themselves.

Dr. Lanka Sundaram: Will you read pages 8 to 12.....

Shri Bansal: I have read everything. You have had your say and please do not interrupt; I will come to that point also.

An Hon. Member: It is a waste of time.

Shri Bansal: In this very chapter the Committee referred to another complaint although they have not serialised it as a complaint. A complaint was made in this House that the co-operative societies were discriminated against. If he reads para 8 on page 28, he will find:

"Applications from co-operative institutions have not been forthcoming."

Even so one loan was granted to a co-operative institution.

Then in chapter 5, the complaint was made that in one case a loan was given where the managing agency did not have a substantial interest in the company. It is true that the managing agency, as suggested, did not have a substantial interest but the partners of the managing agency had substantial interests in that company and this is mentioned clearly in the reply of the Board to the Committee's allegations. A reference to that will be found on page 4 of the Report of the Board.

In Chapter VII—which should be actually Chapter VI because this is a misprint in the Report—the complaint is made that the Corporation did not apply uniform criteria to all the loan applications. Here I would respectfully submit for the consideration of the House that where financial transactions running into lakhs of rupees are involved it is not possible for any responsible institution to apply uniform criteria. It is not any dispersal of charity to displaced persons that uniform criteria have to be applied. I am sorry that my hon. friend the Chairman of this Committee is not here. But in cases where industries are concerned, where large loans have to be granted, a number of considerations have to be taken into account. And those considerations are bound to differ from persons to persons, from the nature of the concern, from the establishment, from the size of the establishment, and so on and so forth. I can quite well conceive that there may be two concerns of equal standing, but one may be managed by a managing agency firm which may not have a high reputation. I would think twice before giving a loan to it, even though on other grounds it may be equal or superior to the other applicant. Therefore, to say that this Corporation did not apply uniform criteria in every case is in my opinion not doing justice to the nature of work and responsibility of the Corporation.

The main gravamen of the charges against the Corporation is in Chapter III concerning the specific allegation that the bulk of the loans granted by the Corporation was to those people who were directors of the companies and also were directors of the Corporation. The sentence is: "From the list of names of Directors on the Boards of borrowing concerns, furnished to us by the Corporation, we are constrained to state that though the loans from the Corporation were not confined to any particular group of capitalists, there is no denying the fact that a large part of

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the loan applications was from big business and their associates."

Sir, in this connection I have already read out the views of the Committee on page 21.

Again, when they are, in paragraph 52, dealing with this specific question at length they say it was not the business of this Corporation to deny loans to larger concerns, because this Corporation was actually constituted to help larger enterprises. And therefore I really do not understand why the Committee are "constrained to state". I should have imagined that it was a plain statement of fact; and why should they be constrained to point it out? I have come across similar contradictions in this Report, and I come to the conclusion that the Committee was suffering from a split personality. It had before it a number of complainants, and it was all the time listening to those complainants and not giving enough opportunity either to the Board or to the individual Directors of the Board to go into those complaints and reply to those specific charges. I should have imagined that if this Corporation was giving loans to big industrial enterprises, it was doing just the thing which this House, or the Constituent Assembly (Legislative) which preceded it, wanted that Corporation to do.

Another charge is made that in a number of cases—four cases are pointed out here—the loans were given to concerns in which the Chairman of the Board was interested, either in the managing agencies of the companies directly or was a director on their boards. There was nothing in the Act which debarred the Chairman or any Director of the Corporation from taking loans from the Corporation. Over and above that, these facts were in the knowledge of Government. They were brought to the notice of Government that these applications are from people who are directors of these companies and also happen to be

directors on the Board or is the Chairman of the Board.

Mr. Chairman: The hon. Member has already exceeded his time.

Shri Bansal: I will come to the concluding portion of my story. We are soon going to have two more Corporations more or less of this very nature in this country. If this House is thinking in terms of large scale industrialisation, in terms of progress, under the Plan, in the Plan period, it will not do to enter into such carping criticism and not to recognise the genuine work where it has been done? If this is the way we are going to deal with public men, Government servants, economists, leaders of the co-operative movement, I do not know what the future is going to be of these two corporations. Criticise. It is our right to criticise. I think genuine criticism helps. But to criticise without any sound reason, just to criticise for criticism's sake is not going to help anybody. We know that our Plan is falling short of the targeted figures. Why? Because the officials today are reluctant to take any responsibility. I know what the achievement of the Committee is. This Corporation was granting loans for the last five years. The loan granted was Rs. 3.42 crores in 1949, Rs. 3.77 crores in 1950, 2.38 crores in 1951, Rs. 4.4 crores in 1952. It came down to only 1.43 crores in 1953. This is the direct result of the Committee. Because, we take all initiative from the people who are carrying the responsibility. Therefore, I would appeal to the House to always maintain a sense of proportion when they are criticising things. If a man does wrong, do criticise; do go at him. But we must also recognise that we have to carry this country forward with the co-operation of everybody concerned, with the co-operation of our officers, with the co-operation of our economists, with the co-operation of the people who are in charge of the co-operative movement, and not

the least, with the co-operation of the businessmen.

Shri Morarka (Ganganagar-Jhunjhunu): I wish to begin my speech by saying a word about the rather unfair criticism made by the hon. Members in the Opposition, about the Managing Director of this Corporation. Apart from the well established traditions of this House not to make any personal criticism against anybody, much less against a person who is not a Member of this House, and who cannot answer the criticism, I think, even on the merits, the entire criticism was unfounded and had no relation to facts or reality. What was the criticism? The main criticism was that the Managing Director has a lot of powers, that he is the centre of gravity, and that he is all in all. Even assuming for a moment that this criticism is correct, whose fault is that? As the House knows, the Managing Director derives his power from three sources; firstly from the Corporation Act itself, secondly from the Board of Directors, and thirdly from the Executive Committee. If you feel that the Managing Director has powers which he should not have, I think the blame lies with one of the three sources or with all of them. The blame lies with the person giving the powers and not with the person to whom the powers are given. Sir, I ask a question of the hon. Members who have made the criticism: is there a single instance in which the Managing Director has exceeded his authority, or he has gone out of the way to do anything during the course of the discharge of his duty? I ask a second question: Is there anything that they could point out wherein the Managing Director is personally interested in any loan to any concern, which was sanctioned during the course of his regime? I am sure the answer to these questions is bound to be in the negative. Therefore, any criticism made against the Managing Director personally has no relation to truth or facts.

Sir, now coming to the report pro-

per, I think the Government have done the right thing in accepting some of the recommendations and suggestions of this Committee. I also appreciate that some other recommendations of the Committee, could not be accepted by the Government straightaway without changing the Act. But, there are some appreciably simple recommendations which, in my humble opinion, the Government could have accepted, and which the Government have not accepted. I say this because I feel that the acceptance of these conditions is very vital for the proper functioning of this Corporation.

I will first take paragraph 48 of the report which says:

"The right to appoint Directors on the Boards of loanee companies is a salutary provision and should be more generally observed."

To this the reply of the Government was that the Corporation does exercise the right of nominating Directors on the Boards of the loanee companies as and when they feel necessary.

A little analysis would make the point clear. Out of 103 companies which have been given loans, only 23 have nominated Directors of the Corporation on their Boards, and these 23 companies represent slightly more than Rs. 5 crores out of the total of Rs. 15.22 crores which have been given as loans. Then, Sir, a company which got a loan of only Rs. 70,000 has been given a Director to represent the Corporation, while a company which has been given a loan of Rs. 65 lakhs has not been given any Director. Even among these 23 companies, one Director represents eight companies, another Director represents six companies, the third Director represents four companies and the fourth represents three companies. In my humble opinion this rule should be uniformly applied to all loanee concerns without any discrimination. At the most some financial limit may be prescribed, and any company which is given a loan of more than that sum of money must

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necessarily have a representative of the Corporation on its Board. I do not see any difficulty in the way of the Corporation asking the loanee company to have such a person on its Board. Once this law is laid down, I think it should be uniformly applied without any discrimination against any company, because I frankly feel that in the absence of such uniformity it does become delicate for the colleague Directors to nominate a Director on the Board of some of the Companies in which directors of the Corporation are interested. The report tells us that in the case of one company the Articles were changed and that the assets of another company were appreciated without the consent of the Corporation. Though these things may be minor, I think they could have been easily avoided if the Corporation had its representative on the Board.

Secondly, the Committee has reported that in order to enable Parliament to look more systematically into the working of this Corporation and similar other Corporations, a Committee of this House should be appointed. To this the answer of the Government is that for reasons already stated in this House the Government is of the view that the appointment of such a Committee would not be proper in the present stage of development. Sir I must confess that I have failed to understand how a Committee of this hon. House can stand in the way of any development programme of the Government. If anything, I feel that the appointment of such a Committee would be of great assistance to the Corporation, to the Government and to this House. I feel that in such Corporations where huge public amounts are involved, Parliamentary control of some type or other is inevitable. Not only that, I feel it is very vital and desirable. Apart from anything else it would curb the false feeling of sovereign ego.

Coming to the next point, the committee has recommended that those companies should not be given

loans the Managing Agents of which happen to be Directors of the Corporation. To say the least, I think that is a very mild recommendation or restriction that the Committee has proposed. I do not accept the argument which suggests that in this country you cannot find disinterested persons who can keep themselves away from the Managing Agency of the Companies to which they want to give loans. Apart from anything else, I personally feel that there are so many concerns where, if the Managing Agents are interested in them as Directors of the Corporation, then it would be very difficult for not only those directors, but even their colleagues to judge the whole question—the application for loan—purely on merits.

Having said this, I feel that this Committee has failed to investigate into the Managing Agencies of the companies, i.e. the interests of the Directors of the Corporation in the Managing Agencies of the present loanee companies. In the absence of that, one cannot make a very realistic criticism of the activities of the Directors.

Secondly, I feel that the Committee has also failed to investigate the causes of the failure of companies where companies have failed to pay either interest or instalments due. Last time when the amendment Bill was discussed, we were told that 13 companies had failed to pay either interest or the instalments. This report is conspicuously silent on that point. In my humble opinion that was the main issue on which the Committee should have commented, and the Committee should have said whether the Corporation has functioned well, has exercised its discretion properly, or whether they have failed to do so. Sir, rather than tackling the main and basic issues, the Committee has allowed itself to be led away into smaller issues, and has tried to find fault with small things here and there.

श्री भुनभुनबाला (भागलपुर मध्य): चेअर मैन साहब, इस रिपोर्ट के ऊपर काफी बहस हो चुकी और अब विशेष कुछ कहने की तो बात नहीं रह गयी है। हर तरह से यह रिपोर्ट यहां पर जांच ली गई है। रिपोर्ट में यह देखने की बात है कि कमेटी ने जो रिपोर्ट दी है उस में खुद उनका माइन्ड क्लियर नहीं लगता है। एक दफा कमेटी कहती है कि उन लोगों का कोई दोष नहीं। फिर उसके बाद वह कहती है कि नहीं, कुछ बातें ऐसी हैं। बहुत सी बातें ऐसी हैं जिन में यह देखा गया है कि इस कमेटी ने, इस कारपोरेशन ने, ऐसे काम किये हैं जिन से यह मालूम होता है कि उन लोगों ने कुछ फर्मों को और कुछ अपने आदमियों को सहूलियतें दी हैं। यह दो तरह के जो कंट्रेडिक्शन की बातें उन्होंने की हैं, उन से मेरी समझ में नहीं आता कि उन के मन में असली बातें क्या थीं।

इसलिये अब हम लोगों की बड़ी मुश्किल हो जाती है कि इस में क्या करें। जो गवर्नमेंट ने उस के ऊपर आदेश दिया है वह भी हमको अच्छा नहीं जंचता। आप जानते हैं कि यहां एक बड़े जिम्मेवार इस हाउस के मेम्बर ने कुछ आरोप लगाये थे और एक बड़ी जिम्मेवार संस्था के विरुद्ध वह आरोप लगाये थे जब कि वह मेम्बर साहब इस ओर बैठते थे। मैं समझता हूँ कि वह इतने जिम्मेवार हैं कि जब उन्होंने वे आरोप लगाये तो जरूर कुछ असली बातें जान कर वे आरोप लगाये होंगे, बिना कुछ जाने हुये आरोप नहीं लगाये होंगे। अब कोई भी मेम्बर इस प्रकार का आरोप लगाये और वह पार्लियामेंट का मेम्बर हो तो मैं समझता हूँ कि इसी तरह से कोई बात कहीं से सुन कर आरोप लगा दे तो वह ठीक नहीं है। उसकी भी इतनी ही जिम्मेवारी है, जितनी कि एक मिनिस्टर की है। किसी के भी विरुद्ध, कारपोरेशन के विरुद्ध, या किसी दूसरे आदमी के विरुद्ध हम कोई आरोप लगायें

तो हमें पूरे तौर से जांच कर लेनी चाहिये उस के बाद हमको आरोप लगाना चाहिये।

अब कारपोरेशन के ऊपर आरोप लगाया गया, हमारी कमेटी बैठे। उसका भी मन कोई तरह से क्लीयर नहीं है। फिर गवर्नमेंट की जो फाइंडिंग है, उस के ऊपर मैं विचार कर रहा था तो वह भी हम को इतनी साफ नहीं मालूम हो ती है। वह यह है:

"In regard to the first term of reference, the Committee has not found that the allegations made in Parliament about partiality and favouritism were established, and has generally exonerated the Corporation."

उस के बाद कहा है :

"It has, however, made some unfavourable observations to the effect that applications in which the Chairman or other Directors take interest receive more expeditious and liberal treatment and that the Corporation carries a bias in favour of established concerns with which any prominent industrialist is associated."

इस तरह से यह है :

"The material on which these remarks are based is not given in the report although the Committee has made certain observations in its examination of individual cases, which might suggest that some favour or leniency was shown. Government have had every one of these cases most carefully examined and find it difficult to accept the view expressed by the Committee especially in regard to liberality of treatment meaning thereby larger loans or easier conditions not justified by business considerations."

जब मैं ने यह पढ़ा तो समझा कि बहुत ठीक है। रिपोर्ट भी पढ़ी तो वहां पर भी कोई इस प्रकार का ऐबीडेंस नहीं था कि जिससे

[श्री झुनझुनवाला]

में सोच सकता था कि यह सब बातें इस किस्म की हैं। परन्तु मिसत्र सुचेता कृपलानी ने अपने व्याख्यान में कुछ बातें बताईं और उन्होंने एक बात अपनी स्पीच में कही कि उन्होंने यह सब एवीडेंस इस के साथ इस रिपोर्ट में नहीं लगाया। जैसी हमारी सरकार बराबर यह कह दिया करती है कि "इन पब्लिक इंटरैस्ट" हम फलान् बात नहीं कहना चाहते हैं, इसी तरह से सुचेता कृपलानी ने भी कहा कि पब्लिक इंटरैस्ट में मैं कड़ी भाषा नहीं रखना चाहती और बहुत सी ऐसी बातें थीं कि जिन को मैं ने रिपोर्ट में लिखना मनासिब नहीं समझा। मैं ने इस में कुछ तत्व देखा। परन्तु अन्त में वह कहती हैं :

"I even offered these notes to the hon. Finance Minister as part of the report".

उन्होंने कहा कि मैं ने जो मेरे पास नोट्स हैं, वह मैं ने फाइनेंस मिनिस्टर साहब को देने के लिये कहा था।

तो मेरा केवल यही कहना है, जसा कि मैं ने आरम्भ में कहा था, कि एक बड़े जिम्मेवार आदमी ने बड़े बड़े भारी आदमियों के विरुद्ध आरोप लगाये, बड़ी भारी जिम्मेवार संस्था के विरुद्ध आरोप लगाये। तो यहां पर हम लोग बहस मुबाहसा कर के जो कुछ भी चाहें तय कर लें। हम जो कुछ भी ठीक समझें वह कानूनी तरीके से जो चाहें कर लें। परन्तु इस तरह से एक तरह की हुवा फील जाती है कि जो कुछ भी सरकार करती है याने गवर्नमेंट करती है, वह सब खराबी को एक तरह से दबाने की नीति ही गवर्नमेंट की रहती है। तो यह सब नोट देख कर तथा कमेटी से यदि उन के पास और भी evidence थी उन्हें ले कर गवर्नमेंट अच्छी तरह से यह कह देती, साफ़ साफ़ कह देती, कि उन्होंने यह जो नोट्स दिये गये

हैं उन को भी अच्छी तरह देख कर अच्छे तरीके से तहकीकात कर के देख लिया है, इन में कुछ भी नहीं है, और जितने आदमी हैं उन के विरुद्ध कुछ भी कहने को नहीं है। यह बात कहना बहुत जरूरी था। इस को मैं इसलिये कहता हूँ कि बहुत जिम्मेवार आदमी इसके अन्दर हैं, जो हमारी इंडस्ट्री में बहुत ही मुखिया समझे जाते हैं, वह इस के चेरमें हैं। उन के खिलाफ़ इस प्रकार के आरोप थे और जो अच्छे अच्छे काम करने वाले देश के थे, उन के विरुद्ध भी ऐसे आरोप थे। मैं और किसी को तो उन में से नहीं जानता पर मिस्टर अम्बेगांवकर के साथ तो मेरा करीब चार पांच वर्ष का सम्बन्ध रहा है। वह बहुत ही स्ट्रिक्ट आदमी है। उन के प्रति भी व्यक्तिगत आरोप हमारे लंकामुन्दरम साहब ने लगाया जिस को मैं ने पसन्द नहीं किया।

Dr. Lanka Sundaram: May I rise on a point of personal explanation, Sir?

श्री झुनझुनवाला : मेरे पास समय नहीं है।

Dr. Lanka Sundaram: I do not want to interrupt the hon. Member. I had made no personal aspersions on Mr. Ambegaokar. The record is clear.

श्री झुनझुनवाला : उन्होंने यह कहा कि अम्बेगांवकर साहब कमेटी के मेम्बर थे और पता नहीं शायद डाइरेक्ट का भी नाम लिया था नहीं, लेकिन कहा कि वही जजमेंट पर बठते हैं और यह कि उन्होंने रिपोर्ट साइन की है। मेरा कहना यह है कि जजमेंट पर तो वह नहीं बैठे, कबिनेट बैठे है और उन्होंने जो रिपोर्ट को साइन किया है तो अगर सेक्रेटरी की हैसियत से रिपोर्ट साइन कर दी तो इस के लिये यह समझ लेना कि उन्होंने इस में किसी तरह का गोलमाल किया है, यह इस तरह की बात हम लोगों को,

जिम्मेवार आदमियों को, नहीं कहनी चाहिये। यही मुझे कहना है।

अब जो कुछ सजशन्स कमेटी की ओर से किये गये हैं, उन में एक बात यह बताई गई है कि यहाँ पर एक पेड चेयरमैन रहना चाहिये, होलटाइम चेयरमैन रहना चाहिये। ठीक है, होल टाइम पेड चेयरमैन रहने से यह ठीक है कि एक आदमी अपना सारा समय इस में लगायेगा। परन्तु क्या इस की आवश्यकता है जैसा हमारे भाई तुलसीदास जी ने कहा, सारा समय लगाने की कोई ऐसी आवश्यकता नहीं है और मैं तो समझता हूँ कि हमारे सर श्रीराम जी ने जितना काम किया है और जितने अनुभवी वह हैं, उतना अच्छा आदमी मिलना मुश्किल है। उन के अगेन्स्ट में क्या है, क्या नहीं है, और क्या नुकस है, यह तो मैं नहीं जानता, परन्तु जो कुछ उन्होंने किया वह बड़ी बुद्धिमानी से किया है। अगर आप पेड चेयरमैन रखेंगे और आई० सी० एस० लोगों को रखेंगे तो मैं नहीं समझता कि व्यापारी आदमी से अधिक ईमानदारी से वह काम कर सकेंगे। जैसे आरोप लगाये गये हैं, आरोप ठीक सिद्ध नहीं हुये हैं, और गवर्नमेंट ने भी अच्छी तरह जांच नहीं की, इस तरह की बातों को ध्यान में न रख कर अगर कोई व्यापारी काम करे तो वह कहीं ज्यादा अच्छा काम कर सकते हैं, बजाय इस के कि एक पेड आदमी को नौकर रख कर काम कराया जाय। अगर नैपोटिज़म और फेवरेटिज़म कोई व्यापारी कर सकता है तो मैं नहीं समझता कि कोई पेड आदमी उस से कहीं बरी रह सकता है। यह तो व्यक्ति की ईमानदारी पर निर्भर है, वह किस तरह काम करता है, कैसे निर्णय करता है, उस के ऊपर निर्भर है। पेड आदमी ईमानदार हो सकता है तो कोई आदमी आनरेरी काम करे तो वह भी ईमानदार हो सकता है। आप कोई पेड अफसर को पांच हज़ार या छः हज़ार की तनख्वाह दे कर रख दें और

समझें कि वही ईमानदार होगा और जो सारा समय लगा कर काम करेगा वह ईमानदार होगा और जो केवल आनरेरी तरीके से अपना समय लगाकर काम करेगा वह ईमानदार नहीं होगा यह हमारी समझ में नहीं आता। अब यह कई एक सुझाव दिये गये हैं कि डाइरेक्टर्स जो हों, उन को लोन नहीं देना चाहिये, ये और इसी प्रकार की कई बातें कही गई हैं, मेरी समझ में ऐसा करने से एक बहुत रिस्ट्रिक्शन और दिक्कत हो जायेगी कि जो अच्छे फर्म्स हैं और जो तरक्की कर सकते हैं उन को लोन न मिले, और उस सूत्र में तो जो इस कारपोरेशन का उद्देश्य है वह पूरा नहीं होगा। परन्तु जो काम करने वाले हैं उन को एक ऐसा रिवाज क्रायम कर देना चाहिये कि लोगों के मन में यह न हो कि चूँकि वहाँ पर अमुक डाइरेक्टर हैं इसलिये उनको वहाँ पर लोन और कर्जा आदि बड़ी आसानी से मिल जायेगी। हम लोगों को ऐसा ट्रेडिशन क्रायम कर देना चाहिये कि ऐसा नहीं होगा। बल्कि उन आदमियों के केस जिनके जानकार आदमी वहाँ कारपोरेशन में होंगे, ज्यादा सक्ती और स्ट्रिक्टनेस से देखे जायेंगे, लोगों के मन में इस तरह की भावना पैदा होनी चाहिये और यह भावना वहाँ के जो अधिकारी हैं और काम करने वाले हैं वह यदि चाहें तो जनता के मन में यह भावना पैदा कर सकते हैं। दुर्भाग्यवश अभी हमारे देश में यह भावना विद्यमान है कि यदि कारपोरेशन के किसी अधिकारी और अफसर से किसी की दोस्ती है तो यह समझा जाता है कि बस अब तो यह जो कुछ काम करेंगे वह सब दबाव से करवा लेंगे। यह भावना आज हमारे मुल्क में फैली हुई है, इस तरह की भावना का रहना ठीक नहीं है और अधिकारी लोगों को चाहिये कि वह अपने आचरण और कार्रवाई से यह भावना उत्पन्न कर दें कि जो आदमी उन की जान पहचान के हैं उन के केस बहुत स्ट्रिक्टली जांचे जायेंगे।

7 P.M.

Shri A. C. Guha: Sir, the other day, Dr. Lanka Sundaram started this debate and he made some personal reference to me. He quoted some portions of my speech delivered some months ago—more than a year ago—and I am glad he did it (*Interruption*). Yes, I am also glad but, I do not think I have any reason to feel embarrassed. He has given some personal compliments to me, for which I am thankful to him. But, at the same time he has expressed some apprehension that because I have moved from that bench to this bench, there might have been some basic change in me. He has also said that it is unfortunate for them...

Dr. Lanka Sundaram: Not for you.

Shri A. C. Guha:.....Yes—according to him, not for me—that I have shifted here from there.

[MR. DEPUTY-SPEAKER in the chair]

There, I was sitting with my back turned towards him; here, I am sitting face to face with him. There, I was only in a position to hear his words and not to see him; here, I can also see him and I think his appearance is not so unimpressive as to make me...

Shri Bansal: It is more impressive day by day!

Shri A. C. Guha:..... somewhat obdurate and stolid to the finer sentiments which I used to entertain then. Simply because instead of sitting with my back turned to him, I am now sitting face to face with him, he need not apprehend that there might have been some mental *volte face* in me.

Dr. Lanka Sundaram: Oh, no, I did not say that.

Shri A. C. Guha: Then I refer to the quotations—what I said last time—last time when I made allegations,—“I know my responsibility and I expect that my Government will take this allegation seriously and make serious enquiries into this allegation.” At that stage, Mr. Ramnarayan Singh interrupted, ‘No, no’. I reiterated, “Surely

they will have to.” I am glad the Government, which even then, I called my Government, vindicated my confidence in them: they did hold the enquiry.

I now stand by the result of that enquiry. If then I had any idea, right or wrong, from a distance, now I stand by the findings of the enquiry. I do not like to be in the herd of the traditional Bourbons who were never to unlearn anything old nor to learn anything new. Life is to learn new things and by experience we learn new things. So, I take my stand on the findings of the Enquiry Committee, for which I asked my Government. What are the findings of that Enquiry Committee?

Some definite terms of reference were given to the Committee and it was expected that the Enquiry Committee would give their opinion on those findings. The other day the Chairman of the Committee, Shrimati Kripalani, took part in the debate, but I regret I am not on that side. I am unable from this side to reply to the points she made out. On behalf of the Government, we have rendered our thanks to her and to the Committee. The Resolution is to the effect that Government wish to record their thanks to the Chairman and the Members of the Committee for conducting the enquiry and for the valuable assistance they have rendered.

Speaking on behalf of Government, I cannot take the role of criticising the report of the Committee. I accept the report of the Committee as it has been presented before us. I accept what has been stated in the Committee's report. Today Mr. Bansal has referred, and I think some other hon. Members also referred, to certain contradictory remarks in the report. Mr. Bansal also stated that the Committee was working with a sort of split personality. I do not like particularly to place before the House the contradictory remarks in the report. I appreciate that it may be quite difficult for them to come to any definite opinion on many matters. Shrimati Kripalani herself admitted the other

day "It is not always very easy to establish nepotism and favouritism" and thereby admitting how difficult it is to prove a case of favouritism, and I can take it that she said this in view of the wording and findings of the Committee's report. She knows that the Committee's report has not given any definite verdict that the charge of nepotism or favouritism has been established, and the language of the Government Resolution also simply says that the charge has not been established and the Committee has generally exonerated the Corporation of the charge. I would like the House to take note of the word "generally". The charge has not been proved to be definitely established, and the Chairman of the Committee, expressing her grievance over the Government Resolution, admits that it has not been possible to establish it or to prove it.

What are the findings of the Committee? Mr. Bansal referred to Chapter IV: That is really the chapter dealing with the different charges. Out of eight charges, only on one charge, that is, charge No. 7, which is of a very mild nature—(and not so much of a lapse on the part of the Corporation but of the Government, or ultimately of the Parliament),—the Committee has said, "Now the Government should indicate the sector of industry which should be encouraged by this Corporation." That is the only charge which the Committee has partially admitted to have been proved. If the hon. Members take care of reading Chapter IV dealing with the significant charges, they will find that the Committee has not been able to say anything against the Corporation, and in most cases they have categorically exonerated the Corporation—on seven charges out of eight. Then the Committee has mentioned certain cases where the Corporation has used its discretion—the discretion which the Corporation has inherently got as its right by the Act passed by this Parliament. One may disagree in certain respects about the use of the discretion in this place or that place. One may even admit that there are marginal cases, but I would humbly ask this

House to find one single sentence in the report where the Committee has said that the Corporation has acted *mala fide*, or a Director, or Managing Director or anybody connected with the Corporation has defalcated or misappropriated any money of the Corporation.

Sir, except Sodepur all the investments are sound. For the present I would like to exclude Sodepur from the discussion, because we have not been able to come to any decision about Sodepur. Mrs. Kripalani and some other hon. Members also made a grouse that without deciding Sodepur Government was anxious to publish their Resolution. Sir, we have no hesitation in saying that we are not happy about the Sodepur investment. Out of so many investments, out of about 130 or 135 loans, if one or two loans have not proved quite satisfactory, I do not think that is a serious lapse on the part of any organisation. Most of the commercial banks also might have got a few of their investments going wrong. At least when hon. Members have heard so much about bank failures in Bengal and other parts of India, they must have realised how many of the investments of these commercial banks have gone wrong.

The Minister of Finance (Shri C. D. Deshmukh): There is a column for "bad debts" in the balance-sheet.

Shri A. C. Guha: There is a column for 'bad debts' in the case of all commercial institutions. For the present I will exclude Sodepur from the purview of the discussion here.

Dr. Lanka Sundaram: What is the total investment in Sodepur today? Rs. 67 lakhs.

Shri A. C. Guha: Then, Sir, what are the cases mentioned here? I have said that one may call them marginal cases. But we should also remember that the Industrial Finance Corporation is a new experiment. We started on a new venture; to try a new thing. This House passed the Act setting up the Industrial Finance Corporation as an autonomous body. Naturally an autonomous body must have some in-

[Shri A. C. Guha]

itiative, some authority to regulate its own affairs.

I would have accused the Corporation if there had been so many cases of such investments. Dr. Lanka Sundaram has used certain language which would mean that some of the staff or the Directors or the Managing Directors of the Corporation should be sacked, that they were guilty of some criminal offence. I can enlighten this House that out of Rs. 1,17,00,000 due as interest—of course excluding Sodepur Glass Works—only about four lakhs are now pending. So Rs. 1,13,00,000 of interest has been realised. For any investment body, I think that would be taken as very sound working of that body. Similarly, of the instalments due. I think it is only Rs. 19,00,000 now outstanding; all the other instalments have been realised.

An Hon. Member: What is the total of the instalments?

Shri A. C. Guha: I think it is about Rs. 80 lakhs, or something like that. Considering the financial position of the Corporation, I think there is no occasion for this House to take an alarmist view. In the first report of the Corporation we find: "The field of industrial finance in India is relatively new and previous experiments in this field have not been encouraging as witnessed by the experience of the Tata Industrial Bank. Similarly the assistance given under the State Aid to Industries Act has not been encouraging and the Central Government in their report recorded the fact that in two provinces a substantial part of the advances proved irrecoverable", so on and so forth.

I should also like to state here that in United Kingdom there are two industrial corporations: one the Industrial and Commercial Finance Corporation catering to smaller industries and the other, the Finance Corporation for Industries catering to bigger industries. The Chairman of the latter corporation, at the second annual general meeting said: "The Corporation is not a philanthropic institution

with obligation to finance without any reference to the ultimate financial result but it is not suggested for a moment that the Corporation has been aiming to earn extravagant profits". I think I may claim that the Industrial Finance Corporation has acted neither as a philanthropic body, nor simply as a financial organisation to earn extravagant profits; it has been working a middle path with the sound principle of helping the industries as far as possible.

It has been said that so many concerns connected with the Directors of the Corporation have got accommodation from the Industrial Finance Corporation. During the last two or three days, I have tried to do some research work into the working of the different financial organisations of several other countries. I have looked into the working and constitution of the finance organisations of the United Kingdom, United States of America, Belgium, Australia and Canada, United States, of course, stands on an altogether different footing because there they have got many finance corporations and all are Government bodies, entirely under Government control and there is no question of there being any Director. I think the nearest approach would be the two corporations in the United Kingdom, and also perhaps in Pakistan which is more or less on the same lines as ours. Nowhere have I found any ban on directors, or any concerns connected with the directors, getting any loan from the corporations. Nor is there any ban in the Indian Act also on this. Nowhere in any country is there any ban on concerns connected with the directors getting an accommodation from the industrial finance corporation. Now, it is before this House to decide; if the House decides later on that there should be a complete ban, that is for the Industrial Finance Corporation to follow the mandate and there will be no option left to the I.F.C. But so long as the Act stands as it is, we cannot accuse them for having given some loans to concerns connected with the Directors.

Then, what is the connection of these Directors? At least three of these Directors, whose names have been mentioned by Dr. Lanka Sundaram, are not directors of any of the loanee concerns. Prof. Gadgil's name has been mentioned in this connection. He is not even a director of that co-operative company.

Dr. Lanka Sundaram: All this is from the Report, not from my imagination.

Shri A. C. Guha: At least three of them are mere shareholders of the loanee concerns. Except perhaps one gentleman.

Shri Bansal: That is a co-operative society.

Shri A. C. Guha: Except for one gentleman, the total value of the interest of these Directors in the loanee concerns would be only 0.105 per cent. of the total capital. So, simply because some Director might have been somehow connected with some concern, one cannot say it is giving some undue advantage to that concern.

Shri T. N. Singh: But what about the one exception?

Shri A. C. Guha: Sir, I do not like to be interrupted.

In the Banking Companies Act, to which much reference was made, the provision is that any concern connected with the director of any bank should not get any unsecured loan—and cannot; it should be a secured loan. The Industrial Finance Corporation never gives any unsecured loan. So from the point of view of the provision of the Banking Companies Act also, the Industrial Finance Corporation has not acted in any prejudicial manner or wrongly.

Then, Sir, another accusation is that uniformity has not been maintained. Shrimati Sucheta Kripalani herself said that day: "Uniformity of treatment had not been accorded by the Corporation. It is nothing very unusual. It happens all over the world."

8 P.S.D.

An Hon. Member: Taxpayer's money.

Shri A. C. Guha: It is not all taxpayer's money. That is what I am coming to.

Neither is it natural psychologically, nor is it possible materially. Material conditions, I should say financial conditions or commercial conditions, would vary from one concern to another concern. The application of a particular concern might have been rejected for seven reasons. For another concern, out of these seven only two might have been there, but there may be some other reasons which would extenuate for the presence of the two reasons. So there may not be uniformity of conditions to ensure uniformity of treatment. And as the Chairman of the Committee herself has admitted, it is not at all possible, not even psychologically, not even materially, and circumstantially.

Another thing that Shrimati Sucheta Kripalani has mentioned is that we have published the Resolution along with the report. I think Shri N. C. Chatterjee also mentioned this. I am sorry these two hon. Members, after making some accusations, are not present in this House.

Dr. Lanka Sundaram: May I just intervene, Sir? Shrimati Sucheta Kripalani has authorised me to convey through you to the House that she has to go to Calcutta to keep a prior engagement, not knowing that this debate will be coming today.

Mr. Deputy-Speaker: Whatever the hon. Minister says will be conveyed to her.

Shri A. C. Guha: I should have liked her presence; that would have given me some more inspiration.

The grievance against the Government is that the Government have published the decision along with the report. But, in most cases, the grievance has always been that some reports are published and Government

[Shri A. C. Guha]

are not able to formulate their policy and do not implement the recommendations. Here, the Government have been prompt and Government deserve commendation. That has now proved to be an offence of the Government!

Dr. Lanka Sundaram: You are there to defend, holding the baby.

Shri A. C. Guha: I should like the House to remember one thing. The Industrial Finance Corporation is a credit organisation and we do not like this body to be kept as if in the dock for any indefinite period with some accusations hanging over it, and without the Government coming to any decision. So, we thought that the Government should come to a decision and publish it along with the report. I regret very much that there was really some delay. I am not sorry intrinsically for the delay because we wanted to give this report due consideration. Really, this report was considered at several stages at the highest level and that was the cause for the delay. If we had allowed this report to be dealt with in a cursory and routine manner, the report along with the Resolution might have been published much earlier. But, we wanted to give proper importance to this report and to this Industrial Finance Corporation. We took care to go through the report carefully and consider it in different stages and in different levels. That was the cause of the delay.

Then, some hon. Members have taken exception to the wording of the Resolution, at least the first portion of it regarding the charge of nepotism and favouritism. I have already stated that the Chairman of the Committee herself said here that the charge is not so easy to be proved, admitting thereby that the Committee had not been able to prove the charge definitely. Further she said,

"We wanted to be moderate because we were dealing with the Industrial Finance Corporation which was new to us. Again—" "It is in a state of infancy and so we were moderate in our language."

This is what she said. If writing the report the Committee had, and wisely so, this consideration before them, how can she or any Member of this House expect the Government to use immoderate words? If the Committee thought it prudent to use moderate language because they were dealing with a credit organisation, how can they expect that the Government which is in a much more responsible position would use immoderate words?

Some Hon. Members: A very good argument.

Some Hon. Members: What an argument!

Shri A. C. Guha: I would like the House to rivet their attention more on the implementation of the recommendations. I shall deal with that portion later on.

Shri Nambiar (Mayuram): It is already 7-30. He says he will reply later on.

Mr. Deputy-Speaker: Hon. Members who have made a number of observations must be patient to hear the replies.

Shri A. C. Guha: I shall try to be as brief as possible. Other accusations have been about some of the deals or investments. I should like to state here that these five or six deals which have come under criticism here were almost the first few loans that were granted by the Corporation after it was set up. Just at the initial stage the Corporation or the Government were not so sure about the procedure or about the working of the Corporation. The Managing Director who was then in charge is no longer in the Corporation. And the Minister or the two Ministers—though, in fact, this Corporation functions under the Finance Ministry, both the Ministries of Finance and Industry are co-ordinating the work of this Corporation—who were then in charge are no longer even in the land of the living.

Dr. Lanka Sundaram: One of them is here on this side.

Shri A. C. Guha: No, no. He came at a later stage.

I think Dr. S. P. Mookerjee while speaking as the Industries Minister two years after the setting up of this Corporation paid some praise and commendation on the floor of this House to the work of this Corporation.

Dr. Lanka Sundaram the other day worked himself up to a high pitch, imitating almost Burke impeaching Warren Hastings or Clive. He said: "I accuse the Government", "I charge the Government", "Is it not a fact", "Is it not so" etc. In this way he went on. I will not have the time to deal with all those charges individually, but I can say he got only a distorted version of some of the things. I can say he only got a disfigured, discoloured one-sided picture of the shield.

I can only cite one case. There was one Karnik in the Corporation. Dr. Lanka Sundaram thought he was a relative of the Managing Director. The present Managing Director has got a relative Karnik but he is not in the Industrial Finance Corporation, but he is an Advocate in Poona. Dr. Lanka Sundaram was searching for onomatopoeic meaning, and correlating names and words to find out relations. Suddenly he grew eloquent about Ambegaokar, and said that he was ignorant about the identity or personality of Ambegaokar. He must have been under the impression that Ambegaokar must have some relationship with the Managing Director, whose name is Sonalkar.

Dr. Lanka Sundaram: On a point of personal explanation, the hon. Minister is suggesting that I have suggested that the Managing Director and Mr. Ambegaokar are related. I have got the record here. I said nothing like that.

Shri A. C. Guha: I have not said that he suggested it. I was simply saying that there might have been some such impression in his mind because of the similarity of names.

Then he asked how many of the staff are related to the Managing Director or to the Directors. I think I can say that none of the staff is related to the Managing Director or any of the Directors. Of course about the latter I am not so sure.

Dr. Lanka Sundaram: Make sure before you say.

Shri A. C. Guha: But I think I can say that none of the staff is related to any of the Directors—at least not to the Managing Director—though it is not possible for me to vouchsafe absolutely about the Directors. And that by itself should not be taken as a disqualification for any person. As far as I have been able to ascertain, none of the staff is related to any of the Directors.

Shri Nambiar: We want to know what will happen in the future.

Mr. Deputy-Speaker: Order, order. Enough with the present.

Shri A. C. Guha: Now I come to the implementation of the report.

Excluding Sodepur, there are.....

Dr. Lanka Sundaram: Will you please give us the total investment in Sodepur? The House is interested in that.

Shri A. C. Guha: Excluding the one relating to Sodepur, there are about thirty-four recommendations, and I can say we have accepted almost all of them.

An Hon. Member: Very good.

Shri A. C. Guha: What are the recommendations that have not been accepted. Shrimati Sucheta Kripalani had pointed out one recommendation to the effect that any concern taken over by the Industrial Finance Corporation should not be sold or disposed of, without the consent or approval of Government. The Government Resolution says that only one concern has so far been taken over by the Industrial Finance Corporation, and it is premature now to formulate a definite policy and impose it on the Industrial

[Shri A. C. Guha]

Finance Corporation, which is an autonomous body, and which should formulate its own policy. As for that one concern, the Sodepur Glass Works, I can assure the House that Government are very much seized of the matter, and nothing will happen without the full consent and knowledge of Government. We are very much serious about the Sodepur Glass Works, and I think the Corporation has recently set up a negotiating committee to go into this matter. I can frankly admit that about the investment in the Sodepur Glass Works, we are not so happy, but.....

Dr. Lanka Sundaram: What is the total? Why are you shielding that? What is the investment made up to date?

Shri A. C. Guha: The total loan given to the Sodepur Glass Works will be near about Rs. 50 lakhs.

Shri Nambiar: Very small.

Shri A. C. Guha: Compared to Rs. 15 crores, it is rather small.

Shri Tulsidas (Mehsana West): I think it is more than Rs. 50 lakhs.

Dr. Lanka Sundaram: On page 68 of the Report, the figure is given at Rs. 64 lakhs.

Shri A. C. Guha: That is not all loan. I am saying the total loan given to that concern is Rs. 50 lakhs. After it was taken over by the Corporation, they might have put some more money into it.

Dr. Lanka Sundaram: I am anxious to know the total investment.

Shri A. C. Guha: I have not got that figure with me now.

Some hon. Member from that side interrupted and asked,.....

Dr. Lanka Sundaram: What is the total investment?

Shri A. C. Guha: I have just got the figures. It is Rs. 85 lakhs, including interest.

Some hon. Member from that side interrupted and asked, what about the taxpayers' money. Here also, I think, most of the Members are under a misapprehension. When the Industrial Finance Corporation was first started, Government had only 20 per cent. of the shares, while 80 per cent. of the shares were held by other bodies, including the 20 per cent. of the shares held by the Reserve Bank, which then was not a nationalised institution. But now, 40 per cent. of the shares are held by Government, including the Reserve Bank's share of it; and 60 per cent. of the shares are held by private bodies, that are entitled to send their directors; and these directors are elected by the shareholders. So, it is not as if the Industrial Finance Corporation is handling only Government money or only the taxpayers' money.

Shri Raghavachari: Whosoever's money it is, it must be handled properly.

Mr. Deputy-Speaker: When hon. Members say that the taxpayers' money is wasted, is it not open to the hon. Minister to say that the taxpayers' money is only 60 per cent. and not 40 per cent.....

Shri A. C. Guha: Not 60 per cent. Only 40 per cent., including 20 per cent. shares held by the Reserve Bank.

Shri V. P. Nayar: Others do not pay taxes.

Mr. Deputy-Speaker: That is one piece of argument. He argues that way. Then why do hon. Members raise a particular point and are impatient when it is answered?

Shri Tulsidas: It is not correct also.

Dr. Lanka Sundaram: Mr. Tulsidas says it is not correct.

Mr. Deputy-Speaker: There cannot be a running commentary like this. If it is not correct, it is not correct.

Shri A. C. Guha: The loans which have been referred to frequently in the House were all transacted during

the first few months, in the later part of 1948 or early in 1949. Then the present Managing Director was not there. So he should not be the target of a special attack on the score of those investments. He came, I think, in June 1951 or thereabouts. There has been no suggestion in the Committee's report that the Managing Director or the Chairman or the Board has done anything dishonest. The Committee has rather definitely stated that there is no.....

Dr. S. N. Sinha (Saran East): We have no evidence about it.

Shri A. C. Guha: 'We have no evidence to indicate to what extent canvassing was done by members of the Executive Committee.' They have no proof—nothing—to indicate that canvassing was going on.

Shri Nambiar: May I know, Sir, whether the clock is fast or we are sitting late?

Mr. Deputy-Speaker: There is no harm. Hon. Members have been saying that we are spending so much of the public money. Let us sit some time more.

Shri A. C. Guha: I think, Sir, the most significant recommendations of the Committee were: (1) the appointment of a whole-time Chairman, (2) the recommendation about the concentration of power in the hands of the Managing Director, and (3) the power of the Executive Committee. As regards the appointment of a whole-time Chairman, we have accepted that recommendation, and as such, the second automatically dissolves itself. That has been stated in the Resolution. As regards the third recommendation also, i.e. the power of the Executive Committee, there also we almost accepted it in the spirit. They have suggested that the name 'Executive Committee' should be changed to 'Loan Committee'. So we have said that this question of the change of nomenclature will be considered later on at the time of amendment of the Act. Sir, you know
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there is a provision in the Act for an Executive Committee, and some functions have been provided there. It is for the Board later on to regulate the functions and activities of the Executive Committee. We cannot on behalf of Government say that the Board should not act through any sub-committee or any committee of its own. That option should be left to the Board. So only in regard to that portion where the Committee have suggested that the Executive Committee should not be allowed to do something, have we said that that should be left to the Board to decide. We cannot put a blanket ban on the Board functioning through some sub-committee of its own. Otherwise, we have accepted all the three significant and relevant recommendations of the Committee.

I think I should now conclude. I should again refer to Dr. Lanka Sundaram. He has proceeded on a wrong logic.

An Hon. Member: Always.

Shri A. C. Guha: He has proceeded on a wrong premise and has come to a conclusion through a wrong syllogism. Sir, I can say that he has proceeded more or less on the lines of our classical Indian logic: पर्वतो
वोन्हमाद धुमात् "Parbato
Vinhiman dhumat"—"The mountain is on fire; because of the smoke". Now, smoke can come from many other things, for example, from the pipe or cigar of Dr. Lanka Sundaram. So when we see some smoke coming out of Dr. Lanka Sundaram's pipe or cigar, we should not conclude that Dr. Lanka Sundaram is on fire. (Interruptions). So, I think, I can assure the House that the I.F.C. is not on fire, as apprehended by Dr. Lanka Sundaram, because of some smoke or smoke-screen there.

Dr. Lanka Sundaram: May I ask one question? How soon do Government propose to publish their resolution on the Sodepur Glass Works?

Shri A. C. Guha: I admit this is a difficult proposal; I cannot give any definite time. But, we are trying to come to a decision as early as possible. The Government, and I perso-

nally, are more anxious than Dr. Lanka Sundaram about this.

The House then adjourned till One of the Clock on Saturday, the 13th March, 1954.
