

cases are redressed. The award not only grants certain rights and certain privileges but also lays down certain procedures for dismissal of the employees or retrenchment of the employees or any other action. Thus, there are certain obligations to be discharged both by the employers and the employees, in between this period, and they have to be observed properly.

During this period, the employers have acted sometimes according to their whims and there have been cases when the employees have been dismissed and demoted and exploited because of the small salary that they have been receiving, and because they will get more now they have been retrenched. All that has been done arbitrarily without even taking recourse to the procedure laid down in the award. But legally, the award has become binding on the employers and the employees from 1-1-1955. During this period, whatever has happened—I know there are many cases which are pending in the Labour Departments—and if such cases are brought to the notice of the authorities, I would request the hon. Labour Minister to see that those cases are properly dealt with, and that the employees do not suffer because of the late passing of this measure in November, 1957. That is the request that I make to the Labour Minister.

Shri Abid Ali: That is the intention. This Bill says that the employees will be entitled to arrears and to what other things they are entitled to. In case there is any injustice done, of course, legally we can take action depending on the merits of the case. That will of course receive our due consideration.

Pandit Thakur Das Bhargava: May I make one observation? The hon. Minister was pleased to tell us that there were financial reasons. Of course, the reasons must have been financial, or there should have been some other reasons also. But I would

like the hon. Minister to be pleased to give us concretely the basic reasons, mentioning the amount of finances involved. What is the amount and what is the detriment to the workers? All these details we wanted to get. To say that there are financial reasons, does not improve matters at all. No details were given either during the debate, or at the beginning or subsequently. We expected that. It was for that reason that no amendments were moved. I myself wanted to move some amendment to say that the date shall revert back to April, 1954. But I thought that the Government must have very good reasons for doing that. I would like to know the reasons, the amount involved and so on. Even now at this stage the hon. Deputy Minister can enlighten the House what is the amount involved and the reasons.

Shri Abid Ali: I have already explained it.

Mr. Deputy-Speaker: He wants to know why retrospective effect should not be given from 8 or 9 months earlier.

Shri Abid Ali: I will give the necessary information to the hon. Member.

Mr. Deputy-Speaker: The question is:

"That the Bill be passed".

The motion was adopted.

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL

Mr. Deputy-Speaker: The hon. Finance Minister.

Shri T. K. Chaudhuri (Berhampore): I have already drawn the attention of the hon. Speaker to the fact that the Industrial Finance Corporation Report was laid on the Table of the House only today and before we can study this report, it is rather difficult to take part in the debate.

[Shri T. K. Chaudhuri]

This report runs into a number of pages and copies have not been made available to Members. Even this copy I am asked to have only here; I cannot take it home.

Mr. Deputy-Speaker: I would like to know whether the contents of this report have any relevancy to the discussion that we are going to have. Unless it is connected with the Bill and gives some facts which we want to discuss, it would be no use postponing the discussion. I am told that this was not meant for distribution to help the Members to prepare their briefs or their cases, so far as this Bill is concerned. It is a mere coincidence that it has been placed on the Table today. It does not relate to those facts that are contained in this Bill. Is that right?

The Deputy Minister of Finance (Shri B. R. Bhagat): Yes. It is under the Act itself that we have to lay on the Table a copy of the annual report.

Mr. Deputy-Speaker: The annual report is to be laid on the Table normally; it has been done in that course. It would not give any facts which might help hon. Members to discuss this Bill.

Shri T. K. Chaudhuri: Here specific mention is made of the way in which the Corporation has worked and all that. So, unless we know the latest position and have time to study it in detail, it will be rather difficult for us to emphasise our points or elaborate our points properly.

Shri V. P. Nayar (Quilon): May I submit that the publication which was laid on the Table today is dated 30th June, 1957? Some new powers are sought to be given in respect of very special matters. It is impossible for us to go through the report and find out whether such powers could be entrusted to the organisation, which has come up for criticism so often in this House.

Shri B. R. Bhagat: Actually the report was adopted at a meeting held on 27th September. As regards the date mentioned by the hon. Member, that might be the period to which the report relates. Actually we have placed the report on the Table at the earliest opportunity. As I said, this is a mere accident, because this Bill is before the House for the last 3½ months. Due to sheer lack of time, it could not be passed during the last session. As you have rightly pointed out, there is no relation between the report presented to the House and the discussion on the Bill. The provisions of this amending Bill have nothing to do with the working of the Corporation, although you can bring in the working or the actual report while elaborating a point. But as regards the main provisions of the Bill, they have nothing to do with the report and it is not essential for the discussion on those points. Therefore, I would submit that it is not necessary that the discussion should be postponed.

Pandit Thakur Das Bhargava (Hisar): May I just draw your attention to para 5 of the Statement of Objects and Reasons which says:

"The Bill seeks to achieve these objects. Opportunity has also been taken to incorporate some other amendments which are either found necessary in the light of experience gained in the working of the Act or are of a consequential or procedural nature."

So, the amendments relate to what has been found to be necessary in the light of experience gained. It may be that there are certain amendments in this Bill which are the result of the experience during the last year, for which the report is made. For instance, in clause 11, there are some references which relate to the qualifications of directors and their restrictions. They might have come into the Bill as a result of the working last

year. So, it cannot be said that all the provisions are such that they have no relation whatsoever with the report that has been circulated. I quite recognise that ordinarily so far as the main objects are concerned, these new things which are contained in this Bill have nothing to do with the report. At the same time, it cannot be said that the report has got no bearing whatsoever on any of the amendments contained in the Bill, as it has been said in the Statement of Objects and Reasons itself that some of the amendments have been found to be necessary in the light of experience gained during last year.

Shri V. P. Nayar: Apart from what has been already stated, I find from page 4 of the report placed on the Table that they have received a copy of the Audit Report of the Comptroller and Auditor General of India for the year ending 30th June, 1955. After I saw this, I went to the library and I found no such report was available. What are we to do? It is not merely a question of the auditors appointed by the organisation, but the Government auditors have given a report and we do not have even that.

Shri T. K. Chaudhuri: Moreover, we have to find out whether the Board of Directors of the Industrial Finance Corporation have recommended the changes that are now sought to be incorporated by the Act by Government. All these things are to be considered properly and then only this can be discussed. It is rather unfair to take it up now.

Shri S. A. Dange (Bombay City—Central): Just a postponement by 8 hours, till 1 o'clock tomorrow, is not going to make much difference.

Mr. Deputy-Speaker: The point is the whole work should not be dislocated. If we take up the next item, some hon. Member might raise an objection that he did not expect that Bill to come up today and therefore he is not prepared for that Bill. What shall we do in that case? There is

one difficulty which the Leader of the Opposition should also consider. If I pass on to the next item, some hon. Member might take objection that he is not prepared because it could not be expected that that Bill would come up so soon. Up till now only clause 11 has been pointed out by Mr. Bhargava.

Shri T. K. Chaudhuri: The Business Advisory Committee has yet to sit and the way in which Government has allocated time is not proper. For the other Bill which we passed just now, they have allotted 4 hours, although there were only two clauses and two amendments. Here there are 14 clauses and there are amendments also. In spite of that, only 3 hours are allotted. If time is fixed in this way, there is bound to be dislocation. At least in this case, there should be an exception.

Shri S. A. Dange: Some of the clauses do require a reference to the previous report. One is foreign exchange and how far it has figured in the activities of the Corporation. The second is now they want to introduce a provision which does away with security for giving loans. What has happened to the previous loans that have been given and what about the fate of the securities? Some of these matters do require a reference to the working of the Act as it has taken place. Since the report is ready, let us have some time to look into it. We can discuss it tomorrow.

Shri B. R. Bhagat: I have already said that it is just an accident. Under the provisions of the I.F.C. Act, this report has been laid on the Table today. This Bill has been introduced 3½ months ago and its provisions have engaged the continuous attention of the Members and the public outside. It is not as if a surprise has been flung. Had this Bill been taken up last session or a little before, this question would not have arisen.

Shri S. A. Dange: Then we would have suggested that its consideration be deferred. What you are saying is

[Shri S. A. Dange]

not correct. We would have got the report at that time.

Mr. Deputy-Speaker: I do not know whether we can take up the next item on the agenda; that is the difficulty which faces me at present. For the next item, even the Minister is not present here, I suppose.

So, let us proceed with this. If we feel any difficulty, I will consider it again, if that is possible. I do not find any necessity to postpone it for so far as the Bill is concerned, it has not much connection with the report. This Bill is intended to give additional powers to the Finance Corporation so that it might borrow ten times. Now it has power to borrow only five times. Whether it has been administered well or administered badly and whether something has happened during the transaction or some difficulty has been experienced might be an independent question. When clause 11 is taken up, some reference has to be brought in. But that would not depend upon how it has happened during the last year or so of working. Therefore, I suggest that let us take it up. If there are any difficulties, certainly we can consider them.

Shri V. P. Nayar: There is one point which we have to refer from the report. We find that even out of the loans which have been sanctioned, a certain percentage has not been utilized. We want to know, for example, the percentage of such loans in the previous years. Unless we find out the percentage of the loans utilized out of the loans already sanctioned and taken advantage of, how can we consider whether we have to raise it from five times to ten times including the reserve fund? These are questions which cannot be discussed in the absence of the report.

Mr. Deputy-Speaker: Even with that, I am not convinced that it would be a material thing. We are only

giving powers to the Corporation. Whether the power they have already got is utilized or not would be a different question.

Shri Morarka (Jhunjhunnu): May I point out one or two things in this connection?

Mr. Deputy-Speaker: Even when I have taken a decision to ask the Minister to go on with the business?

Shri Morarka: I tried to catch your eyes several times. But I couldn't.

Mr. Deputy-Speaker: I have already decided that the hon. Minister may move his motion.

Shri Morarka: Very well.

Shri B. R. Bhagat: I beg to move:

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

As the House is aware, the Industrial Finance Corporation Act was passed in 1948 to set up the Industrial Finance Corporation as an agency to provide medium and long term credits to industrial concerns in India. The Act was amended earlier in 1949, 1952 and 1955. The amendments effected on the last occasion dealt mainly with the recommendations made by the Industrial Finance Corporation Enquiry Committee and certain procedural and other matters.

During the last few years, the industrial activity in the country, as the House knows, has increased considerably. As a result of this, there has been significant increase in the demand for Corporation's financial assistance by the industrial concerns. The increase in the number of loan applications received by the Corporation from the industrial concerns and co-operative societies engaged in industrial enterprises during the past two years is itself an index of the

growing popularity of this institution in the matter of giving long term loans. Till the end of June 1957, the Corporation has already sanctioned loans aggregating Rs. 55.12 crores in 259 cases—the amount of loans sanctioned during the past two years alone was about Rs. 27 crores. Of this, 151 represent the cases of new undertakings, i.e., factories that went into production after the 15th August, 1947. The amount of loan actually disbursed by the Corporation to the industrial concerns was Rs. 26.51 crores. I might specifically mention that the amount of loan disbursed during last year, i.e., the year ended 30th June, 1957 was about Rs. 10 crores as against Rs. 2.82 crores, the highest amount disbursed so far by the Corporation in any previous year.

The main purpose of this Bill is to amend the Industrial Finance Corporation Act, 1948 to enable the Corporation to guarantee deferred payments by industrial concerns for equipment imported from abroad, to increase its borrowing powers and to pass on to its borrowers any loss or gain accruing in exchange fluctuations which at present fall on Central Government. This opportunity has also been availed of to make certain minor changes in the Act which experience has shown to be necessary.

The increased tempo of industrialisation during the Second Five Year Plan period will require considerable import of capital goods. In the difficult foreign exchange situation of the country, it is not possible for Government to find immediately all the foreign exchange that will be required for large-scale purchases of capital goods outside the country by industrial concerns. We have recently been encouraging them to arrange deferred payments for their imports. Exporters from abroad are inclined to agree to deferred payments, but require guarantees from Government or semi-Government institutions in respect of these deferred payments. Business circles have, therefore, approached Government with the request that the Industrial Finance Corporation may be

permitted to guarantee such deferred payments by industrial concerns. The Industrial Finance Corporation at present is not permitted to give such guarantees, and it is, therefore, proposed to amend the Act for the aforesaid purpose.

Section 21 of the Industrial Finance Corporation Act empowers the Corporation to borrow from the public, the Reserve Bank and the Central Government, up to five times its paid-up capital plus reserves. Its present paid-up capital is Rs. 5 crores and the reserves stand at rupees five and a half lakhs. The Corporation cannot, therefore, borrow more than Rs. 25.28 crores. It has so far borrowed from the public, the Reserve Bank and the Central Government Rs. 21.31 crores of which Rs. 10 crores are from the Central Government. There is a provision for a further loan of another Rs. 5 crores during the balance of the Second Five Year Plan period from the Central Government. Unless the Corporation's borrowing powers are raised, it cannot go in for any further loans. The business of the Corporation, as I have indicated earlier, has increased considerably and is increasing very rapidly. It is, therefore, necessary to place it in a position to raise substantial finances in the near future. This could be done either by increasing the paid-up capital and keeping the present multiple of five, or by increasing the multiple from five to a higher figure. The present share capital of the Corporation is held by the Central Government, the Reserve Bank, the Life Insurance Corporation, some scheduled banks, insurance companies, co-operative banks, etc. A minimum dividend of 2½ per cent. per annum is guaranteed on the present share capital. Except for the year ended 30th June, 1953, the Corporation in the past has had to ask the Central Government for a subsidy to meet this dividend liability. The House will be glad to know that the Corporation has been able to meet this liability in respect of the year ended 30th June, 1957, and further, it does not propose to seek this assistance in

[Shri B. R. Bhagat]

the coming year also. In the existing conditions of the money market, it is extremely doubtful.....

Shri Yadav (Barabanki): Is he reading the speech?

Shri V. P. Nayar: He has the right to read his speech

Sardar A. S. Saigal (Janjgir): You can also read your speech.

Mr. Deputy-Speaker: That is not the decision of the Chair.

Shri B. R. Bhagat: In the existing conditions of the money market, it is extremely doubtful if the Corporation will be able to get the additional share capital without substantially increasing the minimum guaranteed dividend which may have to be subsidised by Government. It is, therefore, not considered desirable to increase the share capital but to increase the multiple from five to ten. This is not unduly high. Hon. Members may recall that the multiple fixed for the Warehousing Corporation in respect of its borrowings under section 37 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 is also the same

14 hrs.

Under section 27(4) of the Act, any loss or profit accruing to the Corporation in connection with any borrowing of foreign currency or its repayment on account of any fluctuations in the rates of exchange, is to be reimbursed by, or paid to, the Central Government, as the case may be. Under this provision, the entire risk arising out of fluctuations in the foreign exchange is to be borne by the Central Government. It is felt that in view of the large-scale foreign exchange operations that will be required during the next few years, the Central Government, or the Industrial Finance Corporation should not be called upon to bear this risk. These risks should, it is felt, be more properly borne by the industrial concerns on whose account these foreign

exchange transactions take place. They may, in their turn, cover themselves against these risks by recourse to whatever special arrangement or scheme the Government may devise for this purpose.

I shall now turn to the more important of the other changes which are proposed to be made. We are adding an explanation defining the expression "processing of goods" to section 2(c) of the Act on the lines of the amendment made last year in the State Financial Corporations Act, 1951, which will enable a large number of industries to avail themselves of the Industrial Finance Corporation's loan assistance.

The House, I am sure, will appreciate another provision in the Bill which seeks to amend sub-section (2) of section 23 of the Act. This is with a view to enabling the Corporation to provide credit particularly to new industrial concerns when they are not in a position to offer adequate securities but deserve encouragement from the point of view of national economy.

We are also including a provision in section 17 of the Act on the lines of the provision in the State Financial Corporations Act, 1951, enabling the Reserve Bank or the Central Government to depute any person to attend the meeting of the Board of Directors of the Corporation, if the Director nominated by them is unable to attend any meeting.

Similarly, section 22 of the Act empowers the Corporation to accept deposits only from the public. As it is felt doubtful whether the existing provision would enable acceptance of deposits from State Governments, local authorities, etc., it has become necessary to amend it.

There are a number of other amendments but as I have said earlier they are of a minor or drafting nature.

With these remarks, I commend the Bill to the House for consideration.

Mr. Deputy-Speaker: Motion moved:

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

I find that there is an amendment tabled by Shri T. K. Chaudhuri.

Shri T. K. Chaudhuri: I do not want to move it

Shri Naushir Bharucha (East Khadesh): Mr. Deputy-Speaker, I have carefully heard the hon. Deputy Minister's speech which leaves me unconvinced as to the advisability and wisdom of amending the Industrial Finance Corporation Act.

Sir, this Bill has been brought because we feel that the Industrial Finance Corporation is a good agency for the rapid industrialisation of the country. But one notices, notwithstanding the reports which have been received of late, that the usual handicap of the Industrial Finance Corporations has been that they have too small resources and the burden that is sought to be imposed on them is heavy and the area which they are expected to serve is very wide.

Sir, so far as the scheme of this Bill is concerned, in the first place, a very significant change is being introduced in the functions of the Corporation, namely, it is being enabled to issue guarantees in respect of deferred payments. The second major change is that the borrowing capacity of the Corporation is being increased ten times its capital plus reserves. Still further, and a more momentous change which is of a totally undesirable character, to my mind, is that certain industrial applicants which cannot afford securities will now be permitted to have credit from the Industrial Finance Corporation. That is a point on which I will dwell at some length. In addition to that, Sir, the risk in respect of fluctuating exchange rates which so far under the present Act

was being borne by Government, is now sought to be shifted to the industries concerned on the ground that it is proper that the risk must be taken by the industries.

Of course, there are provisions for taking over defaulting concerns. But in view of our experience of taking over concerns, I am not quite sure how far this safeguard will in any manner minimise the dangers as well as the speculative element this Bill seeks to introduce into the functioning of the Industrial Finance Corporation.

Take first, Sir, the question of guaranteeing deferred payments. I understand rightly—and if I am wrong, the hon. Minister in charge will correct me—that it is the policy of this Government, which has been announced, that as far as deferred payments are concerned, such payments must begin after 1961. Assuming that this is so, I should like to know from the hon. Minister what will be the exact procedure with regard to the Corporation offering guarantees in respect of deferred payments.

First, I should like to know, taking the case of an industrialist, whether in return for the guarantee that the Corporation issues, he will be required to deposit cash, or whether he will be required to furnish some security in the form of shares, stocks, or immovable property, and also what will be the margin which this Corporation will maintain as a matter of safety for itself, whether this guarantee will be piecemeal or extended wholesale. What is more, whether having regard to these questions, it will be worthwhile of the industrialists to procure such guarantee at such a cost, and also after the guarantee is given on whom the fulfilment of the contract will rest, whether it will be between the importer and the Corporation or the Corporation and the exporter, or whether it will be in the nature of a tripartite agreement where the industrialist is liable both by the Corporation as well as the exporting party.

[Shri Naushir Bharucha]

Coming to the question of borrowing powers, increasing powers will be necessary because as I said at the start one handicap from which the Industrial Finance Corporations suffer is lack of capital. Ten times its capital as well as reserves is a desirable amendment to my mind, even though I should say that five crores being the capital, and ten times being fifty crores, that represents only one per cent. of the entire outlay of expenditure on the Second Five Year Plan, which incidentally goes to show how very small our Industrial Finance Corporations are

Also, side by side, we have to bear in mind that increase in borrowing powers must affect to a certain extent the stability of the Corporation itself. I for one have not been able to understand quite clearly why while on the one hand we are increasing the borrowing power of the Corporation, on the other we are laying a limit of ten crores of borrowing from the public. I should like the hon. Minister to make this position clear.

Coming to the question of fluctuating exchange rate, the losses and profits of which are now sought to be shifted to the importer, the first point is how is it that at this stage Government feels that this risk rightly belongs to the industries. Why is it that then up till now the Government was bearing it? Did the Government commit a mistake? Or, is the Government apprehending that in future the stability of the exchange may be of such a precarious character that it may be unwise for the Government to shoulder the risk?

In the first place, let us understand whether this is a fair proposition. I may seem to be speaking on behalf of the industrialists, but the question primarily is of justice. Why is it we have got to resort to deferred payment?—because the Government cannot convert its rupees into currencies of other countries. In other words, the multilateral convertibility of the rupee is not there. We have not got sufficient foreign exchange. Whose

fault is it? Is that the industrialist's fault?

Looking to the fact that as soon as the industrialist deposits the cash, the Government in the normal course is bound to convert it into Sterling or Dollar, whatever the currency may be, if we are today seeking facilities from foreign exporters for deferred payment, for whose benefit is it? It is for the Government's benefit which cannot at present convert the rupee into the necessary amount of Sterling or Dollar. That being so, who should bear the risk attaching to deferred payment?

Let us take the case of an importer who wants to import one crore of rupees worth of machinery. He is willing to deposit with the Government one crore of rupees. The payment is to start in 1961. In between, if the rate of exchange goes adverse to the importer, why should that man be penalised, because he is ready to pay into the treasury of Government one crore of rupees, but the Government is unable to convert it into Sterling or Dollar? How is that the fault of the industrialist? And I should like to know whether, if that risk is shifted to the industrialist, the industrialist would be willing to shoulder the risk. If once I have paid a crore of rupees to the Government treasury, for the next five years the industry which I establish remains liable to pay the fluctuations which may occur for no fault of mine, and that liability the industry must shoulder four years hence. Which public will contribute finance to an industry once they know that five years hence, added to the hazards of normal industry, there will be the hazards of a speculative nature, of dabbling in foreign exchange? I submit that it is totally unfair that this burden of the fluctuating exchange, this speculative element should be at all introduced. Therefore, that is a point which requires an answer from the Minister.

Then, another question is about guarantees to individual industries

because from the point of view of the hon. Minister and the Corporation they serve some national purpose in the nation's economy. They say that the Corporation should be enabled to guarantee payments even where they have not got any security from depositors. I fail to understand why this speculative nature of transactions is being foisted on the Finance Corporation. It is very unwise to do it. I will tell you how it will actually operate in practice.

It may be argued that the Corporation does not really take so much risk because the plant and machinery that is imported on the strength of the guarantee given, though not covered by security, will remain mortgaged with the Government and the Government will have the right to take possession of it. I will tell you what happened in Bombay State where one National Tubewells Construction Company was given credit more or less along these lines. That firm imported machinery. Invoices were inflated. Let us take an extreme case, not that these are exact figures. If machinery worth Rs. 50 lakhs is imported, the invoice is made to the tune of Rs. 1 crore—I am taking an extreme case—with the result that actually the Finance Corporation extends credit guarantees to the limit of one crore of rupees. If that concern fails all that the Corporation will get will be machinery worth Rs. 50 lakhs, which will be its inherent value, and nothing more. If a few transactions of this nature actually take place, the result will be that the soundness of other transactions will be considerably endangered, and the financial position of the Finance Corporation, which by no means is a very wealthy concern, will be gravely prejudiced.

Therefore, these are the points against which I set my face, and I would ask the hon. Minister in charge of the Bill to explain clearly how in the first place he justifies them.

If according to the hon. Minister, there are so many applications now, where is the need to introduce people

who have got no security to offer, and tell "No" to the people who have got security to offer? Does he really mean that with an additional borrowing capacity of Rs. 50 crores, the Finance Corporation will be able to finance all the industries? Why then introduce this risk?

I submit that it is not wise to convert an industrial finance concern into an agency undertaking transactions full of speculative nature, so that the financial integrity of the institution may be compromised. I, therefore, object to these most important provisions of the Bill.

Shri S. A. Dange: I am opposing the very crucial clause in this Bill, the clause affecting the question of foreign exchange. This clause is a new one in the sense that it represents a new policy, and I wonder whether new policies should be discussed as a by-product of a certain amendment, in a Bill of this character.

The Statement of Objects and Reasons says:

"In the difficult foreign exchange position of the country, it is not possible for Government to find all the foreign exchange required for large-scale purchases of capital goods from abroad. Therefore, exporters are inclined to agree to deferred payments, but insist on guarantees from Government or semi-Government institutions".

And in view of this position, Government comes forward with an amendment saying that if foreign exchange credit is obtained by private investors or manufacturers, the loan shall be guaranteed by the Government. This is the content of the amendment.

This amendment raises certain questions of policy. Government admits that the foreign exchange position is very difficult, and we know how difficult it is at present and in the recent past, since, in fact Minister

[Shri S. A. Dange]

after Minister had to be shipped abroad in order to ease this difficult position. I do not know whether the difficulty has been overcome even by the shiploads of Ministers that have been going abroad to get some foreign exchange for our development purposes. But one thing has come out very clearly in recent days, and that is that there are interests in West European countries and in countries like America where they are prepared to give foreign exchange credits, but not for the State-sector of the Five Year Plan. They will have nothing to do with the development of that part of the Five Year Plan which deals with the State-sector. They have complete confidence in the private sector. They are prepared to give foreign exchange to private *entrepreneurs*, vest them with all the necessary instruments of production that are necessary. If that is the position of certain countries that foreign exchange will be made available to the private sector, that they have confidence in the private sector, then why should these investors again turn round and ask guarantees from Government in whom they have no confidence? They have no confidence in the Government of India, therefore they will not lend foreign exchange to the State-sector of industry. They have confidence in the private sector, therefore they will lend some five or ten million dollars to the Indian Iron and Steel Company. I do not know the finalised figures since the hon. Minister has not agreed to wait for the report and study of the new questions, and so I cannot quote the exact figures now. But they will lend to the private sector. Is it or is it not a fact that loans have been given to the Tata Iron and Steel Co. with complete confidence, and that loans are being given to the mission of industrialists which visited America? And one industrialist is reported to have secured a credit of something like \$1.5 million for a particular factory which he is going to float.

Therefore, we are in this position that we want foreign exchange, and the governments and the investors in those countries will lend only for the private sector, because they do not believe in the Government of India's policy of building State sector industry. At the same time, these investors come round to the Government of India and say 'You cannot get the foreign exchange unless you guarantee'. That means that if he is sunk, then, we, so to say, try to save the foreign investor, and the foreign person, maybe Government or a company, from the losses. He will have no confidence in the Government of India, he will have confidence in the private sector, but when it is a question of losses then, of course, he turns round to the Government and says 'You give the guarantee, and reimburse me when he loses, because I trusted the fellow, and he debunked'. This is a peculiar position.

The content of this clause illustrates this position very clearly that private investors will get foreign exchange credits, but if they default we will pay; that is, the exchequer, the public revenues, the Parliament, will be paying for this foreign exchange. This is the content of this amendment.

This amendment is a hopeless amendment. If the private *entrepreneurs* are in a position to get foreign exchange for development, let them pay for it. If those people want to reap a certain rate of profit from the private sector, let them take the risk for it. Why should the profit be taken by them and the risk be borne by the Industrial Finance Corporation, for which we lend credit from public revenues? I cannot understand. This is a wonderful one-way trade that profits are theirs, and risks are mine. Therefore, this is completely a position which is totally anti-national; it hits the very principle of the Five Year Plan; it hits the very perspective of the Five Year Plan. How can Government come forward with such a demand that a credit will be given to the private

sector, and when the losses are there they shall guarantee the reimbursement of the foreign exchange, from the State exchequer, and from the Industrial Finance Corporation, to which we advance our money? Let them borrow and let them repay. Let these fellows invest and get the profit or the losses. This is the law of capitalist development. They insist on capitalist development in the private sector. They do not have any faith in the socialistic sector of the Five Year Plan. Let them take the risk, and let them take the gains.

I find, however, that the Government of India are very much enamoured of changing their previous standpoint on policy. This amendment reflects a whole change of policy that they are now prepared to take all the risk and sink the whole foreign exchange in the interests of the private sector, and it does not matter if the public sector is ruined. This is the position in this amendment.

Are we going to agree, and is this House going to agree, to such fundamental change in policy with regard to foreign exchange? The Government of India say that they cannot get foreign exchange for their purposes, but they are prepared to guarantee the diversion of foreign exchange credit into private channels, when they cannot get it for themselves. No; it should not be so. What I would suggest to Government is this. Although I have not sent in an amendment, yet here it is, and they themselves should insert it. If you want to give a guarantee in certain respects for a concern which you think is very essential, then, for God's sake, provide one proviso or one guarantee; when you want to give an approval to such guarantees, as you are providing in section 23, that:

'Provided that that no such guarantee shall be given without the prior approval of the Central Government.'

likewise provide also that:

'Provided that this Government before giving such an approval shall see that the needs of the public sector in the matter of foreign exchange are first satisfied'.

This is our policy in the Five Year Plan, that we first concentrate on the fulfilment of the schemes in the public sector.

The private enterprises can carry on on their own, with their own resources. We do not obstruct them. We certainly help them to a certain extent, but not at the cost of the public sector. But this amendment is at the cost of the public sector. Therefore, I am opposed to it. Therefore, give me a guarantee that whenever any such approval of a guarantee is given, first, the needs of the public sector in the matter of foreign exchange are fully satisfied before the private sector is guaranteed by me on behalf of the Parliament or by the Parliament or the public revenues. This is the thing that Government ought, by themselves, to guarantee, but they do not.

Therefore, the position is this that from now on, we shall see that foreign exchange in terms of this clause, will be diverted totally for the benefit of private enterprise, and the public sector will be starved, if any credits are available on the basis of Government plans.

This is a matter of policy, and on this question, therefore, I am opposed to the new trend that is visible in this amendment, the trend consciously being imported through the Industrial Finance Corporation and through this amendment, the trend that we do not now care for the public sector and its needs of foreign exchange, and let us now go the whole hog in support of the private industry which is in a position to get credits of foreign exchange, because the investors in America, England and Germany will not lend to the Government of India. They insist that the Government of India do change their policy and develop the private sector. And in

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pursuance of this dictation from foreign elements in America and in England, this amendment is being introduced in this Bill.

Therefore, on this very fundamental question of policy, I am opposed to the amendment. And that is all that I have got to say.

Shri Morarka: I support this Bill to the extent it provides for giving guarantees for foreign exchange.

The hon. Member who just preceded me said that the needs of the public sector should be first looked after by Government, and after meeting those needs fully, the private sector should be helped. That is quite true and perhaps very reasonable. But the amendment contemplated in this Bill would not take away anything from the quota of the public sector, on the other hand it would help indirectly the public sector also.

If you would permit me, I would like to explain the position why the necessity of this amendment arose at all. When the difficulty of foreign exchange arose, and Government could not afford to give the foreign exchange for the import of even the capital goods to all those who wanted, Government started a system known as the deferred payment system, that is to say, for whatever machines or capital goods that you import today, you do not make the payment immediately, but you get some credit from your foreign suppliers, and you make the payment in certain instalments over a period of say three years or four years or seven years and so on.

Now, the foreign suppliers are the creditors, and they virtually lend that amount to us for that period. We in India are importers, and to that extent, we are the borrowers. The foreign suppliers, while they are prepared to give this credit to you, want to be assured that on the due date, you would be able to fulfil your commitment. And it was not only a

question of fulfilling your commitment but also of your having the money and of your having on the due date the necessary foreign exchange available to you. You in this country may have money; you may have your intentions to pay back on the due date, but if the foreign exchange was not available on the due date, the foreign exporter would not be helped. So, the foreign exporter started making this a condition, 'No doubt, we give you this credit which you want and which you have asked for, but at the same time, these things must be guaranteed by a Government or by a semi-government institution.' For that purpose, it has been suggested that a separate corporation known as the deferred payment guarantee corporation may be established here. Instead of establishing a different corporation, an amendment is being made to the Industrial Finance Corporation Act to enable it to give such guarantee. Actually, the effect of this amendment would be that instead of making the payment today, you would be postponing the payment by a definite number of years, and during that period, you would be able to utilise that foreign exchange for other purposes including your public sector.

To that extent, I support this Bill. But I would go a step further and say something about the proviso to clause 6, which reads:

"Provided that no such guarantee shall be given without the prior approval of the Central Government"

I do not think this proviso is necessary in these absolute terms

You must give certain powers up to a certain amount to the corporation, for which no reference to the Central Government should be necessary say, up to Rs. 10 lakhs or Rs. 5 lakhs or Rs. 50 lakhs. You would remember that under the Industrial Finance Corporation Act, the corporation can

make loans, without reference to Government, to any single concern up to a crore of rupees. If the corporation can do that, I see no difficulty and no particular risk in giving this corporation the power to give such guarantees up to a certain amount.

The reason why I advocate this is that if for all these things the Central Government is to be consulted and its prior approval taken, it would take an inordinately long time. For getting one guarantee from the Corporation, the papers will have to travel several times between the Finance Ministry and the Corporation, and by that time the foreign exporter or the Indian importer may lose the bargain. Therefore, I feel that at least to some extent, to some limited amount, the Corporation should be given power to make such guarantee without reference to the Central Government.

Having said this, I must say certain things by way of criticism of this Corporation. We have got the 9th report of the Corporation; that means it was established 9 years ago. For the first time now a dividend to the shareholders of 2½ or 2¼ per cent is proposed to be paid; otherwise, till now this dividend was paid by Government under a certain guarantee. This Corporation was not putting up any factory or undertaking any risky venture. It had funds, some free of interest, some at lower interest, and it was lending funds on securities to first class concerns at a much higher rate of interest. There was a net profit for this concern in any case. Today the lending rate of this Corporation is 7 per cent. The paid up capital, as you know, is Rs. 5 crores. It has some reserve fund. Then it has loans from the Central Government, from the Reserve Bank, and it has got 3½ per cent bonds. In spite of all these funds being at its disposal at these low rates and the capital on which it paid no interest at all, the concern has not shown good results. Why? This year in the balance sheet, we find that a sum of Rs. 22,25,000 is being provided for doubtful debts. I wonder how in

a concern like this there can be doubtful debts.

If this Corporation's activities were to be carried on even as an ordinary banker carried on, I am sure the debts would not be so doubtful and the losses would not be to this extent. We find that till now the total amount written off as bad debts is about Rs. 50 lakhs. It is not a small amount. Even the banks which are not subjected to this rigorous discipline and are not subjected to this vigilance from the Central Government, do not incur such huge losses. It is not known to us why the Corporation incurred the bad debts to this extent. Neither the directors nor the auditors have considered it necessary to mention in this bulky report the reasons or the names of the concerns of whom these debts have become bad or doubtful. I make this criticism because even on a previous occasion, we demanded that the concerns which defaulted in making payment of loans or interest or principal should be named, and at least the auditors must make that comment in their report.

Another point of criticism is this. It seems that during the last few years the Corporation is making bigger and bigger loans to fewer and fewer concerns. There is a note here in this report in the form of a directive from the Central Government, in appendix A, and the second page of the directive says:

"The Industrial Finance Corporation shall refer to the Ministry of Finance for orders all cases where the total amount of loans granted to industrial concerns which are owned, managed or controlled by closely connected group of industrialists exceeds Rs. 1 crore".

This directive, it would be interesting to note, is dated 13th September, 1956. I made a study of the 8th report which related to the period up to 30th June 1956, that is, prior to this directive. From that report, I notice that to one such group of concerns having one

[Shri Morarka]

group of management, control etc., a sum of Rs. 4½ crores was loaned. (An Hon. Member: Only?). And what was that group? A group of concerns about the management of which Government are not very happy, so much so that they want to investigate the affairs of that group.

Shri S. V. Ramaswami (Salem): What is the name of that group?

Shri Morarka: May I suggest to my hon. friend to read the report?

On the one hand, Government want to make an inquiry; on the other, another department of Government goes on pumping money in that venture. I think there must be some co-ordination in such activities because after all, it is public money; it is not like money belonging to private individuals where, the loss is a matter of concern to a few people who can look after themselves.

Sir, this morning when questions were being asked about the State Trading Corporation accounts, the answer was that the report was being prepared and generally the shareholders would discuss them and afterwards it would come and so on and so forth. But in all these corporations which are mostly owned by Government, we are the shareholders. And since there is no other body of shareholders to demand these explanations from the corporations or their managers, I think we are entitled to all this information and to keep a watch on the activities of these corporations.

In this Bill, we are extending the powers of the Corporation to borrow more money. If more money is needed to finance industrial enterprises, we must allow the Corporation to borrow more money, but before we do that, we must also see how far the Corporation has functioned in the past, whether the money which was entrusted to it has been properly utilised or not.

Apart from the question of bad and doubtful debts, to which I referred, I think there still remains much to be desired in the procedure of granting loans, the way applications are approved or rejected. Here after making this directive of 13th September, when certain applications were referred to Government, they turned those applications down. Those applications were for Rs. 2,87,00,000. Had the directive not been issued, naturally those loans would have been made; that means, loans to the concerns coming under one management, control or direction.

Request was made to you Sir this morning to give some time for the consideration of this report and then take up the consideration of this Bill. You were pleased to rule at that time that this report could not have much bearing on this Bill and, therefore, this Bill may be taken into consideration right now. That is true; but, at the same time, this report gives us to some extent an insight into the working of this Corporation. This House can make criticism, and, if I may say so, with justification on the activities of this Corporation with the help of this report. and, to that extent, I submit the study of this report has a bearing on the consideration of this Bill.

There is much that can be said about the small amendments also. But I would not like to take much time of the House. I may however say one thing. The Companies Act was amended in the year 1956. At that time, definite qualifications were laid down for the Directors of Companies. That Act is applicable to this Corporation also. One of the provisions in the Companies Act is that a Director, if he attains a certain age—I think it is 60 or 65—he should not act as a Director of the Company unless he is so approved by the General Body. This provision is sought to be deleted so far as this Corporation is concerned. In other words, the amendment seeks to prevent the application of this particular provision

to the Corporation. You remember that this was a new provision made in our Company Law. The Company Directors were not very happy about it but the Government were definitely of the opinion that they wanted this provision to be made. Then, why does Government want to make an exemption in the case of their own Directors, their own Corporation? How is this provision good for all other companies and how does it become irksome only for the Government Corporation? I think Government should apply the same standards of management and restrictions to their Corporation, which they have prescribed for the Corporations in the private sector.

These are points on which, if considered at some length or a little more leisurely, I am sure, much more could have been said. At this stage, I would only appeal to the Minister in charge of this Bill to consider the few points which I have ventured to suggest and see that at least in future such big loans are not made to one group of industries or to concerns under one and the same management.

पंडित ठाकुर दास भागंब : जनाब डिप्टी स्पीकर साहब, हमारे सामने जो बिल आया है, बेहतर होता कि सरकार इस को मिलेक्ट कमेटी में भेज देती, जहां इस पर अच्छी तरह से गौर होता और फिर इस को पास किया जाता। इंडस्ट्रियल फ़ाइनेंस कॉर्पोरेशन का मामला पहली दफ़ा इस हाउस के सामने नहीं आया है, बल्कि बहुत दफ़ा आ चुका है और इस मिलसिले में गुहा साहब की कार्यवाहियां हाउस को याद होंगी। एक कमेटी मुकर्रर की गई थी और उस ने इस मामले को देख कर, इस पर गौर कर के, रिपोर्ट पेश की और फिर उस को हाउस में पेश किया गया। जहां तक इस उसूल का ताल्लुक है कि एक खास रकम से ज्यादा रकम गवर्नमेंट की इजाजत के बिना किसी कंपनी को न दी जाय, मुझे

याद है कि एक नहीं, कई मेम्बर साहबान ने बार बार इस हाउस में प्रार्थना की कि यह इंडस्ट्रियल फ़ाइनेंस कॉर्पोरेशन गरीब लोगों के इस्तेमाल में भी आनी चाहिये, काटेज इंडस्ट्रीज और दूसरी छोटी इंडस्ट्रीज में इस का रूपा इस्तेमाल होना चाहिये। मैं ने यह रिपोर्ट जो आज पेश की गई है नहीं देखी है और मुझे भ्रमसोस है कि बिना उस को देखे आज हम यह बहस कर रहे हैं। बेहतर होता कि गवर्नमेंट इस को चन्द रोज पहले सकुलेट करती और फिर इस मामले पर बहस की जाती। लेकिन गवर्नमेंट ने ऐसा नहीं किया और इसलिये गवर्नमेंट ही इस नुकताचीनी के लिये जिम्मेदार है कि बिना पूरी तरह गौरो-खीस किये गवर्नमेंट इस को यहां पर ले आई है।

श्री मोरारका ने बिल की दफ़ा ११ की तरफ तवज्जह दिलाई है। इस [हाउस में जब भी इस किस्म का बिल आये, जोकि प्राइवेट कम्पनीज के मूललिक हो, जिस के जरिये कुछ प्रोसीजरल चेंजिज की जानी हों, तो यह निहायत जरूरी है कि ऐसा करने के पीछे जो कोई खास वजूहात हों, उन को यहां पर रखा जाये। मैं इस बात का सख्त मुखालिफ़ हूँ कि गवर्नमेंट जो बातें प्राइवेट कम्पनीज पर आयद करना चाहती है, उन को वह अपनी कम्पनीज, कॉर्पोरेशन या दूसरी संस्थाओं पर आयद नहीं करना चाहती है। अभी यह शिकायत की गई कि गवर्नमेंट की कॉर्पोरेशन वगैरह पर पब्लिक का और इस हाउस का काफी कंट्रोल नहीं है। यह शिकायत नई नहीं है, पुरानी है और यह शिकायत दुस्त है। हमारे पुराने फ़ाइनेंस मिनिस्टर साहब, श्री सी० डी० देशमुख ने साफ़ लफ्जों में कहा था कि हमें कोई ऐसी तरकीब निकालनी पड़ेगी कि गवर्नमेंट कॉर्पोरेशन और दूसरी ऐसी संस्थाओं पर इस हाउस का कंट्रोल हो। मैं नहीं जानता कि गवर्नमेंट ने इस तरफ़ कितनी तरबकी की है, लेकिन मैं अर्ज करूंगा कि जहां तक इंडस्ट्रियल फ़ाइनेंस कॉर्पोरेशन का सवाल

[पंडित ठाकुर दास भागव]

है, उस के मुताल्लिक इस हाउस में बहुत दफा ऐसी सख्त तनकीद की गई है कि गवर्नमेंट को चाहिये कि वह इस रिपोर्ट को इस हाउस में एक्सेलेबल करे, ताकि उस पर अच्छी तरह से बहस की जा सके। जैसाकि मैं ने अभी भर्ज किया है, जब गवर्नमेंट ऐसी प्रोसीजरल तब्दीलिया करना चाहे, तो उस को चाहिये कि वह इस हाउस को यह एक्सप्लेनशन दे कि ये तब्दीलियां क्यों वाजिब हैं। लेकिन ग्रानरेबल फ्राइनेस मिनिस्टर साहब ने इस बारे में एक लफ्ज भी नहीं कहा। अगर गवर्नमेंट कोई चेंज करना चाहती है, तो उस का यह फर्ज है कि वह मेम्बर साहबान को वे वजूहात बताये, जिन को बिना पर वह तब्दीली जरूरी है। यही मुनासिब तरीका है। लेकिन अगर गवर्नमेंट यह डिक्लेटोरियस एटीव्यूड अपनाये कि चूंकि गवर्नमेंट यह चेंज करना चाहती है, इसलिये यह हाउस उस को मान ले, तो वह नामुनासिब है और हम उस से मुत्तफिक नहीं हैं। हाउस अपने अस्तियारात को मारट्गेज नहीं करना चाहता है। जब तक इस के मुताल्लिक वजूहात हम को नहीं बताई जायेगी, हम मुतमयन नहीं होंगे।

डांग साहब की तकरीर में ने बड़े शौक और बड़ी तवज्जह के साथ सुनी, लेकिन उस से मुझ पर वह असर न हुआ, जोकि वह हाउस पर डालना चाहते थे। इस की वजह यह नहीं है कि जो रीजनिंग उन्होंने ने दी, उस को मैं वक्कत नहीं देता, लेकिन मैं भर्ज करना चाहता हूं कि सिर्फ एक बात पर ही जोर दिया गया और दूसरी बातों की तरफ तवज्जह नहीं दी गई। उन की तकरीर का जो लुब्बे-सबाब है, उन को जो रीजनिंग है, अगर उस को मौजूदा हालात की रौशनी में देखा जाय, तो हम पर उस का इतना असर नहीं होता है और डांगे साहब मुझे माफ़ फरमायेंगे, मैं भी उस से मुतासिर नहीं हुआ हूं।

डांगे साहब ने कहा कि दूसरे मुल्क हम को कर्ज नहीं देना चाहते हैं, लेकिन वे प्राइवेट बैंकटर में यकीन रखते हैं और गवर्नमेंट से गारण्टी ले कर वे प्राइवेट बैंकटर को रुपया देना चाहते हैं। मुझे इस पर क्रिटिसिज्म करने की जरूरत नहीं है। उन की राय दुस्त हो सकती है। गवर्नमेंट्स क्या करती हैं, किस गर्ज से करती हैं, मुझे इस में दखल देने की जरूरत नहीं है। शायद वे गवर्नमेंट्स हिन्दुस्तान के पब्लिक बैंकटर की तरक्की नहीं देखना चाहती हैं। शायद वे इस सवाल को पोलिटिकल मुक्ता-ए-नजर से देखती हैं। वे क्या करती हैं, मैं इस में दखल नहीं दे सकता हूं और न ही मैं उन को कोई खास रास्ता अस्तियार करने पर मजबूर कर सकता हूं। हमारे मुल्क के सामने फ्रागेन एक्सचेंज की जो डिफिकल्टीज हैं, मैं चाहता हूं कि दूसरे मुल्क उस में हमारी मदद करें और वह मदद भी ऐसी न हो, जैसेकि किसी भिखारी को कुछ दे दिया। हम जानते हैं कि दुनिया के सारे मुल्कों ने मौके-ब-मौके दूसरों से मदद ली है। यह कोई शर्म की बात नहीं है। सब मुल्कों में ऐसे ही तरक्की हुई है। कहीं पर शिपलोइज ज्यादा गये और कहीं पर कम गये, लेकिन मदद सब को मिली। मैं इस बात को नहीं समझता हूं कि जो कोर्स—जो रास्ता—इस बिल में दिया गया है, उस को मानने से हमारी पालिसी में किस तरह से चेंज हो जायगा और हम को क्यों यह नहीं मानना चाहिये। जहां तक गवर्नमेंट का ताल्लुक है, वह प्राइवेट और पब्लिक, दोनों बैंकटर्ज की तरक्की चाहती है और यह बात वह बहुत दफा कह चुकी है। उस ने कहा है कि देश को इंडस्ट्रियलाइज करने के लिये दोनों बैंकटर्ज का तरक्की करना जरूरी है, क्योंकि देश का भला दोनों से हो सकता है। हम चाहते हैं कि अव्वल हमारे पब्लिक बैंकटर में तरक्की हो और प्राइवेट बैंकटर में भी तरक्की हो, लेकिन हम यह जरूर नहीं चाहते कि पब्लिक

सेक्टर के एक्सपेंस पर प्राईवेट सेक्टर की तरफकी हो या प्राईवेट लोग फायदा उठाये और पब्लिक सेक्टर में नुकसान हो। गवर्नमेंट ने अपनी इंडस्ट्रियल पालिसी में दोनों सेक्टर के प्राविन्स को डिफाइन कर दिया है। बहुत सी ऐसी चीजें हैं, जिन में प्राईवेट सेक्टर पब्लिक सेक्टर के कम्पीटीशन में नहीं आ सकता और उनका आपस में कान-फिलवट नहीं है। अगर प्राईवेट सेक्टर को फायदा होगा, तो पब्लिक सेक्टर को नुकसान होगा, यह मोचना ठीक नहीं है।

दूसरे मुल्क प्राईवेट सेक्टर को कर्ज देना चाहते हैं और इस गवर्नमेंट की गारंटी चाहते हैं। अगर यह दुरुस्त है तो मानना होगा कि इस तरह प्राईवेट सेक्टर को कर्ज मिल जायगा और गवर्नमेंट को इस कर्ज के लिये फारेन एक्सचेंज नहीं देना पड़ेगा। लेकिन उस हद तक, जितना हद तक गवर्नमेंट को फारेन एक्सचेंज दूसरे मुल्कों को नहीं भोजना पड़ेगा, वह फारेन एक्सचेंज इस मुल्क के कामों में आयेगा और दूसरे मुल्क जो क्रेडिट देंगे, गवर्नमेंट को फायदा होगा। भ्रूचा साहब ने फरमाया कि गवर्नमेंट का यह फर्ज है कि वह फारेन एक्सचेंज सहेया करे। गवर्नमेंट की जो डिफिकल्टीज हैं, हम उस में शरीक हैं—बे हमारी डिफिकल्टीज हैं। जहां तक प्राईवेट सेक्टर का मालुक है, अगर उस के पास कैपिटल हो, तो गवर्नमेंट को फारेन एक्सचेंज प्रोवाइड करना चाहिये। जिन के पास रुपया है और उन को फारेन एक्सचेंज नहीं मिलता है, तो इस में प्राईवेट सेक्टर का क्या कुसूर है। अगर गवर्नमेंट नेशनल इंड्रेस्ट को देख कर कोई गारण्टी करती है तो क्या गुनाह करती है। दफा ६ में लिखा है कि सिर्फ उन्ही सूरतों में, जिन में एप्लूवल आफ दि सेंट्रल गवर्नमेंट होगी, यह गारण्टी दी जा सकेगी। यह सेफगार्ड रखा गया है, इसलिये कोई लाप-साइडिड तरफकी होने का अन्देश नहीं है। गवर्नमेंट जिस को नेशनल इंड्रेस्ट में समझेगी, उस सूरत में इजाजत देगी। डांगे साहब

ने फरमाया कि इस में यह लिखा जाय कि एप्लूवल उस सूरत में दी जायगी, जबकि पब्लिक सेक्टर की पूरी मैटिमफैक्शन हो जायगी कि उस का नुकसान नहीं होता है। मैं भ्रूचा करना चाहता हूं कि यह बात तो इस में पहले से ही मौजूद है। अगर कोई मुझ से एप्लूवल मांगे, तो मैं उम्मीद सूरत में दूंगा, जब मैं देखूंगा कि यह नेशनल इंड्रेस्ट में है और पब्लिक सेक्टर को इस में नुकसान नहीं पहुंचता है। गवर्नमेंट इस बात की इजाजत कभी नहीं देगी कि पब्लिक सेक्टर के एक्सपेंस पर प्राईवेट सेक्टर को फायदा पहुंचाया जाय।

श्री धी० अ० डांगे : ऐसा किया है आज तक। काममें एंड इंडस्ट्रीज मिनिसट्री की रिपोर्ट देखिये।

पंडित ठाकुर दास भार्गव : अगर आप किसी खास चीज का जिक्र करते तो आप को उस का जवाब मिल जाता। लेकिन आप का जो क्लिमेसिज्म है उस का जवाब तो इस के अन्दर मौजूद है। यहां पर जो गवर्नमेंट की एप्लूवल की बात रखी गई है उस का क्या मतलब है। दूसरा क्लिमेसिज्म आप का यह है कि गवर्नमेंट ने गलतियां की हैं। इस के बारे में मैं यह नहीं कहता कि गवर्नमेंट ने गलतियां नहीं की हैं। उस ने गलतियां की होंगी। मैं गवर्नमेंट के बिहाफ पर इस बारे में बिकालत नहीं करना चाहता। लेकिन मैं यह जानता हूं कि जो प्राविजन इस के अन्दर रखा गया है वह फूलफूल है। अगर गवर्नमेंट ने किसी किसी की गलती की है वह उस का जवाब देगी।

अब मैं दफा ८ की तरफ आता हूं। इस दफा का जो राशनेल है उस को मैं अभी तक समझ नहीं पाया हूं। मैं चाहता हूं कि गवर्नमेंट इस को मुझे समझाये। अगर गवर्नमेंट किसी प्राईवेट परसन को फारेन एक्सचेंज नहीं देती है तो उस का जो नुकसान आज तक हुआ करता था उस को गवर्नमेंट ही भुगत करती थी लेकिन आज इस नुकसान को गवर्नमेंट दूसरों पर डालने जा रही है।

[पंडित ठाकुर दास भार्गव]

इस चीज को मैं नहीं समझ पाया हूँ। आज हमारे यहाँ प्राइवेट और पब्लिक सेक्टर हैं। जहाँ तक पब्लिक सेक्टर का तात्त्विक है मैं इस के हक में रहा हूँ और आज भी हूँ। मैं यह समझता हूँ कि जब तक पब्लिक सेक्टर इम्प्रूव नहीं करेगा, हमारी कोई भी चीज इम्प्रूव नहीं कर सकती। लेकिन इस में मैं कोई जस्टिफिकेशन नहीं पाता कि गवर्नमेंट के फेल की वजह से, गवर्नमेंट के काम की वजह से अगर किसी को फारेन एक्सचेंज नहीं मिलता है जबकि उस के पास रुपये हैं, उस के पास एसेट्स हैं, उस का खमियाजा दूसरों को भुगतने के लिये मजबूर किया जाय। यह गवर्नमेंट किसी की मुफ्त में गारंटी करने नहीं जा रही है। गवर्नमेंट उस की लिक्विडिटी लेगी, उस के बाद कुछ पैसा लेगी और इस में यह साफ तौर पर लिखा हुआ है कि ग्रान्ट सच टर्म्स एंड कंडिशन गवर्नमेंट गारंटी देगी। आप जानते ही हैं कि बैंक कैसे गारंटी करते हैं। गवर्नमेंट तो एक मुआहिदा करेगी। गवर्नमेंट उसी सूरत में गारंटी करती है जब वह देख लेती है कि जो एसेट्स हैं वे लिक्विड हैं, वह इतना पैसा उस को देगी, उस को इतना फायदा होगा। आज हम देखते हैं कि चार चार बरस की डेफेंड पेमेंट्स की जाती हैं। अगर इन डेफेंड पेमेंट्स को आप देखें तो आप को पता चलेगा कि किस कदर हैवी रेट आफ इंटिरेस्ट चार्ज किया जाता है। यह इतना ज्यादा होता है कि प्राइवेट सेक्टर की जान निकाल देता है। डेफेंड पेमेंट्स जिन टर्म्स के ऊपर होती हैं वे अनकांसेनबल हैं। यह नमी होता है जब फारेन मैन्युफैक्चरर्स यह देखते हैं कि हम फारेन एक्सचेंज दे नहीं सकते हैं। जब फारेन एक्सचेंज गवर्नमेंट ने देना है और फिर कोई फ्लक्चुएण्स हो जाते हैं जिन पर कि प्राइवेट सेक्टर वालों का कोई कंट्रोल नहीं है तो सबाल पैदा होता है कि रिस्क कौन ले। गवर्नमेंट का अगर इस में कोई

कॉन्ट्रोल न हो तब तो दूसरी बात है। उस सूरत में यह प्राइवेट सेक्टर का फर्ज है कि वह वेमेंट करे। अगर गवर्नमेंट का इस से कोई वास्ता नहीं है कि वह फारेन एक्सचेंज दे तो यह बात सही है कि इस का जो लाभ होगा उसे प्राइवेट सेक्टर को ही बर्दाश्त करना होगा। लेकिन गवर्नमेंट डेफेंड पेमेंट्स कराती है और ये जो डेफेंड पेमेंट्स हैं ये गवर्नमेंट की पालिसी से ही निकली हैं। गवर्नमेंट ने ही इन डेफेंड पेमेंट्स की तरकीब निकाली है और मैं समझता हूँ कि यह सही तरकीब भी है। लेकिन एक आदमी अगर फैक्ट्री लगाना चाहता है और वह फैक्ट्री लगा नहीं सकता है जब तक कि डेफेंड पेमेंट्स न हों तो गवर्नमेंट उस को कहती है कि अगर फ्लक्चुएण्स हुई तो तुम्हारी फैक्ट्री बिक जायगी, इस के अन्दर तो मुझे कोई सही चीज मालूम नहीं देती। आज तक इस किस्म के रिस्क को गवर्नमेंट बर्दाश्त करती रही है और अब वह इसे दूसरों पर डालने जा रही है, यह क्यों और किस वजह से किया जा रहा है यह मेरी समझ में नहीं आया है। गारंटी गवर्नमेंट की मर्जी से ही दी जा सकती है, उसके बिना नहीं दी जा सकती। कोई यह नहीं कह सकता कि आप को गारंटी देनी ही होगी क्योंकि फारेन एक्सचेंज इस के बिना नहीं मिलती है। यह गारंटी गवर्नमेंट की मर्जी से, उस के साथ कांटेक्ट कर के, उस के फेल की वजह से, उस की एप्रूवल में ही दी जायगी। जब यह बात है तो प्राइवेट सेक्टर वालों का क्या कमूर है कि आप उन को मजबूर करें कि जितनी भी उस की फ्लक्चुएण्स होगी, जिस में कि उन का कोई हाथ नहीं है, जिस को कि वे कंट्रोल नहीं कर सकते हैं, वे इन्हें जिम्मेवार हों। मैं चाहता हूँ कि गवर्नमेंट अगर इस के बारे में कोई और रीजनिंग दे तो ही मैं कन्विंस हो सकूँगा, वरना नहीं।

अब सवाल यह पैदा होता है कि गवर्नमेंट गारंटी दे या न दे। हमारे बाये साइड

ने तो गारंटी देने के बखिलाफ ही कहा है। मैं भ्रष्ट करना चाहता हूँ कि नौकि इंडस्ट्रियल फाइनेंस कारपोरेशन की पुरानी हिस्ट्री को देख कर मुझे को तो यह लगता है कि पता नहीं कि गवर्नमेंट कहां तक जायगी और कहां तक नहीं जायगी। पिछले दो सालों का हाल मिनिस्टर साहब ने बताया है और कहा है कि अब दस करोड़ की इन-वेस्टमेंट है और इस मर्तबा सवा दो परसेंट मुनाफा देने जा रहे हैं, उस से तो कुछ तमस्वी होती है और ऐसा महसूस होता है कि शायद इस ने कानून टूट कर लिया है। लेकिन जहां तक पिछले चन्द सालों की हिस्ट्री का ताल्लुक है उस से तो यही पता चलता है कि बड़ी बेरहमी के साथ रुपया ज़ाया किया गया है। जितने भी डाउटफुल डेट्स हैं उनको अगर हम देखें तो मुझे डर लगता है कि अब जो अख्तियार हम गवर्नमेंट को देने जा रहे हैं उन को ठीक तरह से ग्रभल में लाया जायगा या नहीं। हमें पता नहीं कि जिन के हाथ में हम यह ताकत देते हैं वे उसका ठीक तरह से इस्तेमाल करेंगे या नहीं। मैं तो हमेशा डरता रहता हूँ कि गवर्नमेंट को जहां तक बिजिनेस का सवाल है, बिजिनेस करना नहीं आता। जो भी बिजिनेस गवर्नमेंट के हाथ में है उस में से किनी के अन्दर भी हम ने फायदा नहीं देखा है। मुझे डर है कि गारंटी के मामले में गवर्नमेंट कही ऐसे केसिस में न फंस जाय कि लेने के देने पड़ जाये। मुझे पता नहीं कि कौन सी टर्म्स एंड कंडिशनस गवर्नमेंट ने रखी हैं। मैं चाहता हूँ कि गारंटी उसी सूरत में दी जाय जिस में कि पब्लिक रुपये के ज़ाया होने की सम्भावना न हो।

अन्त में मैं इतना ही कहना चाहता हूँ कि इस बिल को हमें सिलेक्ट कमेटी में भेजना चाहिये था। वहां पर सारी बातें खुलतीं और पता चलता कि गवर्नमेंट क्या चाहती है और क्या नहीं। बदकिस्मती से इतने जल्द बिल यहां पर रखे जाते हैं

और हम से यह चाहा जाता है कि हम इन को तीन घंटे के अन्दर पास कर दें। पता नहीं क्यों इतनी जल्दी की जाती है। मैं चाहता हूँ कि हर एक मामले में जिस के अन्दर किसी प्रिंसिपल का सवाल आता हो, सिलेक्ट कमेटी में भेजा जाना चाहिये। वहां पर उस मामले की अच्छी तरह से धोश आउट किया जाना चाहिये। श्री डांगे ने कुछ एक बातों का जिक्र किया है। उनकी दलीलों में कितना बज़न है, इसको हो सकता है कि मैं न समझा होऊँ और उनका मैं जवाब नहीं दे सका हूँ। हो सकता है कि उनकी दलीलों का सिलेक्ट कमेटी में कुछ अ़सर पड़ता और उन पर उचित विचार किया जाता। अगर इस बिल को वहां रखा जाता है तो वहां पर इसके सारे प्रास एंड कांस पर विचार हो सकता है और यह देखा जा सकता है कि भाया यह ठीक है या गलत है। यहां पर एक मिनट में इस तरह से ऐसे बिलों का फंसला हो जाता है जैसे इन का कुछ महत्व ही नहीं। करोड़ों और अ़रबों रुपये यहां पर इनवाल्ड हों उस का तीन घंटे के अन्दर फैसला कर देने से दिली दुख होता है। अगर इस को सिलेक्ट कमेटी में भेज दिया जाता तो कोई ग़ज़ब नहीं हो जाता।

इन अलफाज़ के साथ मैं एक बार फिर यह दोहराना चाहता हूँ कि गवर्नमेंट पुरानी हिस्ट्री को रिपीट न करे और पब्लिक मनी का ठीक ठीक सेफगाई करे। और जहां तक रिस्क का ताल्लुक है, मैं अब तक नहीं समझा कि गवर्नमेंट इसकी ज़िम्मेदारी क्यों दूसरों पर डालती है। इस के बारे में गवर्नमेंट अगर कोई बेहतर रीजनिंग बतायेगी तो मोचा जा सकता है।

15 hrs.

Shri Sadhan Gupta (Calcutta—East):
Mr. Deputy-Speaker, Sir, this Bill seeks to introduce amendments dealing with three principal subjects. I am not concerned with other minor

[Shri Sadhan Gupta]

matters but I am very much concerned with three principal matters which are being sought to be brought in by the amendments. First of all, the question of guaranteeing deferred payments by the Corporation; secondly, the question of enhancing the borrowing powers and thirdly the question of granting the Corporation power to advance loans on inadequate security on the guarantee of the Central and the State Governments.

Whichever of these matters we may consider, we have to consider them in the background of the working and the behaviour of the Industrial Finance Corporation in the past. We have to consider whether it will make the financial success of the new powers provided or what it is likely to do with the powers provided.

If the Corporation had functioned properly, it might have done a great service to the country. It is undoubtedly a fact that although there is much controversy between us about the extent to which the public and the private sector should flourish in this country, we have, for instance, on this side, held that the public sector should be by far the dominant sector and the private sector should play a very minor part in the industrial development of this country. But even then, the private sector would be there anyhow and if the Industrial Finance Corporation had functioned properly, it might perhaps have played a valuable role in assisting the private sector to healthy development. If it regulated its loan policy with reference to the priorities of the industries necessary for our country, if it regulated its loan policy in a non-discriminatory manner and in particular followed the policy of discouraging the growth of unduly large industrial concentrations, if it did all this, it would certainly have done a very useful job. But, by its very constitution it is incapable of doing it. I should say it is constitutionally incapable of doing it, because it has gone into the grip of a small capitalist group who are utilising it for their own ends.

We are aware of the past scandal which has been unearthed in regard to this Corporation. We all know how a few directors of the Corporation took a substantial part of the loans of the Corporation for industries in which they were interested, for industries which did not prove very successful on the whole and in some cases landed the Corporation into very great financial losses. We all know it.

Also, as Shri Morarka has pointed out, it has been the tendency of the Corporation to grant big loans to a few industrialists so that the growth of monopolistic tendencies has been encouraged by this Corporation. Therefore, it has been used by the capitalist groups in control of the organisation more as an instrument for looting the money provided by the Government than as a contribution to industrial development and a healthy assistance to the growth of our industries.

In the circumstances, is there any wonder—can we wonder—that it will not make a financial success of the new powers provided? Already, it has written off Rs. 50 lakhs as bad debts. That is quite a heavy amount and there is no wonder, because I believe it involves such concerns as the Sodepur Glass Works and other concerns to which loans have been granted not on financial considerations but on other considerations. Under these circumstances, can we trust them with such enlarged borrowing powers, with the power to grant loans on inadequate security on the guarantee of State and Central Governments, or most of all, with the power to guarantee deferred payments?

If it enjoys such enlarged borrowing powers and borrows to that extent, it is quite likely—and if it grants loan assistance on inadequate security—its financial stability will be jeopardised and the Central Government or the State Governments will be ultimately

called upon to make good the losses at the expense of the tax-payers. It is not an idle fear. It is a fear born out of the experience of the past working of the Corporation, and the way the authorities of the Corporation had behaved in the past.

Under these circumstances, should we grant them such enlarged borrowing powers? Should we allow them to grant assistance on inadequate security? If there is any difficulty about the borrowing powers we might extend them slightly. For example, the Statement of Objects and Reasons says that there are Rs. 5 crores more to be advanced by the Central Government and together, it will make only Rs. 28 crores, whereas now, it can borrow only Rs. 25 crores 27 lakhs. We might extend it to, say, Rs. 30 crores. If we did so, the requirements for the Second Plan period would be covered, and we could consider the matter for the third Plan period in the light of the experience of the working of the organisation. If we found that the organisation had worked properly, we might not grudge giving it enhanced borrowing powers. If we found that the organisation had worked in such a manner that it has made a financial success of its ventures, that it has granted loans on a proper basis, both economic and social, we might consider giving them enhanced borrowing powers, but why need we extend the borrowing powers up to Rs. 50 crores 55 lakhs or more? Why should we do that, when plainly on the face of the working of the Corporation, it is a dangerous thing to do and might seriously affect its stability?

I come to the question of lending on inadequate security. The past working of the Corporation reveals that it has shown a tendency of favouring certain groups mostly connected with itself in the granting of loans. We may be excused for assuming that it is the same policy that will continue and the industries that will receive assistance on inadequate security will be connected with certain big capitalist

groups. We also know that it is not difficult for such groups to manage in a way that the State Government gives them a guarantee for the loan on inadequate securities.

We have seen many instances. I know one instance where one such group, one concern, belonging to a big capitalist house sought land requisition for a soda ash factory and the State Government had acquired it from the local peasantry at a ridiculously small compensation. When the peasants protested and offered peaceful satyagraha—I have seen it myself—they brought pressure and tried to break the peasants' resistance. In that case, in spite of the market price being Rs. 2,000 per acre of very fertile land, what was offered was only Rs. 700 or Rs. 800 an acre. So, the big capitalist houses can make arrangements with the State Government. It is not very difficult for them. Therefore, from these provisions, we are afraid that only the big industrialists will benefit and the smaller industrialists, who need to be encouraged in the industries in the interest of the country, in the interest of equitable distribution of wealth in society, will not succeed in getting the loans under these provisions. Therefore, I do not think it will be a very healthy provision to incorporate in the Act.

The last point is about the guarantee. My leader has dealt with the matter very fully. I want to point out some of the dangers that occur to me on the basis of past experience of its working. What is contemplated is that the Industrial Finance Corporation will guarantee deferred payments by capitalists who would contract with foreign exporters to import machinery. The first point, of course, arises whether those machineries will be necessary for the purpose of our Plan. When we are facing such a desperate shortage of foreign exchange, we cannot allow every kind of machinery to be imported irrespective of the needs of our Plan. So, the first question will arise whether such imports will be necessary for our Plan

[Shri Sadhan Gupta]

or whether the capitalist concerns who contract to import machinery will just obtain guarantee from the Industrial Finance Corporation for anything.

The second thing which worries us is that it may involve the Industrial Finance Corporation into a double jeopardy. It may be that the person concerned will manage to take a substantial credit from the Industrial Finance Corporation and then float an industry and then have his imports guaranteed. That way double jeopardy may occur. From the past experience of its working, it seems to me that this is the thing that will happen if the Industrial Finance Corporation is allowed to guarantee these deferred payments.

The answer that may be given to this is that it is protected by the provision for prior approval of the Central Government. We are not reassured even by that, because we have seen how the Central Government, instead of trying to bring the authorities of the Corporation to book, try to whitewash the misdeeds of the authorities of the Corporation even by misinterpreting the report of the Committee presided over by our colleague, Mrs. Sucheta Kripalani. We had a debate in the last Lok Sabha about this and anyone who read the report was perfectly clear that although it was couched in very moderate terms, yet there was no doubt as to what the verdict of the committee was. Even on the face of it, the Central Government maintained that the verdict was otherwise and tried to whitewash the misdeeds of the authorities. Even the Chairman of the Committee, Shrimati Sucheta Kripalani, participated in the debate and left no doubt as to what the verdict was. Even on the face of her clear interpretation, the Government maintained that it was different.

This tendency to whitewash the misdeeds of the authorities fills us with great apprehension that the provision as to the prior approval by Central Government of the guarantee to be given by the Corporation as a matter of fact will not in practice

operate as a safeguard, but might be used to cover up the misdeeds of the Corporation and that must be prevented. Under these circumstances, we have to voice our opposition to these principal clauses and therefore, we urge upon the Government at least to introduce amendments by which the guarantee will be restricted to essential imports of capital goods which are necessary for the furtherance of our Plan and secondly which will cast an obligation on the Central Government to examine fully the kind of imports made and in particular, where the imports are being made by a small group of capitalists whether the guarantee will be a financially sound guarantee. Unless these at least are incorporated in the Act, we are unable to support the Bill and to continue our opposition to it.

Shri T. K. Chaudhuri: Mr. Deputy Speaker, much has been said about the subject of deferred payment. To my mind it is not the principle of deferred payment which is in question here, because it is already a settled policy of Government to encourage deferred payments in regard to the import of capital goods.

The question that we need consider here very seriously is whether it is proper for an institution like the Industrial Finance Corporation to guarantee such arrangements between private parties in our country and private parties in foreign countries. If I understand aright, the Industrial Finance Corporation is in the nature of an industrial bank. Its activities should be guided by sound banking principles. Its investments and its commitments should be guided by those principles alone and no other. The Government and the Corporation authorities said as much when their investment policy was questioned in the past. When the wisdom of particular investments were questioned, they said that these investments were made from the point of view of sound banking investments and nothing else. I would like the Government to

consider whether it is at all proper or feasible for an institution like the I.F.C. to guarantee such deferred payment arrangements.

I may mention here that the State Trading Corporation has very recently entered into an agreement with private Japanese exporters of textile machinery for deferred payment in regard to textile machinery that would be imported by our textile industry. I don't have the details of that agreement here but, if my information is correct, the State Trading Corporation has already offered certain guarantees as regards the ultimate payment of the loans or credits thus granted by the Japanese textile machinery exporters. Why could not the Government think of the State Trading Corporation or some such other institution for this purpose? Mr. Morarka mentioned that there was some suggestion for a Deferred Payment Guarantee Corporation. There should be some such special institution. Why the Industrial Finance Corporation should be called upon to take up this responsibility is beyond my comprehension. If the Government agrees that the I.F.C. is in the nature of a banking institution, then it should not be called upon to undertake such commitments. That is the first point that I want to emphasize.

15.24 hrs.

[SHRI MOHAMED IMAM in the Chair]

Secondly, with regard to the increase in the borrowing powers of the Corporation, it is very much related with the question how the I.F.C. has worked up till now. Of course, we didn't have the time to go into the report on the working of this Corporation in some detail.

But a cursory glance of this report has brought to my notice certain things which are rather intriguing. I will just refer to the terms granted to some firms. For example, loans have been granted to the Indian Explosives Limited, who are starting a heavy chemical and explosive factory in the Hazaribagh district of Bihar. The

actual party concerned is the Imperial Chemical Industries of India. Do the Government or the Corporation want us seriously to believe that this is how the investment policy should be implemented or loans should be disbursed? Were the I.C.I. really very much in need of this loan? One may even question the wisdom of granting them this concession of opening a heavy explosive factory in India. We all know who are the I.C.I. people. We have granted a concession to the biggest monopolist concern of Britain, whose subsidiaries I.C.I. India Limited are. We have helped them with a loan to the extent of Rs. 1-1/2 crores and the Government want us to believe that this company was in very bad straits and they could not have been helped out of the difficulty had we not helped them with this loan.

Shri V. P. Nayar: They should have first stopped their remittances and then applied for a loan.

Shri T. K. Chaudhuri: This then is our loan disbursement policy. Then there is another firm—Messrs Sen-Raleigh and Company. They have been given an additional loan of Rs. 15 lakhs. They have already been given accommodation up to Rs. 38 lakhs. This Messrs Sen-Raleigh and Company, really speaking, is not an Indian company. It is a subsidiary of the famous Raleigh firm of Great Britain, who own a sizable sector of the British heavy industries. They have opened a subsidiary company here. They have recruited some Indians and put them in charge of the company formally. I have no quarrel with Messrs. Sen-Raleigh and Company. But, why should we and the Corporation go out of the way to help these companies with this kind of accommodation passes my comprehension.

There are other companies as well. I find there is a machinery manufacturing corporation run by Messrs Mahindra and Mahindra. We were given to understand that the I.F.C. was started to meet the long-term and medium-term credit needs of small businessmen, people who cannot

[Shri T. K. Chaudhuri]

always find the money necessary to invest or expand their business. But, in spite of that, we find that the top-most capitalists of our country, not only the top-most capitalists of our country but the top-most capitalists of foreign countries and their subsidiaries, are being helped by this institution. I also find that a glass company in West Bengal has been given quite a sizable loan. That is run by Messrs Bharath Ram & Sons. I do not want to go into past history, but we at least know this much that Messrs Bharath Ram and Lala Sri Ram who was the original Chairman of this Corporation and during whose regime so many complaints were lodged, are closely related. I do not know how again this Messrs Bharath Ram managed to get a loan.

Shri V. P. Nayar: Bengal Potteries—20 lakhs

Shri T. K. Chaudhuri: Then I find another European firm, Messrs Holms Wilson & Co., Managing Agents, Britannia Building & Iron Co., Ltd., were also granted a loan of Rs. 15 lakhs.

Now this is the way that this Corporation is being run. It almost passes everybody's comprehension how after so much of criticism, so much of enquiry, this kind of thing can happen. And the Government has the cheek to come once again and say that these loans are becoming very popular, there is need for industrial expansion in the country, there will be considerable industrial activity in the country in the coming years and so we must increase the borrowing capacity of the Corporation. Of course, these loans are becoming very popular, very popular with Messrs Imperial Chemical Industries, very popular with Messrs Sen-Raleigh and Mahindra and Mahindra and they would always try to thrive at the cost of the public exchequer. I think, Sir, that a stop should be put to this kind of activity and the House should be given another opportunity to probe into the activities of

the Corporation, to scrutinise the loans that have been advanced. Questions have been put from time to time, but it seems nothing much has changed.

With these words, Sir, I oppose the specific clauses which relate to these amendments.

Shri Harish Chandra Mathur (Pali): Mr. Chairman, the obvious purpose of this Bill is to enlarge the scope of the Industrial Finance Corporation. In the Statement of Objects and Reasons the opening sentence is this:

"as a sequel to rapid industrialisation of the country under the Second Plan, heavy import of capital goods by industrial concerns is necessary."

Mr. Chairman, in this country, outside this House, anything can be done in the name of religion and in this House anything can be done in the name of the Second Five Year Plan.

Now it is to fulfil the purposes of the Second Five Year Plan that we are told that this sort of power must be given to this Corporation so that industrialisation by the private sector could be stepped up, so that difficulties and obstructions in the way of industrialisation by the private sector could be removed, so that the foreign exchange difficulties which are our greatest headache could be removed. If I could rely on the various press reports and the information on this point doled out in responsible papers, we find that even by now the private sector has gone farther than the targets laid down for industrialisation by the private sector in the Second Five Year Plan. As a matter of fact, we have been given a feeling that our foreign exchange difficulties have been the result of manoeuvrings by the private sector. When the last Development Council meeting was held here in this capital, I think the matter was discussed there and if the reports that have appeared in the papers are correct, we find that investment in the private sector has substantially

exceeded the Second Five Year Plan target; against the target of Rs. 720 crores during the five years the investment may now be Rs. 850.

This information is believed to have been conveyed to the Standing Committee of the National Development Council on the eve of the two-day meeting here. What is more interesting is that this investment will most probably be completed by the end of the current financial year.

Now, if this report is correct, the very purpose for which this Bill has been brought forward is taken away. I am not against the private sector at all. I believe the private sector has an honoured place in the economy of this country. I trust that the private sector must be given all the necessary assistance. But I would certainly oppose vehemently the private sector sabotaging the Second Five Year Plan, and the facts which are before us lead us to believe that most of our foreign exchange difficulties are because of the private sector managing somehow to get all the import licences during the last two years of the First Five Year Plan.

It was explained to us here by the hon. Finance Minister that these licences had been issued, this foreign exchange had been given not for the consumer industry maybe true to a certain extent. But what was explained was that it was only for developmental purposes for industrial expansion. Even if I accept that, Sir, industrial expansion by the private sector at the cost of the Second Five Year Plan, at the cost of the public sector cannot be permitted. And now we are taking a step further to step up the private sector to get further foreign exchange.

If we have followed the reports which have appeared in the Press in relation to our Industrialists' visit to foreign countries, they have been telling all the time that all sorts of foreign assistance is likely to be available from U.S.A. as well as from West Germany, provided this Government

behave well. It is most unfortunate that these people should be permitted to create such a vicious atmosphere and to coerce the Government into certain line of action. Government has behaved exceedingly well; Government has as a matter of fact been generous to the private sector, but let us see whether the private sector has behaved properly and whether the private sector has behaved well or not.

Again, if these facts which I have given are correct, we find that the private sector has behaved very shabbily. So many speakers who have preceded me have very strongly criticised the Industrial Finance Corporation. We had an occasion in the previous Parliament to criticise the working of this Corporation. And though Government put forth all sorts of defence in the beginning when the facts were doled out, Government were compelled to institute an enquiry and we all know what the result of that enquiry was. Even subsequent to that several facts have come to our notice. Some facts have been given by Mr. Morarka; other facts have been given by friend on the Opposition, which go to make out that the Industrial Finance Corporation has not behaved well, has not functioned well.

We have abolished in this Union of ours seven hundred princely States; but it appears we have created another princely State in the name of these autonomous corporations and autonomous bodies which have been behaving so shabbily as has been pointed out from time to time on the floor of this House as well as from outside. Now, in view of the fact that the Industrial Finance Corporation, to which we want to give all this assistance, has not behaved well in view of the fact that the private sector itself has not behaved well, and by various means they have been wanting to create a sort of atmosphere here against the Second Plan while taking all advantage which is not their due, and in view of the fact that the very purpose for which this Bill

[Shri Harish Chandra Mathur]

has been brought forward does not demand any further assistance to the private sector, I find it extremely difficult to justify and support the present measure before us.

In spite of all that I have said, I would certainly be prepared to give all these powers and to make all these amendments because they are quite good and there is nothing to be said against them. All that I say is that the powers that are there have not been used properly, allowing abuses both by the private sector and the Industrial Finance Corporation, and as I have just now pointed out, the facts reveal very clearly that such further stepping up by the private sector under the Second Plan is not justified. In spite of this, we would be prepared to enact these provisions, but these provisions must be enacted with a definite warning to the Government that the Government must satisfy this House and satisfy the people that this sort of behaviour both on the part of the private sector and the Industrial Finance Corporation will not be permitted and that necessary steps will be taken to put things on proper rails and in right channels.

My hon friend Shri Morarka who spoke with perfect logic and reason on all other points, raised an objection against the provision in clause 6, that all such guarantees need not be given with the approval of the Government. I think he was only contradicting himself when he said that, because he himself gave very good reasons, and he placed certain facts which led the House to believe that the Corporation had not behaved properly and that there ought to be a supervision over the working of the Corporation. But apart from those reasons, I think particularly now when we are in such difficulty about foreign exchange and when we have got to co-ordinate all our efforts in relation to the Second Plan this provision is absolutely essential, parti-

cularly because the Government must see what sort of industry is to be given assistance in respect of foreign exchange to secure capital goods. It must be all in relation to the Five Year Plan, it must be in relation to a particular programme before the Government which the Industrial Finance Corporation by itself will never be able to judge. The entire picture cannot be before it. The national development plan cannot be before the Corporation itself, it can only be before the Government, and therefore this provision must stay as it is.

Having said all this strongly, I cannot share the views put forward by Shri Dange. I think he was proceeding on absolutely wrong assumptions. His entire assumption was: all benefits to the private sector and all risk to Government. It proceeds on the assumption that Government would blindly, without any consideration, accept all liabilities and would sanction all loans and give all facilities. But, as has been pointed out, there is a definite provision in this Bill which leaves it entirely in the hands of the Government to take a decision. Government is not going to guarantee all bad loans. So, that apprehension and that assumption have got no ground or basis.

Then he gave the impression that it was the imperialistic countries, the capitalist countries that wanted to compel and coerce the Government to deviate from their studied policy regarding industrialisation in the public sector, and that it was only under that pressure that the Government has now come forward with these measures to give fillip and assistance to the private sector. I have no doubt that there may be some truth in the statement that other countries do not like the growth of our public sector. It may be true that certain countries may not like the essentially sound policy on which we are proceeding, particularly in respect of putting

up certain basic industries. It may not suit them. All this may be very correct, but I am not prepared to accept that it is as a result of the foreign tour of our Finance Minister and the team of industrialists and the hope that foreign assistance will be made available to this country in ample measure that we thought of these measures to let the private sector have its way. As a matter of fact, this Bill was here in our hands much before the Finance Minister left this country. It has nothing to do with his experience in foreign countries. It would be absolutely wrong to give an impression to the House that Government is working under any coercion, or that we are now, as he hinted very broadly, changing our policy in any material manner or in any fundamentals. Our policy obviously remains the same. Of course, we are working under certain compulsions, and as I have said, my only complaint is against the Industrial Corporation itself not working in a healthy manner and against the private sector not behaving properly so far as the Second Plan is concerned. If we pass this Bill, we will have to take note of the behaviour of our friends and not permit them to say that if the Government behaves well, foreign exchange would be made available, as many of our industrialists have been saying in the U.S.A., Germany and France. I have read the speeches of the various members of the industrialists' delegation saying that the Finance Minister has made an excellent impression, that they have gone and discussed matters with all people, that they have made an excellent impression, that those people are prepared to help us, but only it all depends on how the Government of India now behaves. The Government of India knows how to behave. They have been behaving properly, and they will continue to behave properly. It is for the private sector to understand their limitations and to act within their limitations because we want the private sector to play their proper role in the economy of this country.

We know that the private sector has a place and we cannot do away with the private sector in the present context and in the present economy. Therefore, it is not for the Government of India to take any warning or any caution from the private sector talking in those high tones, but it is for the private sector and for the Industrial Finance Corporation to take note and work properly, and it is for the hon. Minister to take effective measures, administrative as well as legislative if necessary, and to assure this House that there would be no cause for complaint left.

Shri Bimal Ghose (Barrackpore): I am not opposed to the main provisions of this Bill, but I should like to have some information in regard to certain matters, but before I come to the provisions of the Bill, I should like to say a word about our attitude towards the working of the Industrial Finance Corporation.

It is well known, as Shri Gupta had pointed out, that the Corporation had shown many failings in the past for which it has been criticised, but I believe it would not be fair to the Corporation to try to stultify its future activities for its past misdeemeanours. What had happened in the past was taken note of in Parliament. A committee of enquiry was set up, its report was discussed and certain reforms were brought forward. There may still be deficiencies, I do not know, but we should try to remedy them. But I believe that if we have the corporation, then we must give the corporation the powers so that it can work efficiently and competently, and we should judge the corporation from that point of view. I believe in that context it is also necessary for us to say a word of praise to the corporation for having, for the first time, been able to make sufficient profits, to be able to pay the guaranteed interest without obtaining any subvention from Government. I do not say—I do not know—whether all the loans that it has been sanctioning have been quite wise or not. Certainly,

[Shri Bimal Ghose]

there may be ground for criticism on that score, as my friend Shri T. K. Chaudhuri had pointed out. But I must confess I have not yet had the time to examine all the loans that have been made by the corporation. But if there are criticisms, they should be met, and the corporation should take note of them.

Now, coming to the provisions of the Bill, the provision with regard to deferred payment does not in my mind raise the question of private and public sector as such. That is a question which is quite apart. It is not the fault also of the private sector, if they have to ask for guarantees for obtaining deferred payments from abroad. That is the policy which Government have initiated. I do not think that the private sector is very enamoured of this deferred payment system, because it has raised the cost; if it is a question of five-year or six-year deferred payments, then the costs will have gone up by about 30 to 40 per cent for the whole period. So, if this is the condition imposed by Government on the private sector, then Government must also create the machinery by which they can give the guarantees that are asked for by foreign exporters. And it appears that they will only agree to have guarantees from Government or semi-government institutions. Now, if that is so, I shall not grudge the provision in this Bill permitting the Industrial Finance Corporation the power to guarantee such deferred payments.

But I should like to raise a question which has probably nothing to do with the Industrial Finance Corporation as such, but which has great significance so far as the future economy of this country is concerned, and it is this. Government are encouraging deferred payment purchases from abroad. These deferred payments will be made, say, from the year 1959-60 and so forth. I should like to know from the Minister whether Government have made any estimate that when these deferred payments come for

real payment, and will mature for payment, we shall have by that time, that it, by 1959-60, enough foreign exchange to pay for them.

Have they estimated that our exports will rise, or have they calculated that we shall get foreign assistance, and that from the time these deferred payments will start maturing, we shall have sufficient foreign exchange to make payments during that period? What it appears to me Government are doing is the postponing and putting off of the rainy day. Today, we have no foreign exchange, and, therefore, we start getting purchases from abroad on a deferred payment basis, just as two or three years ago, we started issuing licences, not knowing what the consequences would be; we started issuing licences then, but today we cannot meet those obligations. So, I have sometimes a fear whether we are not incurring obligations today, and when they will mature and come for payment, we may not be faced once again with the same situation.

I should, therefore, like to know from Government whether they have made any estimate of our export earnings from the time the deferred payment will start maturing, or of the assistance that we would be getting from foreign countries whereby we shall be in a position to meet all these deferred payments when they will fall due.

Secondly, I would like to say a word about the borrowing power. I read the report of the Industrial Finance Corporation—and I must confess I have not read it very thoroughly—but I have not found any statement in that report to the effect that the corporation's activities are being hampered on account of the shortage of funds. If the corporation's activities are really being hampered, there should have been a reference to that in the directors' report.

As the Act stands at present, the corporation can borrow to the extent of about Rs. 27 crores, that is, five

times its capital and reserves. I find that its borrowing, on June 30th, 1957, was of the order of Rs 17 crores. So, there was still a margin of about Rs. 10 crores. I should like to know what the urgency is to raise the limit immediately from five to ten times, because it appears that there is still a cushion of Rs 10 crores which the Industrial Finance Corporation can fall back upon.

In this connection, there is one other thing on which I should like to have some information, and that is about the functioning of the corporation. It appears to me from the figures that have been mentioned in the annual report, that the corporation has sanctioned loans up to Rs 55 crores until June 30th 1957 of which loans declined were Rs 8 crores; therefore loans which were effective were Rs 47 crores, and loans disbursed were only Rs 27 crores, and Rs. 20 crores were still not taken advantage of.

I should like to know how the corporation sanctioned an effective loan, let us say, of Rs 47 crores, while the resources were very much lower than that. Is it a normal procedure that the corporation sanctions loans which come to many times more than it can effectively give? And if so, is it a healthy procedure? Otherwise, as I said, it does not seem that there is any immediate urgency for raising the limit from five to ten times the capital and reserves, so far as the borrowing power is concerned. And unless we know that the corporation has a really immediate need of that amount, there is no sense in raising the limit.

The third point on which I seek information is with regard to the exchange risks that have to be borne. Under the Act, the risk has to be borne by the Government. It is being changed now so that the exchange risks will have to be borne by the parties concerned. I should like to know whether that risk also includes the risks which deferred payments

might entail, because the wording is 'borrowings from which loans are given'. Will the risks on foreign exchange on deferred payments also come under this? If they should come, then I think it is not quite fair to the private parties, because they have not contracted to get deferred payments; it is Government who have forced them to accept deferred payments, and they are making provision for all that money. The corporation will have to be satisfied before it can really agree to give this guarantee, and this guarantee, let us also realise, does not mean anything more than the corporation would otherwise have been doing, because if there were no question of a guarantee, and all the machinery could be bought immediately, the corporation would have examined that position and found out whether the money could be loaned.

Now, the question is that the loan will be given; the machinery is coming, but it will be paid for over a period of time on a deferred payment basis. And that deferred payment basis, as I was saying, is something which Government have insisted upon, and the private parties did not ask for it. Therefore, if there is any risk in connection with the exchange payments, that should legitimately be borne by Government, and the burden should not be placed on the private sector, in fairness.

Finally, there is the question of extending the scope of the activities of the corporation to enable it to give loans to parties with inadequate securities.

16 hrs.

Although it is a desirable proposition that parties who are essentially sound but have not sufficient capital should be assisted to establish industries, what I find here is that the Corporation is not going to do anything. The Industrial Finance Corporation is not going to exercise its own judgment at all, because the proposed amendment to section 23 says that such loans would be given

[Shri Bimal Ghose]

provided they are guaranteed as to the repayment of principal and of interest by the Central Government, State Government, at scheduled bank or a State co-operative bank. If the loan has to be guaranteed by any of these institutions, where does the question of the Corporation's judgment come in, because the risks will be carried by other people? As a financial institution, it should be the Corporation's task or duty to find out on any application being made to it whether the proposition is a sound one or not. Here what the Corporation will do is simply, on the guarantee of somebody else, to give them the money. The Corporation has no risks to run. This is not quite fair, so far as the activities of the Corporation are concerned or, for that matter, of any financial concern, because if the guarantee is given, the Corporation can give the loan blindfolded.

Therefore, I feel that the Corporation should not be given this guarantee. If it is to function as a commercial or financial institution, Government must say that provided there is a reasonable proposition which is brought before it and the parties have not adequate capital, the Corporation must exercise its judgment and give the loan and also bear the risk. Then only we shall find out whether the Corporation has really been doing anything. But as it is, this is giving it power for which it shares no responsibility whatsoever.

There are one or two small matters to which also I should like to refer. I had sent in amendments today thinking that the Bill would come up for discussion tomorrow; I had not expected that we shall be finishing it today. For example, in clause 3 where an amendment has been brought forward to the effect that a director nominated under clause (a) or clause (b) may have a deputy for him, I think we should also include a clause (d) where the directors are elected by insurance companies etc., because I find from the report of the

Corporation that in this category 2346 shares out of 2598 shares held by insurance companies etc. are held today by the Life Insurance Corporation. Therefore Government are the major shareholder in this category also. So why should not category (d) also come in here?

Finally, in section 27 for the words "or otherwise", the Bill seeks to substitute "or any bank or financial institution in India or in any foreign country". That refers to borrowings from abroad, but I think the words "or otherwise" should also be retained in addition to those which the Bill proposes because it may not be any financial institution, it may be somebody else from whom we might borrow. Therefore, it should not be made unduly restrictive. The words "or otherwise" could cover many things and, therefore, in my opinion, those words should be retained.

Mr. Chairman: How long will the hon. Deputy Minister take to reply?

Shri B. R. Bhagat: 15 to 20 minutes.

Shri D. C. Sharma (Gurdaspur): How much time is allotted to this Bill, Sir?

Mr. Chairman: Provisionally three hours.

Shri Bimal Ghose: We have saved two hours on the earlier Bill.

Shri D. C. Sharma: So this will go on for five hours?

Mr. Chairman: If there are more Members wishing to speak, we shall consider that.

Shri Keshava (Bangalore City): I have been carefully listening to the debate. The speaker who preceded me has said that Government are forcing deferred payments on people of the private sector. Far from it. What I understand from this Bill is that it is only providing facilities for the private sector where people of the

private sector want those facilities. I do not think that this provision has been properly understood.

Shri Bimal Ghose: May I say that.....

Shri Keshava: I am not yielding.

So it is only to help such people that this facility of deferred payment has been provided for, because the exporters from other countries insist on a guarantee by a government or semi-government institution. This is provided to such of those people who need it; it is not as if it is being compulsorily forced on the private sector.

I have been carefully watching the arguments put forward. Several suggestions have been made. One is that we have got to probe into the activities of the Corporation. Objection has been taken to granting loans on inadequate security. The third is that Government have been white-washing altogether the Sucheta Committee's Report and have not taken proper action on it. Another point made is that deferred payment guarantee is itself not proper and we should only adopt sound banking principles; there should not be any discrimination in the distribution of loans, and we are helping the foreign firms or the subsidiaries of foreign firms.

I am inclined to think that we should be realistic when considering this Bill. We should not be carried away by any of the faults or weaknesses or wrong-doings of this corporation in its functioning. Proper functioning of this body is entirely different from the enlargement of its powers, which is the scope of this Bill. These are two entirely different fundamental things. I am not second to anybody to call in question the functioning of this Corporation; if it shows any discrimination in the matter of granting loans, the persons concerned have got to be called to order and brought to book. It is for Government to call them to order; if Government do not do so, we are here to call Government to order.

So I do not think we should confuse the issue before us and cry a halt to enlarging the scope and the functioning of this Corporation. We cannot blow hot and cold in the same breath. We have been saying that we must rapidly industrialise our country. We want the standard of living to be raised. We say our economy is a mixed economy and the private and public sectors have got to co-exist. We want all those things. How can we have them unless we provide the necessary ingredients for such a building up of our country? I really cannot understand it. We have to look at things in a realistic and proper way. When we want so much foreign exchange which cannot be had otherwise, and when the foreign exporters are willing to agree to deferred payment only on a guarantee by Government or a Government institution, I do not see why we should deny that and retard the progress and development of the country.

I am not here to call in question the private sector and its conduct. In fact, the private sector also has played its part in the development of our industries; perhaps on a careful scrutiny, it will be found that they may have played a better part than even the public sector. But I do not say that the private sector does not have its shortcomings. I am one of those who feel that they should be called to order if they go wrong, but every type of encouragement ought to be afforded to the private sector; otherwise, the building up of the country, industrialisation, would be very much retarded.

So far as enhancement of the power of borrowing is concerned, it is an absolute necessity. In fact, it is experience that has made Government come forward with this Bill, that it is not possible to meet the demand otherwise. That is why the borrowing capacity has got to be doubled from 5 to 10 times capital and reserve fund.

It is not as if the Bill before us is condemned on all sides. On the other

[Shri Keshava]

hand, we find a provision in this Bill by which the Government has taken this opportunity to distribute the risk on the private sector as well. Hitherto, the risk was entirely borne—in respect of foreign exchange—by the Government; but now by the amendment we are transferring it also to the private sector and to the individual concerned. That is a factor which cannot be questioned by anybody on a proper consideration of the enactment.

The other provision which enlarges the definition of the expression 'procurement of goods' is deliberately meant to provide for a larger scope of industrialisation in the country. I feel very strongly that there is absolutely no ground at all for picking holes in the Bill before us and on every consideration I feel that we should tender whole-hearted support to this Bill.

Shri V. P. Nayar: I shall be very brief. I agree with the speaker who preceded me when he said that we should take a realistic view and it is only because we have to take a realistic view of the whole report before us as also our information and our experience about the manner in which this Corporation has functioned in the past that I am inclined to make a few observations.

It is wellknown to us that times without number the activities of the Corporation have been called in question. I do not want to go into details of that nor do I want to remind hon. Members about the enquiry into and the discussion on the affairs of this Corporation. It has been found that the Corporation did not function very well. It was also found as a result of the enquiry that in the matter of disbursements of loans the Corporation did not at all behave in a manner which was expected of an organisation of Government. We know of instances where money was advanced to—I do not want to name anybody—companies or firms which had some pull with the organisation. We know

also that that was not the only way in which the Corporation found possible to help certain interests.

Actually, I have not had time to study the report in detail. But, as was pointed out by my hon. friend Shri Chaudhuri, going through the details of the disbursement of loans one has to accept that many loans have been given to companies which did not at all deserve, let alone the question of the Imperial Chemical Industries. You will remember that during the last session there was a question about one of the firms which had taken a loan of about Rs. 20 or Rs. 30 lakhs, that is the Titanium Products in my State. The hon. Minister, Shri Shah, wriggled out and did not give a categorical answer.

I know that the mere disbursement of a loan to a company which has some pull through the Directors is not the only offence. I want the hon. Minister, if he can, to contradict me that loans have been disbursed to companies and subsequent to the disbursement of loans, the total selling agency has been given to firms in which persons high up are interested. I can cite the instance of the Titanium Products in which the sole selling agency has been given, either after the negotiations has started, or after the loan was disbursed, to a firm which goes by the name and style of T. T. Krishnamachari and Sons Ltd. I also happen to get another name here. It is on page 30 of the report, Shri Ram Sahakari Sakhar Karkhana Ltd., of which V. R. M. Naik Nimbalkar is the Chairman. We know that he was a Minister who lost his seat in the election. There is no indication in the report as to the date on which this loan was given.

These are stray instances. If one goes through all the details with the information one has, I am sure that we will be able to find many other such instances of favouritism of one kind or the other having been shown in the matter of disbursement or on

the promise of accommodation by loans some other concessions have been given to persons who could exercise some pull through other ways.

Taking this provision relating to the guarantee, we are very much scared to find that such a provision has been incorporated. Even before Government brought their policy of liberalisation some of us had warned them. They did not pay any attention then. We said that if we go on with a policy of such liberalisation of imports it is inevitable that the country's foreign exchange position will come to a crisis. Then, they did not agree with us. I remember very vividly that even during the last debate on the Demands of the Ministry of Commerce and Industry, the Minister of Commerce and Industry did not agree that the foreign exchange position was in a crisis. One day later, he went to Madras and from there spoke that there was no crisis at all.

I am glad that at least today they have agreed that there is a crisis. What happens if the Corporation is given an unlimited power of standing guarantee? There is no restriction on the powers to commit foreign exchange of a future date. If today you agree for a deferred payment and if the time is 5 or 10 years, you upset all the calculations of the availability of foreign exchange after 5 years. Government will have to stand guarantee for something which has not been deferred.

There is also another point. I am not very much enamoured as my hon. friend was about helping the private sector. Where is the necessity to help the private industry in the manner in which it has been helped by loans? Are we being given the assurance that such a guarantee will be extended only to cases of imports which are absolutely necessary or which have some bearing on the core of the Plan?

One finds that the Corporation has disbursed loans for producing artificial yarn, for crockery, cutlery and whatever can be had from a particular company. Are we, at this juncture when we have to face a very serious foreign exchange crisis, going to stand guarantee for unessential imports of goods into this country? I find that there is a proviso to a particular section which reads that, 'Provided no such guarantee shall be given without the prior approval of the Central Government'. I take it that almost every industry or industrial project in this country has had the prior approval of the Central Government. How has that worked?

In the Five Year Plan you had decided that the private investment in the Plan will be so much. What is the position today? I have a report from the *Statesman*. I could have got many more reports if I had got the report of the Corporation earlier. Here is a report in the *Statesman* dated the 14th September, 1957 in which it is said that as against the target of Rs. 720 crores during the 5 years, the investment made now is Rs. 850 crores. The report states it about the private sector. And, it adds that what is more interesting is that the investment will most probably be completed by the end of the current financial year.

We know that during the last 2 or 3 years, the cost of our imports would have increased to some extent. According to the statement which I have quoted, the private sector which was put at Rs. 720 crores has even in the current year gone upto Rs. 850 crores. Every industry has been planned; sanction for every industrial project has been given by the Government. But, how does this happen? When we are behind the completion of the Second Five Year Plan, the investment is reported to have achieved its target. Where is the money coming from?

I for one always think that Government take all these factors into consideration and find out how during the five years the private industry

[Shri V. P. Nayar]

would come out for investment of so many crores of rupees. Now, we find that even in the first or second year of the Plan that has been exhausted and exceeded by another 130 or 140 crores. What is going to be the investment in the remaining years? What is going to be the foreign exchange component. Unless we know that, we cannot give a blanket power to the I.F.C. to stand guarantee for an unlimited amount. There is no indication of any amount. With the experience we have in the past in the matter of imports, we know it has not been possible for the Government to curb imports of non-essential goods, nor even to find out the rates at which imports have been made or what percentage of profits the importers took. Let alone the question of details in the distribution. Not having information about the requirement or availability, how are we going to authorise the I.F.C. to stand guarantee not only for the next year or two, but for a period of time when we do not really know what the actual foreign exchange position would be. It is our duty, therefore, to oppose this provision with our experience of how the I.F.C. has worked and how the controls which were supposed to set at rest and curb the nefarious activities of the private sector have really worked and with our information about the various instances of favouritism of the worst kind shown by this organisation in the matter of even disbursement of loans.

Shri D. C. Sharma: After following the discussion on this Bill, I have come to the conclusion that three types of outlooks have been expressed on its provisions. There are some persons who have had a backward look at the IFC. I do not stand here to defend it. It might have done some wrongs; it did, since it did not act properly and judiciously. So, the Lok Sabha appointed a committee and its findings have been before the House and all these years we have been talking about it.

But, I will tell my friends that it does not do good to any human being or human institution to go on repeating things which have gone wrong. If you do so, wrong things will happen in the future also. Psychologically speaking, we must think of the cases which have been done in the right way and not the others. We have a proper and adequate machinery to set right these things which have gone wrong. Therefore, to accuse it of favouritism, nepotism and bungling and mismanagement in a very sweeping manner is not doing justice to the Corporation. We have to weigh the good that it might have done with the bad or wrong things. When we look at the two scales properly, we find that it does not deserve such an unqualified condemnation as some of my friends had done here. The backward look, therefore, is not going to help the Corporation that we are thinking of having in the future.

Again, there are some persons who had brought to bear upon it a partial outlook. I do not think that we are discussing here the relative merits of the private and the public sectors nor are we calling into question the doings or sayings of some members of the Indian business community who had gone abroad. I have also been studying their speeches and I must say, in all fairness to them, that my reaction to their speeches has not been so alarming as the reaction of some of my friends. They might have, here and there, pointed out some of the defects of our Indian economy in their own light. But India is a free and democratic country and all of us, here and outside, point out these things. They went on a goodwill mission to create a favourable atmosphere for the country so that our country might be able to get finances from other nations. I do not offer an apology for them but I think, on the whole, they have done well by their country. Even if we do not like this private sector or the Indian businessmen who have been guilty of doing

something which is not to our liking, we should give them occasionally their due. They have not done any disservice to their country while abroad.

At the same time, I think the industrial development in India has two legs to stand upon. One leg may be bigger than the other but no one can deny that without the private sector, our industrial development will be retarded and we will be kept back. So, we have to keep the private sector and we should not try to cripple it by undue criticism or harsh treatment and by making statements not warranted by the facts.

There is nothing in this Bill to justify that kind of thing. The hon. Member said that these were nefarious activities. Everyone has a right to use any word in the English dictionary and I cannot take objection to any word used by anybody. But, I say that the activities of the private sector should not be described as nefarious. A few of them might have done things of that kind. But, on the whole we have got to develop the country industrially and we have got to make use of every available resource—technical, industrial, managerial and financial—that we can lay our hands upon. We are in a time of crisis and the best thing to do is to extend a hand of welcome to anyone—whether working in the private or the public sector—who can push forward the completion of the Plan.

There is also a forward look and when I say so, I admit that this Bill is one which gives scope to planned and speedy development and an accelerated industrial progress in this country. I look at it from that point of view. I am not an optimist nor am I a pessimist. If one looks at it from this point of view, one finds that this Bill is going to hasten and accelerate the process of industrial development of this country.

Some persons have taken objection to deferred payments. I do not see

any reason why this accepted economic fact of modern twentieth century life should be objected to. I cannot see any objection. I do not mean to say that we are going to adopt in this country a basis which is not proper or judicial, or basis which is old-fashioned and outmoded. Every day I find that new things are coming up and new modes of payment are coming forth. New principles are coming into being. We are sometimes going back to the old times. For instance, we are having some business relations with some countries on the basis of barter which may be an old thing. Human beings have to evolve new methods, new things, in order to cope with unexpected situations.

For facing new situations, deferred payment is a method which we have been following and which the world has evolved in order to hasten the development of countries. I do not see any reason why persons should take objection to this accepted method of economic, financial and businesslike procedure. I do not see any reason why we should carp at the fact that the capital of the Industrial Finance Corporation or the borrowing capacity of the Corporation is going to be increased ten times. After all, look at the size of the Plan which we had at first and look at the size of the Plan which we have today. If you compare the first Plan with the second Plan, you will find that an organisation like this Corporation has got to augment its resources. If you do not do it, you are not trying to help forward the process of development of this country.

Moreover, we have raised the borrowing power of the Corporation to ten times. I think it is a very cautious and balanced kind of progress. We are not jumping; we are not running; we are walking slowly and cautiously. Anyone who understands this development will say that we have not done something which is very cataclysmic, but we have done something which is proper and normal.

[Shri D. C. Sharma]

Of course, as it has been said on the floor of this House, formerly the risk was borne entirely by the Corporation. But now risk are going to be shared and I do not think anyone will say that the Corporation has done anything wrong in that direction. Therefore, I should say that in this matter also, the Corporation has taken a good step, a step in the right direction.

Again, we are now entering upon the industrial age in our country. Of course, we are going very slowly and we are not as rapidly industrialising our country as some countries in the West have done. I remember that when Shri A. C. Guha was the Minister of State in the Ministry of Finance he brought forward a Bill; it showed that our country was now going to be a country which was not going to send out raw materials only but will send out finished products. I felt very happy, and I believe the explanation of the definition of "processing of goods" showed a new mentality, a new industrial urge, that has come into our country now.

This is enough to show how we are expanding our industrial horizon and how we are trying to put things in the way in which our country should do in the way of exporting our finished products also. Of course, while I am in sympathy and in agreement with the main provisions of this Bill, I would say one thing. In clause 3, it has been said that you can nominate substitute directors. I am against all substituted things. I may certainly tell you from my slight experience of other bodies that the substitute directors are not going to do good to this Corporation. If there is one provision in this Bill to which I would take strong exception, it is the provision of substitute directors.

I have been connected with university life for sometime and there are important bodies there for which people could send substitutes. Of course,

there is no one there called "directors", but only those who are other functionaries called by different names. But in the universities, they do send substitutes in the place of the Principal. I can tell you that in all these bodies where the Principal is authorised to send a substitute and where the Head of a Department authorises somebody else to be a substitute things go wrong. Well, I do not want to use hard words, and I do not want to use extravagant language—that provision will not lead to the continuity of policy, will not lead to the continuity of progress and will not lead to the continuity of all those functions which this Corporation is to perform. I think by doing so they will have the rule not of the first or top persons, but of the second best or third best. I do not say that all substitutes are third best or second best but surely substitutes cannot be as good as the original things. Therefore, I would say that this is the one thing which is going to mar the utility of this Corporation.

16-38 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Again, it has been said that this Corporation is going to have such provisions as are going to make it more workable. I would say that if this is the intention of the framers of this Bill, they should plug another loophole, and that loophole is found in paragraph 4 of the Statement of Objects and Reasons. There, it is said:

"It is also proposed to enable the Corporation to provide credit to new industrial concerns when they are not in a position to offer adequate securities but deserve encouragement from the point of view of national economy by an amendment to sub-section (2) of section 23 of the Act."

Here, I would say there is a big loophole, and this loophole may provide people opportunities for all these

things which my friends on the other side have pointed out. I would say that this kind of loophole should be plugged. I do not know what the framers of the Bill had in their minds. Perhaps our Deputy Finance Minister will come forth with some explanation. Sometimes, when the Bill comes to us, we read the lines, but the Deputy Minister is sometimes able to read between the lines and give us some explanation which may be very convincing. I would say that you are not going to run a charity show. It is going to be a financial show and in a financial concern, you cannot give credit to those who cannot offer adequate security. Who is going to say whether it is in the interests of the economy of the country or not? Are the directors going to say it? Who is going to say that a particular concern is credit-worthy? I do not know what principles of business are being enunciated in this clause where it is said that you can get credit even when you do not have adequate securities. I think this is some new kind of principle in business matters. I do not understand it. I would say that this thing should be so worded as to make it impossible for anybody to give credit to those who cannot furnish adequate security. That is a very accepted principle of business. I hope that the Deputy Finance Minister will be able to convince the House on this point.

On the whole, I think it is a Bill which looks forward to the industrial development of our country, which all of us want. It is also a Bill which suits the country where the private sector has to exist side by side with the public sector and where no talk of rivalry between private sector and public sector has much relevance. It may have some relevance in future, but it has no relevance today because the public sector as well as the private sector are going to work hand in hand in order to implement the Five Year Plan and bring about the industrial development of this country.

Shri B. R. Bhagat: Mr. Deputy-Speaker, some 10 hon. Members have

spoken on this matter and it can be reasonably assumed that the House has had a good discussion over this. I am grateful for the support, qualified as well as full-throated, that some Members have given and also for the criticism made against the measure. By listening to the discussion, I discovered three distinct trends in the arguments put forward, although as it was expected, the arrangements and negotiations of deferred payments have been the dominant tone of the discussion.

Some hon. Members like Mr. Bhaurucha expressed some doubts over the measure, particularly with regard to the arrangement for deferred payments, because he lacked the details of the arrangements that would be made: what would be the margin, how it would be negotiated, what would be the parties that would be covered and various problems like that arose in his mind and he expressed doubts that the I.F.C. might not be in a position to discharge the responsibility that is supposed to be given to it under this Bill. I fully appreciate his opposition.

As you will agree, this is merely an enabling measure so far as the arrangements for deferred payments are concerned. Even the Government is not in a position to give out the details, because the details can be worked out only when the Government has this power. Also, there are other institutions—the various scheduled banks, the Reserve Bank and other persons—who may have their experiences to offer so far as the exact details and arrangements for deferred payments are concerned. Unless those things are gone into, no details can be given. So, although I fully share the position that hon. Members have taken today in view of the lack of details and lack of a clear picture of the mechanism of deferred payment arrangement, I think what is required is the enabling power. Tentatively we can see that the whole scheme will be worked in the background of a distinct industrial policy. The whole

[Shri B. R. Bhagat]

scheme will be worked out in the background of the second Five Year Plan, which is our objective.

The other point is what I describe as the total ideological opposition that was raised by the hon. leader of the communist group. I can only envy his lot. He has to oppose everything. I think he is in a raging mood against the actions of the Government and he got the first opportunity of unburdening himself over this small measure by raising big questions like the crucial question of foreign exchange, the killing of the public sector, the burial of the Plan, giving preference to the private sector and so on. You have to note the basic fact that I.F.C. is an institution primarily catering to the needs of the private sector. The House has brought forward this institution, later renovated it, removed its mistakes and its acts of omission and commission. Taking note of that, the I.F.C. has been rendering service to the private sector.

I do not dispute the ideology that he propounds, because according to him, the private sector should not have any place in our economy. But the House as such has adopted an economic policy in which both the public sector and the private sector have their places. I agree that the public sector has a dominant place today. Whatever may be the crisis that some hon. Members speak of, I may say with the fullest responsibility that the economy of the country today is basically sound. The difficulty that we are encountering at present is just natural, if we want to go ahead. These are the pains of development. I think nobody in the country expected that the second Five Year Plan would be implemented without any difficulty. So, what appears as a crisis today is just the difficulty that the second Five Year Plan is encountering. The whole nation—the country and the Parliament—are determined to face it. This one humble measure to meet the difficulties in bringing about the industrialisation of the country is merely a

token effort that is directed towards that goal.

I cannot conceive of any reasonable opposition to such a Bill. To say that the private sector will be given a very free hand to develop themselves at the cost of the public sector is to dispute a basic point. As leader of the communist group, he has criticised the provision that it would be with the approval of the Central Government. What he doubted was that the Central Government itself was imbued with the spirit of the development of the private sector and it might give them a free hand. I think any student of Indian economy, any student of the industrial, economic and other policies pursued by the Government, will not concede the point he has made, namely, that the Central Government will give its approval rather in a free manner to the development of the private sector at the cost of the public sector. So, what he doubts is not the mechanism, as it is provided in section 6. He doubts the *bona fides* and the very ideology of the Government of the day. But it requires a bigger occasion to cross swords on that point.

The third point that struck me was that some of the hon. Members, although they thought that the scheme of deferred payment arrangement is good and desirable and supported it, they expressed doubts that the IFC, as it is constituted, because of its past, will not be able and will not be the right institution to deliver the goods. They raised a larger issue. Since some of the hon. Members went into the question of the working of the IFC in the past, I would like to clarify some of the doubts that have been expressed.

I agree with the hon. Member, Mr. Ghose. He struck a very wise note by saying that it is no use crying over spilt milk. Whatever might be the mistakes that IFC have committed, the House went into it in great detail, appointed a Committee, considered the

report of that committee and then Government came forward with certain amendments and the House adopted it. Now I think it is no use carrying in the mind those past shades because the IFC, according to me and many of us, has travelled a further distance. And if you see the report of the working for the last two years, you will see the tremendous progress that IFC has made, the tremendous contribution that IFC has made, towards the development of industry in the country, particularly in view of the money market or capital market in the country, when it is very difficult even for a very well-established industry to raise equity capital in the market even for its most urgent industrial requirements, which may be necessary from the point of view of the national economy.

The IFC has played a very crucial and vital role in channelising industrial finance to the needy industries. How that channelising has been done? Some hon. Members have said that big groups have been financed. I do not know how it is so. I am speaking only about the last two years and not about the past. I am speaking about the trends. What are the trends? If you go through the report, you will find how channelising of industrial finance has been done.

It was one of the desires of the House that the IFC should cater to the needs of new industries instead of giving help to expand established industries. I will give only one figure. IFC has in all given 259 loans to 177 companies, out of which 151 are new companies. The total loan advanced to new companies is Rs. 33.80 crores. The total loan advanced to 108 old companies is Rs. 21.31 crores.

If you see the loans advanced to various industries, you will find that the sugar industry occupies a dominant position—Rs. 18 crores out of Rs. 55 crores. About 60 to 70 per cent

of the loan advanced to the sugar industry is given to the farmers' co-operatives. An hon. Member mentioned that IFC has advanced loans to a group of industries on whom Government has ordered an enquiry. That hon. Member is a very knowledgeable person. He knows the affairs of the industrial world. I do not know whether it is out of real ignorance or assumed ignorance that he has said that. Because, whatever loan has been sanctioned by the IFC, it has been guaranteed by the Government. What were the loans that were granted? A loan was given to the cement industry. Does anybody dispute that we have to develop cement industry in the country? Everyone is saying that we have to increase the production of cement in the shortest possible time so that the projects under the Second Five Year Plan may go ahead. Then the IFC financed the chemical industry. It also financed the paper industry, which has been given top-most priority in the Second Five Year Plan.

If we look at it from this point of view, I think the IFC has followed not only the directives of the Government but the desires of this House also. Whatever may be, its acts of omission and commission in the past, it has now a very creditable record and so, I will commend this report for your consideration. This has been placed on the Table of the House today because this is the only day when we could place it on the Table at the earliest under the Act. But, actually this report has been published in all papers. It has been published in the Official Gazette of India, I think some 15 or 20 days ago. If the hon. Members will go through the report, I am sure they will appreciate the point of view that I am making.

Another point that was made by the same knowledgeable hon. Member was about the rates. He said that the rate of interest charged by the IFC is very high. Then he said that the IFC gets its money free. I do not know what he means by saying that the IFC gets

[Shri B. R. Bhagat]

its money free. A part of the money which IFC has got is its share capital, on which it has to pay 2½ per cent dividend, which is guaranteed by the Government. Its shares are mainly held by the Government or the Reserve Bank. Then it raised bonds on which it had to pay 3½ per cent. Then it gets loan from the Reserve Bank of India, the rate of interest on which varies between 3½ to 4 per cent. The rate of interest which the IFC charged in the beginning was 5½ per cent. Then it raised to 6, 6½ and finally to 7 per cent. It is in tune with the interest rate in the market. If you compare it with even other countries like Ceylon or other corporations, you will find that the rate is not unreasonably high. It is comparable.

So, on all scores I say that the working of the IFC has been satisfactory—even from the point of view of developing new industries in the backward areas. It has functioned very economically and efficiently and it has done a good job. I feel that the doubts expressed about IFC's role in the deferred payment arrangement are uncalled for. It has a special role to play. There is such a great demand for loans. People who want to import

capital and even those institutions which want to export capital, they need some sort of guarantee and that is now done by the IFC. I do not agree with the view that guaranteeing should be done by scheduled banks or by the State Government of the area in which the project is located. From all points of view, it has been considered better and more efficient to have the IFC as the institution which should guarantee such loans.

Mr. Deputy-Speaker: Since the hon. Minister is likely to take some more time, he may continue his speech tomorrow.

BUSINESS ADVISORY COMMITTEE

TENTH REPORT

Pandit Thakur Das Bhargava (His-sar) Sir, I beg to present the Tenth Report of the Business Advisory Committee.

17 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, the 12th November 1957.
