

Mr. Speaker: I shall put it to the vote of the House, if that is the desire of the hon. Members. The question is:

"That the proposal regarding presentation of credentials by Members be referred back to the Rules Committee".

The motion was adopted.

Mr. Speaker: So far as the other rule is concerned, witnesses appear before the Select Committees. The Select Committees and other Committees such as the Estimates Committee and the Public Accounts Committee have got a right to administer oaths to them. I shall now put the amendment to rule 272. The question is:

For rule 272, the following rule shall be substituted, namely:—

"272. (1) A Committee may administer oath or affirmation to a witness examined before it.

(2) The form of the oath or affirmation shall be as follows:

'I, A. B., do swear in the name of God solemnly affirm that the evidence which I shall give in this case shall be true, that I will conceal nothing, and that no part of my evidence shall be false'."

The motion was adopted.

Mr. Speaker: So, now this is adopted. The other one is referred back to the Rules Committee for further investigation and report. The House will now take up the other matter.

FORWARD CONTRACTS (REGULATION) AMENDMENT BILL

The Minister of Industry (Shri Manubhai Shah): Sir, I beg to move:

"That the Bill further to amend the Forward Contracts (Regulation) Act, 1952, as passed by Rajya Sabha, be taken into consideration."

Sir, before dealing with the specific provisions of the Bill, it would be

useful to recount in brief the background of the matter. Forward markets play a useful part in moderating price fluctuations, and providing hedging or insurance facilities to producers and traders concerned with a commodity. However, such markets also sometimes lend themselves to the danger of speculation and manipulation, which may, in fact, exaggerate price fluctuations and render the markets unsuitable for the purpose of hedging. It is, therefore, essential to regulate forward markets with a view to preserving and enhancing their utility and preventing undesirable speculation and manipulation. The Forward Contracts (Regulation) Act is intended to serve the above purpose. The Act was passed in 1952, and Chapters II and VI thereof came into force in the whole of India (except the State of Jammu and Kashmir) on the 24th August, 1953. The Act provides for the application of its regulatory provisions to specified areas and commodities, and for the recognition of associations through which only forward contracts are permitted to be entered into in such specified areas and commodities. Of course this does not deal generally with the non-transferable specific delivery contracts unless stipulated so by the Forward Markets Commission. The Act also provides for the establishment of the Forward Markets Commission for advising Government in respect of all matter arising out of the administration of the Act and for performing such other duties and exercising such other powers as may be assigned to it. The Forward Markets Commission was accordingly established in September, 1953.

The commodities in which forward trading is at present regulated under the Act are: cotton, groundnut, groundnut oil, castorseed, cotton seed, linseed, coconut oil, pepper and turmeric. The regulation extends to the entire country. 12 associations have so far been recognised at different centres in the country for regulating forward trading in the several commodities mentioned above. Some of the associations

have been recognised for regulating forward trading in more than one commodity.

The scheme of regulation of forward markets under the Act depends for its success, to a great extent, on the proper constitution of the governing bodies of the recognised associations. The continuous regulation of forward markets is, no doubt, the responsibility of the governing bodies; but in important matters like these, the Government is both entitled and empowered to give appropriate directives to the associations, and also to itself amend articles of associations and bye-laws of associations as and when necessary. It is essential, in view of the large powers enjoyed by the governing bodies, that they should afford adequate representation to the different interests. Unlike companies in general, which are more for manufacturing and trading, the membership of associations concerned with the regulation of forward trading consists of persons whose interest are diverse and at times even conflicting, such as processors, growers, importers, exporters, merchants, brokers and commission agents. The task of regulation of such diverse and conflicting interests would, therefore, lend itself to several points of view and therefore, all sections of trade interests concerned should be having appropriate representation on the governing body.

In order to secure such a balanced representation on the governing bodies for different interests, so that the forward markets and associations concerned work within the framework of the broad policies of the Government, the means generally employed is to serve seats for different interests. Unlike the companies where purely the shareholders by the very strength of their holdings get the representation, in such type of bodies which are of a regulatory nature, and not of a manufacturing or processing nature, such a panel of group representation becomes almost unavoidable. The members are usually classified

into different panels such as those representing a distinct interest based principally on the identity of their interest and functions in the marketing process. Such panels consist, for instance, of sellers, buyers, processors, importers, exporters, merchants and brokers as I mentioned earlier.

The members have also been occasionally classified into different panels on a territorial basis because, after all, the rings selected by the Forward Markets Association are not too many and too much dispersed. So, they should have also some regional function to perform. Therefore, members trading on a particular geographical location, in other words on a ring, in a particular town have to be grouped together.

The need for reservation of seats for the different functional interests on the governing bodies arises because their numerical strength in the total membership is generally not in accord with their relative importance. Though their holding in a particular trade may be high the performing duty that they have to carry out is of a much more important order. The justification for permitting forward trading lies in the benefit that it confers on all the interests handling the actual commodity in the best interests of the consumer and the grower. In practice, however, the proportion of such members is small in the aggregate membership of the associations, which predominantly consists of merchants and brokers—because in trading it is generally the merchants and brokers who predominate—who are interested only in the commission that they earn from the transactions. And, in the wider social objective that this particular acts of the forward trading has, it is only by reserving seats for representatives of the interests genuinely interested in the actual commodity, and giving them a weightage in excess of their proportion in the total membership, that the representative character of the governing bodies can be ensured, and the spe-

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culative tendencies in the markets kept within reasonable bounds.

Seats have to be earmarked on the governing bodies for members belonging to different territorial interests, where the recognised association has been formed by the co-operation of the trading community of different competing centres, and the recognised association, is expected to serve the interests of the entire community. It is only by preserving the local representation on such associations and the governing bodies of such associations that we can ensure an effective voice in the deliberations of these different local interests, and the associations ultimately can function smoothly, without conflict and winning the confidence of all concerned, building up harmonious and balanced relations.

Where seats are earmarked to represent different interests, the House will agree that it is possible to have only two alternative methods of election to the governing body. In some associations, the system of, what is called, general franchise is adopted in which, while the candidates standing for election have to belong to the respective panels concerned, the election itself is by the entire membership constituting the general body—for instance, the East India Cotton Association, Bombay, has been functioning on this pattern of general franchise. In other associations, the system of panel-wise franchise is adopted, and the seats, earmarked for different panels are secured by election exclusively by the members belonging to these panels—for instance, the Oilseeds and Oil Exchange, Bombay is performing the function on a panel-wise franchise basis.

Out of the 12 associations which have been so far recognised at present, 8 provide for panels formed on the latter method, that is the panel method which I just now mentioned and which are formed on the basis of functional

interests; 2 associations provide for panels formed on the basis of local interests, and the remaining 2 do not provide for any panels at all. The reason for the absence of the panel system at 2 associations was that there were certain practical difficulties in immediately grouping their members according to their respective interests. It was not so much the difference on the particular method that is being suggested, but the practical difficulty that was coming in their way. Therefore, there is no need to entertain any serious apprehensions by the members handling the actual commodity, whose interests the panel system seeks to safeguard.

The panel system has been prevailing at the associations concerned with the regulation of forward trading, all of which are incorporated companies since the inception of the associations. So, naturally, they have to work within the framework of the Companies Act. Some time after the enactment of the Companies Act, 1956, where several amendments of far-reaching consequences were undertaken and implemented, it was brought to the notice of the Government that the system of reservation of seats on the governing body for members belonging to different panels, as well as the system of panel-wise elections, were repugnant—if the hon. Members will refer to the Companies Act—to the provisions of sections 257 and 263 of the Companies Act. This factor at once rendered it essential to take steps to legalise the panel system at recognised associations. It is evident that this could be achieved by an amendment of the Forward Contracts (Regulation) Act, which would have the effect of over-riding the mandatory provisions of the Companies Act, the only reason being the nature of these associations. As I have already indicated it is of quite a different character than the normal producing, manufacturing or processing associations. These are more of a regulatory nature. Profit is not at all the motive.

It has a purely regulatory function of the different interests concerned in the best interests of the consumer and the producer.

There are two or three other relatively less important problems connected with this. One of them relates to the voting rights of members of companies with share capital. One of the associations recognised under the Forward Contracts (Regulation) Act is a company with share capital and it is likely that a few more such companies would come into being and would be recognised under the Act in the near future. Section 87 of the Companies Act, 1956, provides that the voting right of a member of a company with share capital shall be in proportion to his share of the paid-up equity capital of the company; that is the usual proportional representation equal to the equity holding of a normal company. Government considers, and I have no doubt that this House will agree, that in the interest of the proper functioning of associations regulating forward trading, each member of the association should have only one vote.

The other problem relates to the appointment of proxies. Section 267 of the Companies Act lays down the right to appoint proxies to attend and vote at general meetings. In the case of associations concerned with forward trading, however, it has normally been the practice to restrict rigorously the appointment of proxies in order to check irresponsible exercise of votes or purchase of votes in case of an upset of a very extraordinary nature in the market. Government, therefore, considered it very necessary to provide for such restrictions on the appointment of proxies at all recognised associations including companies with share capital.

Another minor point in the Bill is one providing for the restriction of the voting rights of members to those matters in which they are interested, so that even though a higher percentage is given to those interests they may not interfere with the real interests concerned. This provision is in-

tended to apply in the case of associate companies with share capital. Some of the members of the companies would be interested only in profits and dividends, but not in actual trading. It is intended that these members may not have any voting rights with respect to such matters as trading bye-laws and trading procedures.

The Bill now before the House seeks to statutorily legalise the three matters that I have mentioned before the House, namely, relating to panel system, one-member-one-vote principle and the proxy system. The Bill also incorporates two other small related items. The change in the legal position resulting from the passing of the Companies Act, 1956, in regard to the panel system was not clear for a long time after the Act came into force. Consequently, many of the recognised associations held associations and elections under the panel system, not knowing that they are conflicting with the actual provisions of the Companies Act, and which was permitted by their Articles even after the Companies Act came into force. It has, therefore, become necessary to validate such elections at the same time as the statutory provisions are being modified in their application to recognised associations. Further, the next elections to the Board of Directors are due in the very near future at some of the recognised associations where the penal system needs to be further revised in certain respects, for instance, to admit of a preliminary nomination by each of the panels, and a general election from out of the individuals so nominated, being a little more elaborate system it is bound to take time and, therefore, the minor provision has been introduced to validate such things and regularise them. The Government could not call upon the concerned associations to effect the necessary changes in the Articles so long as the panel system itself was invalid by virtue of the provisions of the Companies Act. The interval of time between the date on or before which they are required under the law to

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hold their elections and the day on which this Bill will become law is not sufficient for the purpose of effecting the necessary amendments to the Articles and then holding an annual general meeting for the purpose of the elections. It is, therefore, proposed to provide in the Bill for some postponement, till the appropriate date, of the elections in suitable cases, for the purpose of giving effect to the principal provisions of the Bill.

13 hours.

These are the broad objectives of the Bill and I may summarise or reiterate them for the consideration of the Members. The first is to group members of recognised associations according to functional or local interests; reserve seats on the governing bodies for members belonging to the respective groups and appoint to such reserved seats either exclusively by the members belonging to the respective groups or by all members of the association voting together or by a preliminary election by the respective group and a final election by all the members in such manner as may be specified in the constitution of the recognised associations.

Secondly, to restrict the right to vote at general meetings only to members actually interested in trading and paying such deposits as may be specified in the constitution. Thirdly, to regulate voting rights of members so as to authorise each member to have one vote irrespective of the share of the paid-up equity capital. Fourthly, to provide such other exceptions as restrictions or limitations as may, having regard to the function of the association, be considered necessary by the Commission and the Government with a view to giving effect to the above proposals. Lastly, to regularise the action taken by recognised associations whose governing bodies have been elected after the 1st April, 1956, on the grouping of the members concerned.

These are the broad objectives. The Bill is more of a nominal nature, and

not of a very important amendment, excepting those in the very best interests of regulating the forward markets which had made the Government bring the original Forward Contracts Act before Parliament, namely, to regulate the forward trading to avoid and moderate the speculative tendencies of the market and to see that in a free regulated economy like that prevailing in this country, the agriculturists on the one hand and the consumers on the other are protected by the forward trading through the hedge contracts and through the non-transferable specific delivery contracts in the best interests of the national economy.

The working of the Forward Markets Commission has been placed before the House from time to time and I have no doubt that in the last two or three years, when the Commission has been functioning in several commodities, with the 12 associations that have been recognised by the Commission and those which have come into operation for the commodities which I have already mentioned, the working of the Commission on the whole has been of a helpful and a healthy nature. I have no doubt that, given these amendments and the further amendments that may be necessary in the light of experience, forward trading in this country on the pattern that we have begun will be conducive to the national economy of the country.

Mr. Speaker: Motion moved:

"That the Bill further to amend the Forward contracts (Regulation) Act, 1952, as passed by Rajya Sabha be taken into consideration."

Shri V. P. Nayar (Quilon): I must confess, at the outset, that the explanation given by the hon. Minister was a bit disappointing to me with my experience of what the non-Minister usually says in this House. Perhaps it is because this Bill has been made over to him for piloting in this House by his colleague Shri Kanungo at the last moment. I do

not know. But we should not treat subjects of forward contracts from the point of view of this amendment and the various provisions which are embodied in the Bill before us. You will remember that the law relating to the forward contracts in this country has a history. There was an expert committee appointed to control and regulate forward contracts. That expert committee had submitted a report and on the basis of that report the original Forward Contracts (Regulation) Bill was drafted and there was a discussion in the House. We must view this amending Bill from that context, because it is not going to substantially alter the pattern of forward contracts which has been set by that Bill.

I was just going through the report of the expert committee and I find that the criticism levelled against that report by one of the hon. Members of the House who later on became a Minister—my esteemed friend Shri T. T. Krishnamachari—stands cent per cent correct today.

Shri A. C. Guha: (Barasat) Subsequently he piloted the present Act.

Shri V. P. Nayar: I am coming to that. When this Bill was introduced, I cannot describe the approach of the expert committee in better terms than what has been done by my esteemed friend Shri T. T. Krishnamachari. I am referring to this because the point in which he had some doubts have come true now and he stands cent per cent correct.

Shri Ranga (Tenlai): Vindicated.

Shri V. P. Nayar: This is what he said about the expert committee's report on the basis of which the Bill was originally drafted. On the 23rd April, 1951, he said in this House as follows, in the course of a really brilliant speech:

"That attitude of the committee that is, the expert committee—

"is typical of vested interests in this country who want government aid for carrying on their

activities and prevent competitors from entering into their own special field however undesirable or desirable they might be".

I shall have to give some more quotations from the speech because I find that it is a very, very important speech. So, after the promulgation of the Act, three years after that, we have come to a stage when we are amending the existing law, giving a sort of legality with retrospective effect to what was patently illegal under a later law, I mean, the Companies Act. If you read the provisions, as we have,—the amendment is for adding a new section 9A—clause 2, where a new sub-section 9A(3) is sought to be introduced, reads like this:

"Where, before the commencement of the Forward Contracts (Regulation) Amendment Act, 1957, any rules have been made or amended in relation to any matter referred to in clauses (a) to (e) of sub-section (1), the rules so made or amended shall not be deemed to be invalid or ever to have been invalid merely by reason of the fact that the rules so made or amended are repugnant to any of the provisions of the Companies Act."

What is the position? Government say by this provision that any Act, subsequent to the promulgation of the Companies Act, which was repugnant to any provisions of the Companies Act will be deemed to be legal even if it was illegal under the Companies Act. Government are trying, by this legislation, to give a sort of legality to what was patently illegal under the Companies Act which was a subsequent Act. I ask, what is the justification for this. We have not been given a case by the hon. Minister as to why it is necessary.

Shri Manubhai Shah: I mentioned that.

Shri V. P. Nayar: I did not understand it then. But here you mention

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two sections of the Companies Act. But they are not the only sections with which we are concerned, because this will not come any longer within the scope of the Companies Act. We know that even the very mild provisions in the Companies Act are very irksome to big business in our country, and they would like to get away from it. But why is it that in the case of the forward market associations we want the Companies Act to be kept away? The Minister of course made an attempt to argue that, but I was not convinced of a case having been proved in order to justify such a provision which gives legality to what was illegal under a particular Act.

Shri Ranga: Which has become subsequently legal.

Shri V. P. Nayar: It subsequently became illegal. It is now made legal with retrospective effect or from whatever date it operates. That is a point which I cannot understand. It is here that some interesting aspects of how the forward markets have been functioning have to be taken note of, because, in the expert committee's report, which formed the basis of the original legislation, they had very clearly stated as follows:

"Government will do well to exercise the necessary regulation mainly by promoting the *maximum amount of self-government* on the part of the trade itself".

"In some of the trades to which this matter will apply, there already exist powerful associations having considerable influence with all the important sections of the trade and one of the primary objectives of this measure should be to maintain and enhance the authority of such associations and limit the Government's intervention only to extreme emergencies."

This was the crux of the recommendation. It is about this that my hon. friend Shri Krishnamachari said, it is

not at all a matter in which Government should be idle, because the big business here wants to have the cake and eat it. The expert committee want the Government to control; at the same time, they want to leave as big a field to the private enterprise as possible. So, it is in that perspective that the Bill itself was drafted. Today, seven years after the report was before us, we again come to the conclusion that in the management of forward contracts, there should be a sort of autonomy, for which they do not at all have a case. I am not going into the general merits or demerits..

Shri Ranga: The committee wanted that autonomy.

Shri V. P. Nayar: The committee wanted that autonomy and that autonomy is being given.

Shri Manubhai Shah: The other provisions of the Companies Act are not being interfered with at all in this Bill.

Shri V. P. Nayar: Here it is said:

"the rules so made or amended shall not be deemed to be invalid or ever to have been invalid merely by reason of the fact that the rules so made or amended are repugnant to any of the provisions of the Companies Act."

I know that only sections 257 and 263 will come. I am not referring as to how it circumvents the Companies Act. That is not my point. My point is, in 1957, we have come to the original recommendation of the expert committee, which suggested that there should be complete autonomy and interference by Government should be kept to the irreducible minimum.

My point is, whether subsequent transactions as reported by the Forward Markets Commission will give us any justification for giving this undue latitude for action by these people. That is the point which I want to make. I am sorry that this

Bill, with its very important provisions, comes rather late when all of us are tired and do not have time enough to go through all the details. There is a load of material with us, but unfortunately, this is not the occasion when we can use them. But it will be interesting to see how despite the working of a forward market regulation, it was possible for the vested interests to avoid these restrictions. My hon. friend, Shri Morarji Desai, might be knowing it much better, because the maximum operation in this is in Bombay. I do not have personal knowledge of it.

Shri Manubhai Shah: It is there in Alleppey also.

Shri V. P. Nayar: In Alleppey there is; if the hon. Minister wants, I shall come to that. Here is the Report on the Recognition of Associations in respect of Forward Contracts in Groundnut and Groundnut Oil. There is a very interesting passage in it. I am reading from the second para in page 21:

"Secondly, many individual traders or firms have enrolled themselves as members of the Bombay Oilseeds Exchange in more than one name. Thirdly, the present President of the Exchange has continued in office ever since the establishment of the Exchange, getting re-elected every year without any other candidate being given a chance. Fourthly, the panel system has been utilised for the manipulation of elections of Directors on the Board."

Does the hon. Minister say that all these malpractices can be avoided by the legislation as it is? I doubt it very much.

The Minister of Commerce and Industry (Shri Morarji Desai): It is mainly with a view to avoid these things that these amendments have been brought forward.

Shri V. P. Nayar: I am going to say how you cannot do it. If under the present amendments all these malpractices can be avoided, then cer-

tainly I shall agree for the time being that these are very necessary. But here is a case where, when there was a Forward Contract Regulation Act, a particular association, in which very powerful vested interests have a monopolistic role, have been trying to avoid all the provisions and ultimately it came to this that one President remained a life-President almost.

Shri Morarji Desai: That will change.

Shri V. P. Nayar: That will not change. Under the new provisions, can a person be prevented from being a member in two or three names? Is there any provision under which you can take it up? Not merely that. Under this Bill, when it becomes an Act, if the association's rules are not approved by the Government or it takes a year or six months or whatever it is, till then, by the particular provision which I have read out, there is a sort of legality given to this illegal act, which becomes illegal under the Companies Act, so that, if tomorrow you pass this Bill and if a certain association which had had the manipulations indicated in the Commission's report, continue to have such manipulations without their rules being recognised officially and published in the gazette, it becomes legal.

Shri Morarji Desai: No, no.

Shri V. P. Nayar: This is what the section says. I am trying to understand it from the commonsense point of view and not with a lawyer's brain:

"Where, before the commencement of the Forward Contracts (Regulation) Amendment Act, 1957—i.e. this Act—any rules have been made or amended in relation to any matter referred to in clauses (a) to (e) of subsection (1), the rules so made or amended—i.e. amended according to clauses (a) to (e)—shall not be deemed to be invalid or ever to have been invalid merely by reason of the fact that the rules

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so made or amended are re-
pugnant to any of the provisions
of the Companies Act."

Shri Ranga: In regard to what? In regard to the panel?

Shri V. P. Nayar: In regard to everything which is enumerated in Clauses (a) to (e). This is a doubt which I want the hon. Minister to make clear here and now. Sub-clause (2) reads:

"No rules of a recognised association made or amended in relation to any matter referred to in clauses (a) to (e) of sub-section (1) shall have effect until they have been approved by the Central Government and published by that Government in the Official Gazette and, in approving the rules so made or amended, the Central Government may make such modifications therein as it thinks fit..." etc.

For the reasons enumerated in clauses (a) to (e), a particular association can amend the rules. These amendments take effect only when the rules are recognised officially by the Government and published in the Gazette. When they are published in the Gazette, they have a legal authority; I agree. But if Government do not publish it in time, there is nothing in this section saying that it shall be approved and published within a specific period of one month or two months; until such time as Government have chosen to get them published in the Official Gazette and thereby give a statutory authority...

Shri Manubhai Shah: I only want to interrupt to give an information to the hon. Member. Even the rules by-laws today are approved by the Forward Markets Commission.

Shri V. P. Nayar: I am referring to the Commission; please wait. But here is a point. In the former sub-clause you say that the associations should regulate their rules in such a way and get them approved and then published in the Gazette to take effect. But in the sub-clause immediately

after that you say, so long as these rules have not been approved by the Government, even if they have been framed as early as 1950, they will not be considered to offend any provisions of the Company Law which are relevant. That means, if Government commits a mistake or if Government do not approve the rules as submitted by the association for modification, amendment or whatever it may be, until they are published, no action in respect of that association which is contrary to the provisions of the Company Law can be deemed to be illegal.

That is very clear.

Shri Ranga: There can be no gain.

Shri V. P. Nayar: Otherwise there was no necessity for the subsequent provision. Maybe, that the hon. Minister or his junior colleague might hold a different view. But reading this, as it is, I am unable to see how there can be any other interpretation except this. In order to reduce my argument, I shall be very grateful if the hon. Minister, who seems to be eager to answer me, gives me some explanation now

Shri Morarji Desai: I am prepared to explain it in two sentences. The rules are rules when they are approved and have become rules. Till then they are draft rules and they are not in force. Only those rules will be upheld by this section which have been approved by the Forward Markets Commission and the Government. No other rules are in force, even if they are provided by the association. That is an ordinary matter of commonsense and common law.

Shri V. P. Nayar: I do not know where common law comes in.

Shri Manubhai Shah: Commonsense.

Shri V. P. Nayar: It is ordinary common sense, I agree.

Mr. Speaker: The hon. Minister wanted to be a little more charitable by saying common law.

Shri V. P. Nayar: We know common law in a particular context. So,

until such date as when Government find it possible to publish the rules of the association, such association has no validity, is that what the hon. Minister says?

Shri Morarji Desai: Till then the association does not come into existence.

Shri V. P. Nayar: Here sub-clause 3 says:

"In cases where there is no recognition by the Government of the rules of the association, no matter when these rules are formulated, such rules shall not be deemed to offend any provision."

I think I cannot make myself more clear because it is so very simple and the answer seems to be that it is the commonsense view. Let the House exercise its abundant commonsense and find out whether I am correct or he is correct. Here we must also remember that from the working of the Forward Contracts Regulations we get an indication as to the real purpose why the forward market has been regulated in the manner it is regulated today.

I am here quoting again from another report of the Forward Markets Commission on the "Recognition of Associations in respect of Forward Contracts in Pepper" submitted to the House in November 1956. Here we get an idea as to the precise purpose for which the forward market in respect of pepper has been regulated. On page 10 it says (I am reading only one sentence):

"The resumption of a futures market will also help the wholesalers, who act as intermediaries between the growers and exporters, to buy and store pepper during the crop movement season, and undertake the work of assembling and garbling by hedging their purchases."

It is a commodity in which my State is very much concerned. All of us

know how the price of pepper has fallen. From Rs. 5,000 per candy, which used to be the price, it has come down to Rs. 500 or Rs. 600 per candy. All the same, there is a forward market, and it is very clearly stated that one of the main purposes for maintaining this regulation in respect of forward market for pepper is to help the wholesaler, who functions as an intermediary between the grower and the exporter. Not a single word is mentioned about ensuring a better price for the grower.

I know how the pepper cultivators are exploited in our State. There are giant firms like Volkart Brothers which buy the bulk of the produce, for whose whims and caprices the pepper market can be swayed. Here they say that for wholesalers, who act as intermediaries between the poor grower and the exporter, this is a very necessary provision. This betrays the very approach in respect of controls by the Forward Markets Commission and the control they have exercised when they were allowed to operate in the matter of pepper.

There are some other interesting quotations also, which gives us an idea...

Mr. Speaker: The hon. Member must have an idea of time also. Only 1½ hours have been allotted for all the stages.

Shri V. P. Nayar: I do not find any other person anxious to speak. Our experience for the last few days has been that Bills are finished long before the scheduled time.

Mr. Speaker: As the hon. Member is just saying that no other member is willing to speak, I have received a chit from Shri A. C. Guha that he may be given the next chance.

Shri Ranga: I also would like to speak.

Shri V. P. Nayar: Probably because I am speaking first. I will not read elaborate quotations and will confine myself to very important points.

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There is a passage in the Commission's report on jute also. This gives us an idea how this can be circumvented. In the "Report on the Application of the Forward Contracts (Regulation) Act, 1952 to Raw Jute and Jute Goods" it is stated:

"While forward trading in raw jute in any form is presently banned, it is reported that certain associations have started speculation in ready dealings, by adopting a system of trading whereby their members can enter into raw jute contracts in forms similar to those prescribed by the I. J. M. A. for its specific delivery contracts. The parties to such contracts can settle their dealings on a weekly or a fortnightly basis instead of giving or taking delivery of the goods contracted. It has been brought to the notice of the Commission that such dealings do not fall within the purview of the West Bengal Raw Jute Futures Act, 1948, nor of the notification issued by the Government of India under section 17 of the Forward Contracts (Regulation) Act, 1952, which prohibits dealings in forward contracts other than non-transferable specific delivery contracts. Besides, subsequent to the closure of the futures markets in raw jute and jute goods, illicit trading in these commodities is going on in what are called the 'Katni markets' "

I do not know what is really meant by 'Katni.' Probably, it is a Bengali word. Even when the provisions are very strict, there are ways and means—any number of them—available at the disposal of such persons, whom my hon. friend, Mr. Krishnamachari, was pleased to style as 'sharks' in our economy, to circumvent them and yet they are allowed to operate and circumvent the rules. And in such a situation Government comes and clothes legality on what is patently illegal.

I submit, this is not the way it should be done. In fact, if I were not inside the House but outside, I would have immediately said: this is surreptitious taking within the competence of legislation the power to give instructions to the executive as to what course of action should be adopted. I do not want to continue in this strain. So, I would only say that Government should revise its policy in regard to the operation of forward markets.

In this connection, I would very earnestly request my young friend, Mr. Shah, and also my hon. friend, Mr. Desai, to read the speech of Mr. Krishnamachari, in order to understand what the position was at the time when the House discussed it for the first time. Sir, for want of time, I shall be denying myself a very good opportunity of reading some very good and spicy quotations from the very learned speech of the present hon. Finance Minister, who was an ordinary member then. I would like them to find out whether it is not high time to prevent such deals in the forward markets, especially in respect of commodities in which we have a very good hold in the world; I do not say monopoly, but they are commodities which are exportable. Instead of getting into long term commodity agreements and thereby ensuring the price to the grower, Government now says: let there be a forward contract, which involves hedging. How is Government going to help the producer? I am at a loss to understand that. Probably, they are not interested, as has been specifically in one of the reports. Their primary interest seems to be to assure the wholesaler or the exporter a chance to grab the entire products at the rock bottom prices on the pretext that he is governed by certain regulations in respect of future buying.

This is an attitude which the Government should change and I would very seriously suggest to them that another commission should be appointed to find out how best to take away from these price speculators and

manipulators and sharks certain commodities on which depend the lives of millions of our people. Considering this measure and going through the provisions of the Bill, I am inclined to think, and perhaps rightly so, that the call which the Government seems to give to this country seems to me to be forward to socialism through forward contract. This is an attitude which Government must necessarily change if they mean what they say when they talk about the socialistic pattern of society. It is not at all the way. The forward markets, as all of us know, are completely controlled by a certain group of persons, whose only object is to get the raw material or whatever it is, whether it is for export or for internal consumption, and let it be vegetable oil, let it be pepper or other spice, at the lowest price and to pay the least to the producer, whether he is a cultivator or a primary producer and then take the largest share of profit and call that as a perfectly legal action under the existing forward contract regulation.

These are the points I would like to make and I would like to get the hon. Minister's reply.

Shri A. C. Guha: Mr. Speaker, Sir, I can say that this amendment is an attempt to improve the existing Act. Mr. Nayar was all the time condemning the existing Act as also the present amendment I would not say that the existing Act has been able to do all that was desired or that was expected, but at the same time I think Mr. Nayar would not say that after the passing of the Act there has not been any improvement in the forward markets or in the speculation of commodities but under the scope of the Act. The only question is whether the improvement has been actually up to our expectations or not.

This is, I think, the first occasion when the House has got an opportunity to review the working of the Forward Market Commission after the Act was passed about five years ago. Shri Nayar was repeatedly referring to some of the utterances of the

present Finance Minister. I think that was not at the time when this Act was passed. The present Act has got more or less a chequered career. It was first introduced in this House and sent to the Select Committee I think some time in 1949. Shri Nayar's references to the present Finance Ministers remarks was to that stage. Then, somehow or other the Bill was not proceeded with. More or less the same Bill if not exactly the same Bill was reintroduced by the present Finance Minister as the then Commerce & Industry Minister in this House after the first General Elections in 1952 and it was passed by this House. 13.33 hrs.

[**MR. DEPUTY-SPEAKER** in the Chair]

My main complaint is that during these five years it has not been possible for the Government or the Forward Markets Commission to extend the scope of this Act to some other commodities. It is more or less limited to four commodities: raw cotton, oil and oilseeds, spices and groundnuts. Groundnuts is included in oilseeds and oils. So only three commodities are covered by this Act and all these commodities come practically from the western side of India. Agricultural products of other parts of India are not covered by this Act. I am glad the hon. Minister at least in his concluding portion of this speech has made some reference to the interest of the growers and the consumers.

This Act was passed with some expectation that it would not only check speculation but it would also consequently give some protection to the growers' interests as also the consumers' interests. I think the Minister in charge of the Bill also will not deny that inspite of the Forward Markets Commission, there have been still many undesirable things in the forward market. It has not been possible to put a check to all undesirable speculations leading to steep fluctuations in the prices of commodities. May be such tendencies have gone down, but whether such tendencies have gone down to the desired extent or even to the

[Shri A. C. Guha]

extent that would have been practicable for the Government or for the Forward Markets Commission, is the only point to be considered. I have my own doubts that it has not been able for the Commission to do what ought to have been done.

It was mentioned by Shri Nayar that vested interests are controlling the forward markets. I think the Minister will not deny the charge altogether. After five years it may be possible for the Government to make a study of the operations of this Act and also the working of the Commission and, if necessary, a comprehensive Bill to amend this Act should be brought before this House.

We are passing through a phase of inflation and particularly in the case of agricultural commodities the market has been fluctuating rather whimsically and not always in consonance with some economic laws. This has been caused by the operations of speculators. I think the operations of this Act should be extended and should be intensified and made more effective so that these undesirable tendencies as regards price fluctuations of agricultural commodities may be checked and there may be some organisation in the hands of Government which can check and control the speculative and inflationary tendencies in the price of agricultural commodities.

Sir, I come from West Bengal and the principal cash crop in West Bengal is jute. I know the jute market in Calcutta is not in a very healthy condition. I do not know why this Act has not been extended to the jute market of Calcutta. I appeal to the hon. Minister that he should study this question and take some measure to extend the operations of this Act to the jute market of Calcutta. I do not like to say much, but I should like simply to draw the attention of the hon. Minister to the report of the Central Jute Committee published very recently as to the workings of the speculators, middlemen and moneylenders in the jute market. The

result is that the jute growers do not get in many places a fair price, but the profit is reaped mostly by the middlemen who are in some cases balers, beoparies and also moneylenders, but in most cases they are all blended together into one person or one agency operating in different forms and in different places. So, I request that the operations of this Act may also be extended to the jute market in Calcutta.

I would also like to refer to the tea market. Tea is more or less an organised industry. It is not like jute which is grown mostly by individual and small farmers. Tea is grown by big planters. So it is not in so helpless a condition and it is not a question of protecting the poor farmers as in the case of jute. But still I feel that in regard to tea that is auctioned in the Calcutta market something should be done. Only two days ago there was a debate in this House on the tea market in Calcutta and Cochin. I can understand the difficulty of Government because tea is mostly an export commodity and we cannot alienate our customers or prospective customers by hasty measures here. We have to be somewhat cautious. But still I think Government should keep a watch over the tea market and should also examine whether the operations of this Act could also be extended to that market also.

Then I come to some of the provisions of this Act. As I have stated, the amending Bill is surely an attempt to improve upon the existing Act. I very much welcome clause (c) of new section 9A(1) where the voting right is restricted to one vote to each member. That is surely a step towards the right direction, but I am not so sure about some other provisions. The panel system of voting is already prevalent in this, and by this amendment we are giving legal stamp to the procedure that is already prevalent in the forward market. I am not sure whether this will not lead to the vested interests being more firmly entrenched in the forward mar-

kets. I would like the hon. Minister to clarify that position. I do not like to pass any opinion on that subject, but I am not so sure about the effects of that provision. I think under the amending provisions, section 225 of the Indian Companies Act, which provides for two-thirds of the board of directors to retire by rotation, that section has more or less been allowed to be avoided by these associations. That would depend upon the rules and bylaws that would be framed by the different associations. This is a healthy provision in the Indian Companies Act—this rotation system; and it should not be just lightly allowed to be circumvented or relaxed by the various associations.

Lastly, as I have stated in the beginning, the present Act operates only for three or four commodities and there are, I think only twelve recognised associations. But there are some unrecognised associations yet operating in the market. I hope Government will take some measures either to bring them within the orbit of this Act or to take such steps as would make those unrecognised associations illegal and not be able to work in the forward markets.

Before concluding I would again appeal to the hon. Minister that the interest of the consumers, as of the growers, should also be protected and there should be some representation for them in the associations and, if possible, also in the Forward Markets Commission. The provision is: not less than two or not more than three members in that Commission. Even if there are three members, I think there should be one at least to represent the consumers and the growers on rotation.

With these few words I commend this Bill and I hope it will improve the operations of the forward markets and eliminate the unhealthy practices that have been existing in that market and also help to check inflation through speculation. There may be other inflationary tendencies. There may be other financial forces which would tend to promote inflation. But inflation through speculation should

be checked. The advances given by the scheduled banks for foodgrains in spite of the repeated instructions from the Reserve Bank are an indication that speculation in an unhealthy manner has been going on even with regard to foodgrains. And surely hoardings through the bank advances have tended to increase the prices of foodgrains. All such things should be taken care of while this Act is being operated, and I hope that this Bill will improve upon the Act.

पंडित डाकुर बास भागव (हिमाल) :

जनाब डिप्टी स्पीकर साहब, मैं इस बिल के मैरिट्स के बारे में कुछ भ्रज नहीं करना चाहता हूँ। मुझे सिर्फ एक बात भ्रज करना है, जो कि मैरिट्स के बारे में नहीं, बल्कि उस प्रोमोइयोर के बारे में है, जो कि इस बिल में दिया हुआ है। इस सदन में जो बहुत से लैजिस्लेशन आते हैं—बिल आते हैं, उन में आम तौर पर उसूलों का एक खाका दिया हुआ होता है और एक्चुअल वर्किंग आम तौर पर रूलज पर छोड़ दिया जाता है और गवर्नमेंट को रूलज बनाने की पावर दी जाती है। उन रूलज को इस हाउस की मेज पर रख दिया जाता है, ताकि अगर यह पालियामेंट चाहे, या कोई मੈम्बर चाहे, तो वह उन रूलज में तबदीली करा सके। बहुत सी बातों में यह हाउस डेनोयेन्सिड लैजिस्लेशन के जरिये से काम करता है। लेकिन इस बिल में जो तरीका दिया हुआ है, वह बिल्कुल एक नाबज तरीका है। इस बिल के मुनाबिक एसोसियेशन्ज को अपने रूलज में तबदीली करने का अस्तियार होगा—मैं उन तबदीलियों के मैरिट्स पर नहीं जाना चाहता हूँ, बहुत सी तबदीलियां शायद जरूरी ही होगी, ताकि उन इन्टेंशन्स को प्रोटेक्ट किया जाय, जिन को बचाया जाना चाहिये—और जब वे एसोसियेशन्स रूलज में तबदीली कर लेंगी, तो वह गवर्नमेंट के पास एपेल् के लिये जायेंगे। इस सिलसिले में एक सफाई रखा हुआ है कि जब तक गवर्नमेंट अपनी एपेल् नहीं देगी, तब तक वे रूलज वैलिड नहीं होंगे। जो रूलज अब तक बन चुके हैं, उन को गवर्नमेंट के एपेल् के बाद वैलिडेशन

[पंडित ठाकुर दास भार्गव]

दिया जा चुका है। उन रूलज की यह हैसियत होगी कि उन की रू से कम्पनीज एक्ट में तबदीली हो जायेगी। मैं भर्ज करना चाहता हूँ कि इस हाउस को सब सबजैक्ट्स के मुताल्लिक लैजिस्लेशन का अस्तियार है। फार्वर्ड मार्केट्स के मुताल्लिक यह बिल इस हाउस की मरजी से पास होगा, लेकिन इस में जो प्रावीजन रखी गयी है, उस के जरिये इस हाउस की लैजिस्लेशन की पावर्ज को एसोसियेशन्ज को ट्रांसफर किया जा रहा है। गवर्नमेंट को डेलीगेटिड लैजिस्लेशन का हक मिलता है इस हाउस की मरजी से, लेकिन यह बड़ा अनयूजबल है कि यह हाउस अपने अस्तियार उन एसोसियेशन्ज को दे दे कि वे जो चाहें करें और गवर्नमेंट को वोटो का अस्तियार रहे। यह सेफगार्ड तो ठीक है, लेकिन पता नहीं कि यह कहां तक जस्टिफाइड है, अपने अस्तियारात को एसोसियेशन्ज को दे कर यह हाउस कहां तक अकलमन्दी का काम कर रहा है। गवर्नमेंट के बनाये हुए रूलज में अमैंडमेंट करने का इस हाउस को अस्तियार है। उस को इस बात का राइट है कि वह उन रूलज में चाहे जो तबदीली कर दे, उन को तोड़ मरोड़ दे, उन में माडिफिकेशन कर दे। लेकिन अगर रूलज बन जायें और इस हाउस में न आयें, तो कुछ भी न हो सकेगा। मैं निहायत अदब से यह भर्ज करना चाहता हूँ कि इस प्रावीजन से इस हाउस के प्रैरोगेटिवज पर असर पड़ेगा। इस हाउस का यह प्रैरोगेटिव है—उस की वह ड्यूटी है इस देश के लिये सही कानून बनाये। हमारे दोनों हाउसिज का यह फर्ज है कि वे—उसके ७५० म्म्बर, अपनी विजडम से कंट्री को फयदा पहुंचायें। विजडम से कंट्री को महत्त्व किया जा रहा है। मैं यह नहीं कहता कि एसोसियेशन्ज इन रूलज के सिलसिले में ठीक काम नहीं करेंगी या गवर्नमेंट उन की तबदीलियों को ऐसे ही एप्रूव कर देगी। मैं इस उसूल को पसन्द नहीं करता हूँ कि इस हाउस के अस्तियारात किसी और की दिये जायें। इस वक्त जो प्रीसिडेंट बन रहा है, और बातों में भी वह काम प्रायगा। एसोसियेशन्ज

रूलज बनायेंगी और गवर्नमेंट उन को एप्रूव करेगी और इस तरह कम्पनीज एक्ट में बगैर इस हाउस की इत्तिला के, और उस की मरजी के तबदीली हो जायेगी। मैं यह भर्ज करना चाहता हूँ कि उन रूलज को बनाने या तबदील करने का अस्तियार इस सदन को है और वह अस्तियार बगैर हाउस की पूरी तबज्जह दिलाये एसोसियेशन्ज और गवर्नमेंट को दिया जा रहा है। मैं कुछ दिनों से यह टेंडेंसी देख रहा हूँ कि जो हमारे प्रैरोगेटिव है, जो विषय इस हाउस की जुरिसडिक्शन में हैं, उन पर ग्राहिस्ता ग्राहिस्ता, तरकीब से गवर्नमेंट ऐजेन्टिव को अस्तियार देना चाहती है और यह मामला बढ़ता ही जा रहा है, कम नहीं हो रहा है। मैं भर्ज करना चाहता हूँ कि इस हाउस को अस्तियार है कि वह अपने राइट्स को किसी भी तरह, किसी को दे दे, लेकिन मैं समझता हूँ कि यह कोई वाइज डिजिजन नहीं है कि रूलज बन जायें, उन में तबदीली हो जाय और उन को एप्रूव कर दिया जाये और इस हाउस का वास्ता उन से न रहे और वह उन के मुताल्लिक अपनी जुरिसडिक्शन को एक्सरसाइज न कर सके। अगर इस में यह प्रावीजन रख दिया जाता कि रूलज इस हाउस में रखे जायेंगे, और अगर कोई म्म्बर चाहे तो उस में तबदीली की जा सकती है, तो हमें यह कहने का मौका मिलता कि इस हाउस को उन के मुताल्लिक पूरा पूरा अस्तियार है। लेकिन जब पोजीशन यह है कि इस हाउस को कहे बगैर एसोसियेशन्ज और गवर्नमेंट को रूलज में तबदीली करने का अस्तियार है। मैं इस स्टेट आफ थिंग्स से हैपी नहीं हूँ।

इस हाउस में एक और मौके पर भी इस तरह की चीज आई थी। पंजाब में प्रेजिडेंट का रूल हुआ था। यहां पर एक कायदा लाया गया कि इस हाउस के जो अस्तियार हैं, वे प्रेजिडेंट को दे दिये जायें, वह जैसे चाहे कर दें और रूल्स वगैरह बना दें। मैं यह भर्ज करना चाहता हूँ कि एसोसियेशन्ज को अस्तियार देने और प्रेजिडेंट को अस्तियार देने में रात दिन

का फर्क है : उस वक्त भी इस हाउस ने एक कमेटी बना दी थी, जो कि प्रेजिडेंट के द्वारा बनाये गये क्वायड को देख सकती थी और उन के मुतालिक सात दिन में रेजोल्यूशन पेश किया जा सकता था। उस तरह की प्रावीजन इस बिल में नहीं है। गवर्नमेंट को इस तरफ तबज्जह देनी चाहिये कि इस हाउस के जो अस्तित्वारत हैं, उन के साथ इन्डायरेक्ट तरीके से, हाउस की तबज्जह दिलाये बिना इस तरह खेलना वाजिब नहीं है। इस हाउस को अस्तित्वार है कि वह जो चाहे करे। इस बिल में ऐसी प्रावीजन रखी जानी चाहिये कि लास्ट से इस हाउस की होनी चाहिये थी, ताकि इस हाउस की मोहर उन रूलज पर लगती और इस हाउस की जिम्मेदारी होती।

Shri Ranga: Mr. Deputy-Speaker, I must express my admiration to my hon. colleague, Pandit Thakur Das Bhargava, for his insistence that the House should maintain its scrutiny and its final authority over everything that the Government does, especially, in the direction of subordinate legislation. But, in regard to this particular matter, I am not able to go the whole hog with him. Because, after all, even the Government is not going to have that power. Government is giving that power to the Forward Markets Commission. The actual power is to be with the Associations. The Associations are not like our administrative statutory authorities that we establish with so many funds to administer and so on. Therefore, I think he would not find fault with us if we were to agree with the Government in allowing the Government to give that power to the Associations, only to be exercised after scrutiny by the Forward Markets Commission which is to be established by us.

I wish to endorse all that has fallen from the lips of my hon. friend Shri A. C. Guha. I hope Government would give careful consideration to the points that he has made. I am anxious that the Government should ask the Forward Markets Commission to bring

out a report if not once a year, once in every two years, to indicate how far its operations, really, have gone to the benefit of the growers on the one side and the consumers on the other and also for regulating and preventing the speculations that generally take place in these forward markets.

In addition to that, it is also necessary that the Forward Markets Commission should take the initiative in inducing the people in other parts of India who are interested in marketing agricultural produce to organise local associations. It is not enough that they should merely sit as a kind of censor, to see, whenever they want to organise themselves into Associations whether the draft rules are all right. They should take the initiative.

Secondly, they should also see that their operations are not confined only to one particular portion of India. To other areas also they should be extended and to other crops also. It is a well known fact,—I do not say this as a matter of disparagement; on the other hand, I would like to say it as a matter of praise—that the people in the Bombay city, Ahmedabad and other areas round about, merchants, are experts in forward markets. They have had the know-how for a number of years which the other people have not been able to develop till now. I would like the Government as well as the Forward Markets Commission to explore the possibilities of getting the good offices of these experts in order to train some other people also so that the merchants in other areas, when they want to organise themselves, could have the good offices of these experts and they would be able to operate these forward markets.

I wish to place on record our praise of the first Chairman of this Forward Markets Commission. He happened to be a friend of a number of us here, Shri Narayanaswami Naidu. He died in harness. While he was actually engaged in the work of this Commission, while he was going, I think, to Saurashtra, in the train, due to heart failure, he died. He was an honest officer and a distinguished econo-

[Shri Ranga]

mist. He rendered great service to the country as a Member of the Tariff Board and later on, they made the best possible choice when they asked him to become the Chairman. I am sure the Government also would agree with me in paying a tribute to that conscientious public servant. I do not know what procedure they have and when such high officers die in harness, while serving the country, if the offices are not pensionable, whether they do anything at all to help the surviving members of the family. If the rules do not permit anything, I would like the Government to take this opportunity to reconsider the position so that, in future, other officers similarly placed might be helped.

I am anxious that the producers should be helped in some way or other. How does it happen that the cotton producers are not able to get any benefit? After the picking period is over, the stuff is placed at the hands of the ginning factories, that goes to Bombay, prices go on soaring, but they do not get anything out of it. The same thing has been referred to in regard to jute. I want the Government to make a study in regard to this matter, whether it would not be possible for them even in regard to these crops in which forward markets function to fix a certain basic price, what you call a minimum price, and then, in relation to the final prices that are paid by the final consumers, pass on a portion of the higher price realised over the whole year, to the producer. Generally, the final consumers are not individuals. They are big firms like spinning and weaving mills or combined mills. Some mechanism can be thought of, just like the equalisation policy that they have in regard to fertilisers and various other things. They should evolve some policy. I cannot here and now indicate the details.

I cannot agree with my hon. friend Shri V. P. Nayar when he expressed his doubt whether the Government was doing the right thing in trying to

validate things that have suddenly been found to be turning to be invalid in the light of the Companies Act.

Shri V. P. Nayar: When you don't agree, I feel flattered.

Shri Ranga: That does not matter. I need not essay a long explanation. I am sure the hon. Minister would be doing that. I can only say that I must express my satisfaction that my hon. friend has tried to make a detailed and careful study of this particular matter. What is the use of quoting what a Minister has said when he was not a Minister? When my hon. friend Shri V. P. Nayar himself comes to have a chance of becoming a Minister, he would be able to realise that all that he says now as a private Member may not possibly be sustained as a representative of the Government where the interests of all the groups of people and all interests concerned have got to be reconciled in a responsible manner.

14 hrs.

I have only two more points to make. One is to express my satisfaction that this principle of one vote to one member, which generally obtains in co-operative societies, is being introduced in this Bill. It is a very progressive thing, and I hope that with its aid it might be possible for them to avoid much of the trouble that they have come across.

Only yesterday my hon. friends were so very anxious that the price of rice should be pushed down like anything so that it will be, I suppose, within the means of the consumers. Just now he has given the information that the price of pepper used to be Rs. 500 while now it is only Rs. 50. How did it happen that from Rs. 500 it has come down to Rs. 50?

Shri V. P. Nayar: It was paid by others.

Shri Ranga: I do not grudge the pepper growers getting a higher price, but I want my hon. friends to keep the other factors, the other needs also in mind, that the rice-growers and the wheat-growers should also get a

decent and remunerative price. Just as he is anxious that there should not be this speculation and vacillation and change in prices from Rs. 500 to Rs. 50 or from Rs. 50 to Rs. 500, so also I am anxious that Government should take some active steps to see that the prices of turmeric, groundnut, tobacco and chillies are also regulated, or helped to be regulated, through the operations of this Forward Markets Commission.

Shri Manubhai Shah: I am beholden to the hon. Members who have generally supported the Bill and its clauses. It was very kind of my hon. friends Shri A. C. Guha and Shri Ranga to have reviewed the working of the Forward Markets Commission in their general remarks.

As the House is aware, the commission was appointed only in September 1953 and the detailed work of recognising the associations and markets actually started only two years back. They have covered almost eight commodities and approved and recognised twelve associations not only, as the impression in some quarters was, in some parts of India, but practically throughout the country. The associations in Delhi, Alleppey, Cochin, Madras, Adoni, Calcutta, Bombay, Rajkot, Ahmedabad and Indore have been the beneficiaries of this recognition. There has not been sufficient time yet to make, as suggested by my hon. friend Shri Guha, a detailed research and survey of the working of the commission. Even then, I can assure the House that the commission is fully alive and the Government is fully alive to the need of such a continuous survey and research, and they have in the commission itself cells, different commodity committees attached, to look after these various problems.

When the commission was appointed and when this Bill was brought before the House in 1953 the main purpose was, as I mentioned in my earlier remarks, to moderate and regulate forward trading in commodities. When the list of commodities is seen, it will be realised that commodities like tea and other commodities which

some of the hon. Members have referred to cannot immediately, or for a long time to come, come within the purview of the Act. Where the commodities are principally foreign exchange earners, where they go more into exchange earning, where they are directly going to the consumer like cotton textiles or sugar, the operation of the forward market has very little place.

Similarly, when some of the hon. Members mentioned that the price mechanism of the entire national economy should be regulated through the Forward Markets Commission Act, I think a little more weightage was given by them to this commission than what is entirely possible. This commission for the forward markets is only a very minor component of the entire fiscal and monetary discipline that can govern the price and various other structures of our economy. If the hon. Members go through the annual reports of the commission, I can assure them that they will appreciate that the commission has been discharging its functions in a very appropriate and healthy and energetic manner, if only they will bear in mind the purpose for which the commission was designed. It was suggested that a detailed, comprehensive survey or review could be made after five years, and I am sure that the House will be equally satisfied when that review is made.

The price fluctuations in the trade in oil, cotton and various other commodities which the commission has brought under its review have been showing a healthy trend. I would not say entirely, nor would I use the strong language which my hon. friend Shri V. P. Nayar used, because harsh words cut no ice. All such anti-social tendencies have got to be regulated, and that is the primary function of this Act. The main purpose when the Act was passed was, and the main purpose and principal function of the commission today when the Act is being administered are to see that the anti-social elements which are given to this type of trade

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activity like korb trading, *tezi mandis*, cornering, squeezing the market etc., are constantly looked into, and therefore, the major objective of this commission has been constantly kept in mind by the Government.

Shri V. P. Nayar: May I interrupt him for a minute? If the hon. Minister says that I have used harsh words, he is not correct, because I was only quoting from his esteemed colleague Shri T. T. Krishnamachari.

Mr. Deputy-Speaker: He could also use.

Shri V. P. Nayar: Why should I be given the credit? I used only the least harsh words, because Shri T. T. Krishnamachari said that it was not a Bill dealing with respectable persons.

Mr. Deputy-Speaker: Do they become less harsh because they had been used earlier by somebody else?

Shri V. P. Nayar: I am only pointing out that he said that the Bill was meant to deal with persons who could be as fierce as sharks and tigers where their interests were concerned. I did not go to such an extent. I only took the first word.

Shri Manubhai Shah: I can only say that even endorsing somebody else's remark on a point does not make the thing less biting or anything like that.

Mr. Deputy-Speaker: He only meant to say that he was not as harsh as that Member, but he was harsher probably!

Shri Manubhai Shah: I have no objection to the Hon. Member saying what he thinks best, but what I meant was that all these anti-social activities, which are always prevalent in a society, and more so in a country like ours which is under-developed and is trying to develop itself, have got to be looked into, and the Government, as I was just now mentioning, is constantly aware of that.

There was a suggestion from Shri Guha that this commission should

have a representative on it of the consumers, agriculturists and various other interests concerned. There are only three members on the commission and they have to deal with a number of commodities, from a dozen to two dozen, and there are different centres. The commission's composition was never intended to see that every type of interest could be represented, since it is such a small body of only three members. But the Government while appointing the members does see to it that they are experts knowing the working of the markets where it concerns the various interests like producers, the growers, the consumers, the merchants, the middlemen, the importers, exporters etc. We have commodity committees to advise on different commodity markets.

Here I would wholeheartedly agree with the tributes paid by my hon. friend Shri Ranga to the late Dr. Narayanaswamy Naidu who unfortunately died before my very eyes in my State when he had come there to recognise the oilseeds association there. The Government of India in appointing such a great expert and a noble man like Dr. Narayanaswamy Naidu to start such an important commission had really chosen the right type of person, and I would join, and I know the whole House will join, in paying tributes to Dr. Narayanaswamy Naidu who initiated this Forward Markets Commission.

Coming to the point, my hon. friend Shri Guha mentioned that the interests of the growers must be protected. I wholly agree with the views expressed by him. That is the intention of this Act and the intention of the Government, namely to see that the grower who is the biggest under-dog in this country, the small producer in the field, is properly protected.

What I wanted to submit was this, that it is not through the mechanism of the Forward Markets Commission

alone that the grower could be protected. There are various mechanisms adopted by Government, the Agriculture Ministry, the consuming Ministries, the markets, various centres where all producers, consumers and different interests really come together. For instance, price support, which Government have been initiating from time to time in respect of different commodities, has been one of the major contributory factors to protect the interests of the grower. As a matter of fact, as far as this particular Act and the Commission are concerned, the commodities they really take over are more of a processing nature, as I have mentioned earlier—neither wheat nor gram nor foodgrains. The Government have been so strict that so far they have prohibited totally trading, whether it is of a specific non-transferable delivery nature or whether it is of a hedge contract nature or whether it is anything except spot and ready market. They have done so in the interests of the consumers as well as growers, because if such commodities went into the spiral of speculation, the results would be very unhealthy and undesirable. So I can assure the House as far as the particular work of the Commission is concerned, that all the points that they have mentioned today are being kept constantly in mind and will continue to be continuously looked after by Government.

Pandit Thakur Das Bhargava mentioned about subordinate and delegated legislation. I was rather wondering when he was mentioning with some emphasis the point that what Government were doing was something extraordinary. I submit it is nothing of the kind. All that we have done is in pursuance of the principles which the House today is endorsing, that it is better in such associations which are not of a producing or manufacturing type, which are not companies which are designed only for a particular business, but which are of a nature where balancing and moderation of different interests concerned is very desirable, the panel system of representation on the govern-

ing body is preferable to mere voting according to shareholding. I am very glad that my hon. friend, Shri Ranga, said that the principle of one person one vote is very healthy and should be adopted in this panel. That is precisely what this amending Bill does.

Shri V. P. Nayar: How does he prevent manipulation?

Shri Manubhai Shah: I will come to that also if am allowed to proceed.

Unlike companies where the votes are proportionate to the shareholding, here in this particular type of association, it is the system of panel or group representation that we have tried to establish. I may give only a small instance. In a particular association, the number of buyers is 73, sellers 136, brokers 272 and associate members 223. Here, practically but for the buyers, the brokers will be dominating the scene. Instead of that, the panel system of representation gives 4 representatives to the buyers, 4 to the sellers and 4 to the brokers and 2 to the associate members. This shows how there is a well thought-out and desirable balancing brought about by the amending Bill.

While giving recognition or approval to healthier principles which the Government and the House today prefer to accept, Government, if they endorse the rules and regulations obtaining upto now, are not doing something which is contrary to the wishes of the House. As a matter of fact, I would be one with Pandit Thakur Das Bhargava to see that the complete supremacy of the House prevails and their wishes are always constantly borne in mind and carried out not only by the government of the day but by all those concerned with the fair name of administration.

Even in this regard where approval is sought to be given to regularise what was done under the existing provisions of the Companies Act, I submit that any rules or bye-laws of any association since the Act came into operation have been considered

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valid only after they are scrutinised by the Forward Markets Commission, their recommendations are sent to the Ministry and the Ministry, in the light of the views, objectives and the general directions that the House has endorsed from time to time, scrutinise those recommendations from that angle and approve them. So the approval that is being today regularised and made valid is nothing which is different from what the House has generally endorsed.

Coming to the last point, Shri V. P. Nayar mentioned about validating something which is invalid or trying to see that the entire operation of this Act disregards the provisions of the company law. I may repeat what I had said when he was speaking that excepting the provisions in which the amendment is to be sought, the rest of the provisions of the Companies Act still continue and will continue to govern all the rest of the working of the associations recognised by the Forward Markets Commission.

I would once again thank hon. Members for having given their approval to the principles and clauses of the Bill.

Mr. Deputy-Speaker: I shall now put the motion for consideration to vote. The question is:

"That the Bill further to amend the Forward Contracts (Regulation) Act, 1952, as passed by Rajya Sabha be taken into consideration."

The motion was adopted.

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

Shri Manubhai Shah: I beg to move:

"That the Bill be passed".

Mr. Deputy-Speaker: The question is:

"That the Bill be passed".

The motion was adopted.

FOOD SITUATION IN WEST BENGAL

Shrimati Renu Chakravarty
(Basirhat): I am glad that this House has at last had an opportunity of discussing the food situation in West Bengal.

Never since 1943 has the food situation in West Bengal been as serious as it is today. At that time, the British Government, which was in power, refused to accept the position that thousands were dying of hunger and it was only as an *ex post facto* investigation that the official inquiry showed that 18 lakhs of people had died, though unofficially we knew that 36 lakhs died. The same pig-headed obstinacy has persisted in denying the seriousness of the food situation that has been growing more serious every day during the last three months. Starvation deaths are yet few in number, but they have begun. But they are brushed aside with the same callousness as did our erstwhile rulers.

Fourteen years after the worst ever famine that my State saw and 10 years after independence, there is one question that you will hear from the lips of everyone in West Bengal: will 1943 be repeated? Already in Calcutta, you will see peasant families, women with little emaciated babies in their arms, driven by hunger and unemployment, trekking the streets of Calcutta, hoping that they will be able somehow to eke out an existence, if not by work, at least by begging.

From my own constituency of Sunderbans, I have seen an entire family which has come away from Minakha, from Harwa. If you go to Sham Bazar in the northern outskirts of the city, under the Balliahat bridge span, you will find there little sheds. Only the other day in answer to a question, the hon. Minister of Rehabilitation said that all the refugees staying in Sealdah—a very large number—have now been added on by those who are now coming from outside because of hunger.