

BUSINESS ADVISORY COMMITTEE**TENTH REPORT**

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha):
Sir, I beg to move:

"That this House agrees with the Tenth Report of the Business Advisory Committee presented to the House on the 11th November 1957."

Mr. Speaker: The question is:

"That this House agrees with the Tenth Report of the Business Advisory Committee presented to the House on the 11th November 1957."

The motion was adopted.

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL

Mr. Speaker: The House will now proceed with the further consideration of the following motion moved by Shri B. R. Bhagat on the 11th November 1957:

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

The Deputy Minister of Finance (Shri B. R. Bhagat): Mr. Speaker, Sir, on Monday last, while replying to the points made during the discussion I covered some of the major points. There are some specific points that had been made by some hon. Members which have been left over and I propose to deal with them briefly.

12.26 hrs.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

The hon. Member Shri B. C. Ghose asked whether Government have made any estimate of the payments that will become due in the next few years as a result of the scheme of deferred payments. It is a very

pertinent point and I think any Government worth the salt would certainly keep that point in view. He raised the issue as to whether provision has been made for enough foreign exchange to be made available for such repayment. I would only say at this stage that Government are seized of this problem and that is why foreign exchange control and foreign exchange budgeting has been completely centralised since the second half of 1956. Government today are keeping a stricter watch on the various proposals involving foreign exchange expenditure and hope that as a result of the economy drive combined with the intensification of the export promotion drive and stricter control over imports, it would be possible for the full mobilisation of our foreign exchange resources. So, I can say with a certain amount of confidence that it should be possible to meet the foreign exchange requirements consequent on the scheme of deferred payments by 1959 or 1960.

He referred to another point, that under the scheme on a guarantee by the State Bank, or Scheduled or cooperative banks the Industrial Finance Corporation make a loan but bears no risk. On the other hand, another hon. Member, Shri Bharucha struck an opposite note. He said by trying to help new concerns which may not have tangible securities to offer, the I.F.C. is indulging in transactions of a speculative nature. I think both the hon. Members, those who think that the I.F.C. is indulging in speculative transactions and the hon. Member who said that the I.F.C. is not actually taking any risk have overstated the position.

Even today for new enterprises the I.F.C. is advancing loans, but because I.F.C. by its very nature is a banking Corporation it has to apply a stricter test to these new concerns. The House in the past has very clearly observed that it should be one of the objectives of the I.F.C. to channel industrial finance to new industries or new enterprises and I think that

objective can be very well met if a guarantee by the State Bank or by the co-operative bank or by a scheduled bank is given and the I.F.C. makes the loan. So, both the fears and the objective are taken care of—the fears of indulging in speculative enterprises because the I.F.C. takes no risk, and the objective that the House wants the I.F.C. to fulfil. So, I think it is a very desirable innovation which will go a long way to meet the promotion and development of new enterprises in the country, and I think it should be acceptable to the House.

Another point, a rather important point, was made by Shri Bharucha regarding what he called the fluctuating risks.

As the position stands today the I.F.C. bears the risk of fluctuation in the foreign exchange or foreign currency, but due to deferred payment arrangements or due to the impact of industrialisation, the I.F.C. is chartering a course in which it will be undertaking more and more undertakings, financial activities, with impact on foreign exchange and so on that score it would not be proper to burden the I.F.C. with the risk involved in that. The point has been made that the industrial concerns are paying the money, and that it is the fault of the Government or the I.F.C. that they cannot provide the necessary foreign exchange, so why burden the industrial concerns with the additional risk? That is not a very valuable or strong argument. The beneficiaries will be the industrial enterprises out of such investment or deferred payment arrangements, and I think they would be in a better position to calculate the risk to secure or guarantee themselves against any possible risks or the economic feasibility of the projects. So, I think the arrangement that has been provided that the risk should be borne by the loanee party will not throw a heavy burden on the parties concerned.

I may point out that it will not be beyond the comprehension of the

Government or of the economic institutions of the Government to think of or provide some ways of insurance against such risks. That has been done in other countries, that may be possible here, but I cannot with any amount of definiteness say at this stage because such arrangements have not been finalised or have not been thought out in all their concrete aspects, but I think the risk involved in the fluctuations of foreign currency may be taken care of.

There was a small point made by Shri Morarka. He said the I.F.C. should be given certain powers, that up to a certain amount it should guarantee such deferred payments without reference to the Government. I think in the matter of foreign exchange or deferred payment, it is better that it should be centralised at one place, and it would not be proper for the I.F.C. to make large-scale commitments in respect of such guarantees.

Shri Morarka (Jhunjhunu): What about small-scale?

Shri B. R. Bhagat: The total quantitative large-scale commitment or even a part of that commitment should be left with the Government. I think it is worth while.

I have tried to meet most of the points, and I have nothing more to say.

Mr. Chairman: The question is:

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

The motion was adopted.

Clause 2—(Amendment of section 2)

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

Page 1—

for lines 8 and 9, substitute:

“(hereinafter referred to as the Principal Act), in clause (c)—

(i) after the words ‘in mining’ the words ‘or in hotel

[Shri B. R. Bhagat]

industry' shall be inserted;
and

- (ii) the following Explanation shall be added at the end, namely:—

The amendment is quite clear. We want to secure that the hotel industry should come within the purview of the I.F.C. The Estimates Committee in their Thirty-Fourth Report have suggested that assistance should be given to the hotel industry in obtaining loans from financial institutions like the I.F.C., and as you know, the hotel industry is an earner of foreign exchange because it encourages tourist traffic. Therefore, it is necessary that the hotel industry should find its place in the activities of the I.F.C. The last portion of the amendment regarding "the following Explanation" etc., is merely a drafting change.

Mr. Chairman: The question is:

Page 1—

lines 8 and 9, substitute:

"(hereinafter referred to as the principal Act), in clause (c)—

- (i) after the words 'in mining' the words 'or in hotel industry' shall be inserted; and
(ii) the following Explanation shall be added at the end, namely:—

The motion was adopted.

Mr. Chairman: The question is:

"Clause 2, as amended, stand part of the Bill".

The motion was adopted.

Clause 2, as amended, was added to the Bill.

Clause 3—(Amendment of section 17)

Shri Bimal Ghose (Barrackpore): I beg to move:

- (i) Page 1, line 17—

after "clause (b)" insert "and clause (d)"

- (ii) Page 2, line 3

after "clause (b)", insert "and clause (d)"

As I have already detailed the reason for the amendment day before yesterday, I do not want to say anything more.

Shri B. R. Bhagat: In the case of directors who are nominated by the Central Government, it would be possible to send somebody else, but under his scheme the directors are all elected, and it would not be possible every time to send notice and elect a new director.

Shri Bimal Ghose: The Reserve Bank has also directors whom you are bringing within the purview of this amendment. In the same way, the Life Insurance Corporation is also now a Government institution.

Shri B. R. Bhagat: No, not wholly. There are other shareholders.

Shri Bimal Ghose: How many?

Shri B. R. Bhagat: That is true, but technically we will have to hold elections. They are elected directors.

Mr. Chairman: The question is:

- (i) Page 1, line 17,—

after "clause (b)" insert "and clause (d)"

- (ii) Page 2, line 3,—

after "clause (b)" insert "and clause (d)"

The motion was negatived.

Mr. Chairman: The question is:

"That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

Clause 4 was added to the Bill.

Clause 5—(Amendment of section 22)

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

Page 2, lines 9 and 10—

for "the Government, local authorities" substitute "any State Government or local authority"

The amendment seeks to clarify the point about the word "Government". A doubt has arisen as to whether this proposition would not conflict with the provisions of the Reserve Bank of India Act, because "Government" may mean both the State Government and the Central Government, and under the Reserve Bank of India Act the Central Government cannot deposit its cash balances with any party other than the Reserve Bank of India. Therefore, with a verbal amendment, we want to clarify this point that it means only a State Government.

Mr. Chairman: The question is:

Page 2, lines 9 and 10—

for "the Government, local authorities" substitute "any State Government or local authority"

The motion was adopted.

Mr. Chairman: The question is:

"That clause 5, as amended, stand part of the Bill".

The motion was adopted.

Clause 5, as amended, was added to the Bill.

Clause 6—(Amendment of section 23)

Shri Jhunjunwala (Bhagalpur): We are vesting this corporation with new powers to guarantee loans. Much has been said already against the working of the corporation. And yet we are vesting them with more powers to exercise so far as guaranteeing of loans and guaranteeing of deferred payment is concerned. These are very important powers which we are giving.

The relieving feature, however, is the proviso which reads:

"Provided that no such guarantee shall be given without the

prior approval of the Central Government."

But in this respect also I would like to caution Government that they should be very careful in this matter. For, in the past, while issuing import licences, they had done it in such a way that our foreign exchange position has been worsened thereby. And those licences were given to the private sector only, and much of the foreign exchange has been utilised only for consumer goods. So, I would request Government to be very careful in this respect.

Day before yesterday, one of the hon. Members who spoke—I do not know who it was—said that a large amount of loan had been given to firms against whom investigation was going on. Shri B. R. Bhagat did not reply to that question directly whether any loans had been given to firms against whom investigation was going on. I do not know which firms they are. I did not get the balance-sheets in time, nor did I hear the hon. Member who made that allegation.

An Hon. Member: It was Shri Morarka.

Shri B. R. Bhagat: He did not make it seriously.

Shri Jhunjunwala: I do not know whether he made it seriously or not, but I was making a complaint that Shri B. R. Bhagat had not replied to it.

Shri A. C. Guha (Barasat): The hon. Member was speaking on the motion before the House. So, how is it that he was not speaking seriously?

Mr. Chairman: That is a matter of opinion.

Shri Jhunjunwala: Shri B. R. Bhagat does not speak seriously. Therefore, he thinks that others also do not speak seriously.

I would like to say that even if the Member had not spoken seriously, Government should take this question very seriously. This is not a

[Shri Jhunjunwala]

healthy practice. There has been a lot of talk of corruption and this and that regarding the private sector. I do not know whether those talks are correct or not. But when there is any investigation going on against any particular concern, it is not a very healthy practice that the corporation should grant loans, and that too, to a very great extent, to such a concern. This is what I would like to bring to the notice of Government, for, if Government and Government-sponsored bodies indulge in such a thing, then it is futile to talk of stopping corruption.

Regarding the guaranteeing of deferred payments, I would say, as I have said before, that Government should be very careful while giving approval in such cases. When the Bill was first introduced in this House, I had said that that was not a very healthy thing. It would amount to mortgaging the future resources of the country.

Moreover, the whole burden of it has been thrown only on the private sector. Besides, the disadvantages that will arise out of taking machinery and capital goods on a deferred payment basis would be that, firstly, they will have to pay high prices for the goods, and secondly, we shall not know whether the goods that we shall purchase will be up to the mark or not. These disadvantages should not have been placed only on the shoulder of the private sector. That is one view, and there is also other aspect.

Mr. Chairman: The hon. Member is speaking on clause 8, I think.

Shri Janunjunwala: No, I am speaking on clause 6.

Mr. Chairman: This question of loss of profit on such deferred payment owing to fluctuations arises only in relation to clause 8, not clause 6. Clause 6 deals only with guarantee.

Shri Jhunjunwala: Clause 6 would involve that also, because the very

principle of allowing deferred payment will involve all those things. Therefore, while asking Government to take precautions in this respect, I just wanted to raise this point also.

Then, there will be very little amount of foreign exchange left for the public sector.

Shri Jadhav (Malegaon): May I point out that there is no quorum in the House?

Mr. Chairman: The bell is being rung

12.47 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Mr. Deputy-Speaker: Now, there is quorum. The hon. Member may continue.

Shri Jhunjunwala: I was saying that if too much amount by way of foreign exchange were utilised for the private sector, then very little will be left for the public sector, which it is our ambition to develop more and more.

The other day, while speaking in the course of the general discussion, my hon. friend Pandit Thakur Das Bhargava said that while the big industries would be getting loans, so far as the smaller industries were concerned, there was no provision in this Bill whereby they could get loans. So far as the getting of loans is concerned, there are many State Finance Corporations, and they are giving loans for the smaller industries. So far as the deferred payment scheme is concerned, since this power for guaranteeing loans has been given only to the Industrial Finance Corporation, I do not know how the smaller industries will be able to take advantage of this deferred payment scheme.

I do not think any power has been given to the State Finance Corporations in this respect. If not, some provision should be made in this very Act, because I do not think that those

people who take loans below Rs. 10 lakhs will get the advantage of the deferred payment scheme for importing their capital goods. Therefore, some provision should be made either here or in the State Finance Corporation Act.

Then, as a matter of fact, we do not understand what is in the mind of Government regarding this scheme. To what extent do Government want to utilise this, and are Government very serious about it? The other day the hon. Minister, Shri Manubhai Shah, speaking in Delhi said that the first instalment would be in 1960

The Minister of Industry (Shri Manubhai Shah): 1961.

Shri Jhunjunwala: If the first instalment will be in 1961, I do not know how much of capital goods we shall get, how many foreign concerns will be prepared to give us capital goods on such long instalments. If there are to be such long instalments, what price will they charge? If we purchase on instalment basis, on deferred payment basis, very high prices are charged and the goods given are not of very good quality. I would like to know from Government as to what is actually in their mind, as to how much of foreign exchange in a year they want to guarantee.

With these words, I support it.

Shri Kamalnayan Bajaj (Wardha): I had no mind to speak, but just now my hon. friend, Shri Jhunjunwala, spoke about deferred payment. I would like to divert to it a little, to make it more comprehensive in this respect. The Finance Corporation, when it was started, was floated entirely or mainly for the private sector. I am not paying a compliment when I say that soon after Partition, many industries would practically have gone into liquidation but for the Corporation. But for this Corporation, they could never have survived or at least could not have come into the position they have now achieved.

There are many instances which I can quote, but as far as deferred payment is concerned, I was in Europe this year—I was also there last year—and I found that many industrialists and bankers had one great difficulty about deferred payment. That was: what would be the rate of exchange at the time the deferred payment would be made? That could not be guaranteed by any private institutions or individuals; that had to be guaranteed by the Government, and I think the Government have done very wise in allowing the Finance Corporation to give this deferred payment guarantee. They have kept a proviso to the effect that the Government should be consulted, because the Corporation cannot guarantee such a deferred payment without reference to Government. Once reference is made to Government, they will know what will be the total liability at any given time. Unless such institutions have the power to do so, I think the private sector will not find it easy to import capital goods under present conditions when Government have stated that without deferred payment, no machinery will be imported. There are certain classes for which they will allow it

I personally think that this is a very good clause and it will help not only the private sector but also the development of the Finance Corporation, because the Corporation's capital is also likely to be increased. For that reason, this is one of the very good provisions which Government have thought of and are providing everybody should be pleased, unless somebody is against the private sector, in which case I have nothing to say. In the latter case, the Finance Corporation should be liquidated, because what is the use of this Corporation if it is only for the public sector? The public sector does not need it. It is meant for the private sector, and when it is looking after the private sector, whatever the necessities of the times are should be provided for, and I think it is a very good provision which Government have proposed.

Pandit Thakur Das Bhargava: (Hissar): Objection was taken by one hon. Member when the general discussion was on, that Government were ill-advised in giving loan to a company against which they were conducting an inquiry, and this objection has been repeated now by my hon. friend, Shri Jhunjhunwala. The reply of the hon. Minister was quite clear on the point. He said that so far as these loans were concerned, they were given to concerns who were asking them for very essential purposes. I understood that he meant that a cement factory was going to be helped. That was his defence, and a very good defence. After all, if Government want to have a Commission or Committee of Inquiry against any person, it does not follow that there will be only one conclusion. It may be that the concern against which the inquiry is started may be found to be above board. I do not know the name of the concern; I do not know who is involved, because neither the hon. Member nor the hon. Minister mentioned the name of the company. But taking it as it is, if there is an inquiry against any person or body, I should think that before it is concluded and a conclusion is arrived at, we must not suspect the *bona fides* of that concern, and Government are perfectly justified in giving loan to that company if it was for an essential purpose, especially when Government had not arrived at the conclusion that the concern had not behaved well.

As regards the very fundamental question whether Government should have taken upon themselves to provide guarantees for deferred payment, I should think it is a very wise provision and the House has practically accepted that. The House has accepted the Bill; this is the main provision in the Bill. The principle is accepted; otherwise, I should think there will be very few private concerns who will be able to take advantage of it. But I am rather apprehensive that those private concerns who will not have full capital with themselves might come off worse

because, as I submitted at the general discussion stage, the amount of interest etc. will be extortionate. It is for them to decide whether they want to take advantage of it. If advantage is to be taken, I think the function of this Corporation is fundamentally to help the private sector.

Apart from that, I think many banks do this business. There is no harm if the Corporation is allowed to have that business. Government are, I think, well advised in adding this proviso to the jurisdiction or the objects for which this has been started.

At the same time, I must submit that I am very much afraid that many companies will come to grief at the end of the period of four years. The amount of interest against them will grow so high that many of them will have to be auctioned. This is my fear. If the Government by guaranteeing this can bring down the rate of interest so far as those companies are concerned, if negotiations are initiated towards that end then it will be all right. But my own fear is that private companies will come to grief.

Again, when we consider the provision about loss and profit and about fluctuations, I am forced to think that private companies should be very cautious in taking advantage of these provisions. So far as Government are concerned, they will be cautious. There is no doubt about it; Government need not be warned, because they have already a provision about approval of the Central Government being necessary, so that Government will be enabled to know how far they can go.

13 hrs.

I think the fears of the hon. Member who preceded me are not just. My hon. friend, Shri Jhunjhunwala is not justified in thinking that Government will land itself in difficulties after approval. Government will consider whether it is right to give approval in any particular case and how far the commitments have gone. Therefore, I think that this provision

of approval is also in the nature of a safeguard and there will not be any fears of the Government taking upon itself too many guarantees so that it may not be able to discharge its responsibilities.

Shri Jhunjunwala: I have said that the relieving factor is that the Government has taken upon itself. . . .

Pandit Thakur Das Bhargava: It is true that he said it is a relieving factor but the hon. Member also expressed a fear. I do not think there will be any difficulty. The provision that unless there is Government approval there cannot be a guarantee is itself a safeguard. There is absolutely no fear in my mind as regard Government. My only fear is that the private sector may not commit itself to an agreement which it may not be able to fulfil subsequently.

At the same time, today we do not know what will be the terms of the guarantee. We do not know how far the Government will go. As a matter of fact, this is only an enabling provision. The hon. Minister pointed out at the general discussion stage that they themselves do not know about the details of the matter. Why should we be fearful about details I think we would be well advised in accepting clause 6 and passing it.

Shri Damani (Jalore): Mr Deputy-Speaker, Sir, the Bill is generally very appropriate and it is in conformity with the declared policy of Government to further the objects of the Five Year Plan. The best part of the Bill is that the Corporation will guarantee deferred payments to foreign countries wherefrom the goods are to be imported.

I think the other matter of lending to the operations of new industrial undertakings which has no adequate security to offer is definitely a measure which would prove beneficial to many projects. The principle is that it has to be guaranteed by the State Government, the Central Government or the Co-operative Societies or Banks. I think by Government stand-

ing guarantee the private sector will be able to develop industries which are in need of to cope with the Plan. Guaranteeing deferred payment by Corporation is a very wise measure and should be adopted.

Shri B. R. Bhagat: With all respects to Shri Jhunjunwala, I think, he either did not hear my speech properly or I could not convey the import of my reply. I listened in all seriousness the point mentioned by Shri Morarka and I answered it. I did not answer one point because I was not sure of facts. But I am advised to state that all the loans given to the concerns about whom both the hon. Members spoke on Monday and today were made before the Commission of Enquiry was appointed. I repeat what I said the other day.

Shri Jhunjunwala: I did not say anything against any particular concern; it was a general remark. I did not hear what the other hon. Member spoke but I made this remark on your speech.

Shri B. R. Bhagat: The loans were guaranteed by Government. The Government went into the whole question in detail and thought that the loans were good.

I appreciate the difficulty of the hon. Member because the details have not been finalised and because it is merely an enabling provision. Unless the details of deferred payment arrangements are finalised, all the doubts that have arisen in the minds of the hon. Member are valid. I can assure hon. Members that whatever doubts they have expressed or whatever suggestions they have made of the dangers to be avoided will be fully taken note of when the details are finalised.

I may also assure them that these deferred payments arrangements can only take place when the parties have been assured or have obtained licences which my colleague issues to them. There is no question of frittering away the resources and having any undue burden later on. This is just a mechanism. What concerns will

[Shri B. R. Bhagat]

get licences or what course industrial development will follow is set out in the plan and will be guided by the industrial policy. This is only to facilitate further progress and to provide a mechanism.

Fandit Thakur Das Bhargava: Is it not a fact that 8 per cent interest or more is being charged for these deferred payments?

Shri B. R. Bhagat: I may assure the hon. Member that in sanctioning any deferred payment or making any guarantee we see all the terms of deferred payment, the terms of interest etc. One of the important criteria is that the particular industry will be able to pay it later on.

I have already answered the other day all the other points about deferred payment arrangements. I commend this clause as a very desirable one.

Mr. Deputy-Speaker: The question is:

"That clause 6 stand part of the the Bill."

The motion was adopted.

Clause 6 was added to the Bill.

Clause 7 was added to the Bill.

Clause 8— (Amendment of section 27)

Shri Bimal Ghose: Sir, I have an amendment to clause 8 and I spoke on this point day before yesterday. I do not want to repeat all my arguments. [..]

Shri B. R. Bhagat: I do not know if he refers to amendment No. 8 where he wants to retain the words 'or otherwise'. I have no strong objection to this. If the hon. Member presses his amendment I have no objection. It is for the House.

Shri Bimal Ghose: I beg to move:

Page 3—

(i) line 2—

for 'for the words "or otherwise"', substitute—

'after the words "International Bank for Reconstruction and Development."'

(ii) line 4,—

for "substituted"; substitute "inserted"

Mr. Deputy-Speaker: The hon. Member does not want to support his amendment by any speech and the hon. Minister does not want to oppose it with any speech.

Shri Bimal Ghose: I gave all the reasons day before yesterday. I think it would be very helpful to have these words. I think the hon. Minister is also agreeable. So, it should be accepted.

Shri B. R. Bhagat: I have no objection.

Mr. Deputy-Speaker: It is now for the House.

I will now put the amendment of Shri Ghose to the vote.

The question is:

Page 3—

(i) line 2—

for 'for the words "or otherwise"', substitute—

'after the words "International Bank for Reconstruction and Development".'

(ii) line 4—

for "substituted"; substitute "inserted"

The motion was adopted.

Mr. Deputy-Speaker: The question is.

"That clause 8, as amended, stand part of the Bill."

The motion was adopted.

Clauses 9 to 14 were added to the Bill.

Clauses 9 to 14 were added to the Bill.

Shri B. R. Bhagat: I have an amendment, No. 3, for the insertion of a new clause.

Under section 25 of the Act, the Corporation is empowered to appoint one or more Directors on the Board of Directors of the industry concerned for protecting the interests of the Corporation. Similarly, under section 30A the Corporation can appoint Directors in respect of industrial concerns whose management is taken over by the Corporation in case of default etc. Through this amendment we want to protect the directors so appointed if they have acted in good faith, from any action which is done by them in the discharge of their

duties. With the rapid increase in the number of loans advanced by the IFC, generally the branch managers of the IFC were appointed as directors. It is possible to contemplate that even non-officials may be appointed because the number of concerns are too many and in order to enlist suitable men of repute and calculation, it is necessary that they should be indemnified against any legal actions by the parties concerned. So, this amendment is desirable and I commend it to the acceptance of the House.

I beg to move:

"Page 4—

after; line 13, add:

'Insertion of new section
38A.

Protection of action taken
by Directors appointed
under section 25 and
30A.

15 After section 38 of the principal Act, the following section shall be inserted, namely:—

38A. No suit, prosecution or other legal proceedings shall lie against any Director of an industrial concern appointed by the Corporation under section 25 or section 30A for anything which is in good faith done or intended to be done by him as such Director."

Mr. Deputy-Speaker: I shall now put the amendment to the vote of the House.

The question is:

"Page 4—

after line 13, add:

'Insertion of new section
38A.

Protection of action taken
by Directors appointed
under sections 25 and
30A.

15. After section 38 of the principal Act, the following section shall be inserted, namely:—

38A No suit, prosecution or other legal proceedings shall lie against any Director of an industrial concern appointed by the Corporation under section 25 or section 30A for anything which is in good faith done or intended to be done by him as such Director."

The motion was adopted.

Mr. Deputy-Speaker: The question is:

"That clause 15 be added to the Bill."

The motion was adopted.

Clause 15 was added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

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

"That the Bill, as amended, be passed".

Mr. Deputy Speaker: Motion moved:

"That the Bill, as amended, be passed."

Shri Mulchand Dube (Farrukhabad): Sir, I would have welcomed this Bill if we were passing through normal times. It so happens that in spite of the vigilance of the Ministry of Finance, during the last year, our foreign exchange resources were substantially depleted so that we found ourselves in a difficult position. In this state of affairs, if we begin to guarantee deferred payment in regard to private sector, a point may arise when the public sector may begin to suffer. My submission, therefore, is that we should concentrate on the

[Shri Mulchand Dube]

industrialisation of the country and we should be able to make big machines so that they may make smaller machines. I am afraid that we may be landed in a position when we may not be able to find finances for the construction of big machines which are able to make small machines. The foreign exchange resources may be frittered away.

My submission, therefore, is that in dealing with this measure, the Finance Ministry should take special care to see that our foreign exchange reserves are not depleted to an extent that our industrialisation and the construction of big machines suffer.

Shri B. R. Bhagat: I have nothing more to add. This is an humble effort to save some foreign exchange. I have no dispute with him on the conservation of foreign exchange but I think it is not relevant to the subject now.

Mr. Deputy-Speaker: The question is:

"That the Bill, as amended, be passed."

The motion was adopted.

MINES AND MINERALS (REGULATION AND DEVELOPMENT) BILL

The Minister of Mines and Oil (Shri K. D. Malaviya): Mr. Deputy-Speaker, I beg to move:

"That the Bill to provide for the regulation of mines and the development of minerals under the control of the Union be referred to a Joint Committee of the Houses consisting of 30 members, 20 from this House, namely: Shri C. R. Pattabhi Raman, Shri T. N. Viswanatha Reddy, Shri Liladhar Kotoki, Shri Ghanashyam Lal Oza, Shri P. C. Bose, Shri Vidya Charan Shukla, Shri H. C. Heda, Shri K. G. Wodeyar, Dr. N. C. Samantsinhar, Shri Hem Raj, Shri Jaswantraj Mehta, Shri Keshava Deva Malaviya, Shri

Rup Narain, Shri Arun Chandra Guha, Shri Bibhuti Bhushan Das Gupta, Shri T. B. Vittal Rao, Shri Khushwaqt Rai, Shri Ignace Beck, Shri Shankarrao Khanderao Dige, Sardar Swaran Singh, and 10 Members from Rajya Sabha;

that in order to constitute a sitting of the Joint Committee the quorum shall be one-third of the total number of members of the Joint Committee;

that the Committee shall make a report to this House by the 9th December, 1957;

that in other respects the Rules of Procedure of this House relating to the Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee."

Shri Naushir Bharucha (East Khandesh): I rise on some points of order. My points of order are as follows.

First, in view of item 23 of the State List in the Seventh Schedule investing the State Legislature with residuary power for regulation of mines and mineral development, I want to know whether clause 14 of the Bill is not *ultra vires* in that it creates an artificial category of 'minor minerals' and unconstitutionally confines the legislative powers of the State Legislature to 'minor minerals' only.

Secondly, whether clause 17, delegating rule-making powers to the Government, in the matter of development of minerals is not *ultra vires* in that (a) the clause does not contain basic declaration of principles or policies on which development of minerals is to proceed; (b) it leaves