

[Pandit Thakur Das Bhargava]

Article 272 applies. I would very humbly submit that there is no other course open excepting to formulate the principles and then according to the principles distribution must be made. Otherwise, it will happen that the States will be very much dissatisfied. Power is given to Parliament for a specific purpose. It is taken out of the hand of the Executive. Parliament alone can and should lay down the law. You cannot escape that conclusion.

**Mr. Speaker:** First of all, the money belongs to the Union Government. It is open to the Union Government and Parliament by law to say that this portion shall be distributed to the States. When once Parliament enacts that so much of this Consolidated Fund which is collected should be spent in a particular way, it goes to the Consolidated Fund and it is open to the Parliament to distribute a portion. When once it does so, it shall take a further step and under the same Act or some other Act, it shall distribute it also. It can say that so much taken away from the Consolidated Fund shall be distributed. How? As may be prescribed by Parliament. One contention is 'may' means 'shall'. The other contention is: it is not so. But who is to decide? The Minister? Shall we leave it? I am not talking of Shri T. T. Krishnamachari, now.

**Shri A. K. Sen:** In the absence of Parliament prescribing it.

**Mr. Speaker:** No, no. Parliament's authority is invoked for its distribution. It shall be distributed. By whom? By Parliament. The hon. Minister says that without an Act of Parliament, no distribution can take place. Article 272 says:

"... if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India..."

Unless Parliament concurs, no money can be taken.

Then it goes on:

"...to the States to which the law imposing the duty extends sums equivalent to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law."

When Parliament once says that so much money shall be given to the States, that shall be distributed among the States. What principles? As may be prescribed. The only condition is, according to the Constitution, that it must be distributed. It also adds 'as may be prescribed by Parliament'. The hon. Minister says: "No, no. Leave it to me. I will decide as I like it." I am only summarising the view-points. I shall reserve my judgment. Is anybody willing to speak on this?

**Shri Bharucha:** I have sent in my name.

**Shri Mahanty:** Sir, I want to speak.

**Mr. Speaker:** All right. We shall take up other subjects. The hon. Members, individually and collectively, are urging to allow some more time for this motion. Originally, it was set out to be half-an-hour discussion. It was converted into one hour. If the House is willing to sit 1½ hours, we shall start now and close at 6 O'clock.

#### INVESTMENTS OF LIFE INSURANCE CORPORATION FUNDS

**Shri Feroze Gandhi (Rai Bareilly):** Mr. Speaker, Sir, a mutiny in my mind has compelled me to raise this debate. When things of such magnitude, as I shall describe to you later, occur, silence becomes a crime. Public expenditure shall be subject to severest public debate, is a healthy tradition, especially so in an era of growing public enterprise. There is

nothing to be ashamed of if a public undertaking has made a mistake, if some people have made a mistake. We should confess it Parliament must exercise vigilance and control over the biggest and most powerful financial institution it has created, the Life Insurance Corporation of India, whose misapplication of public funds we shall scrutinise today.

Much as I have tried to, I have failed to understand how the Life Insurance Corporation became a willing party to this questionable transaction with the mystery man of India's business under world.

**An Hon. Member:** Who is that?

**Shri Feroze Gandhi:** Mr. Speaker, there is going to be some sharp shooting and hard hitting in the House today, because when I hit I hit hard and expect to be hit harder. I am fully conscious that the other side is also equipped with plentiful supplies of TNT

**An Hon. Member:** "T. T."

**Shri Feroze Gandhi:** A friend of mine in this House, Sir, mentioned to me that the Finance Minister's statement was well fortified. Let me see, if I can breach the ramparts at the very first shot. It appears the Life Insurance Corporation has committed a breach of privilege of this House by causing to be placed on the Table of the House a statement withholding important information. May I know why one important transaction with Shri Mundhra has been kept a secret from the House? In the absence of this vital information the statement of investments becomes worthless, not even worth the paper on which it is cyclostyled.

You, Mr. Speaker, are the guardian of the rights of this House, and it is for you to decide this issue. On the 29th November the Finance Minister stated in the House:

"The question is not one of favouring one particular indivi-

dual or group, but seeing that the Corporation benefits and the policy holders, ultimately, benefit by the investment made."

I ask, was it in fulfilment of this policy that the Corporation purchased by direct negotiation from an individual, Shri Mundhra, shares worth Rs. 1,25,00,000 in his concern on the 25th June, 1957? In March, in April, in June, in July—July is the one which the statement has left out—in August, in September, for six months in this year and on 19 different occasions the Corporation purchased shares of the Mundhra Group for a sum of Rs. 1,56,00,000. If this is not favouring and financing one particular individual or group, then what else is it?

The Finance Minister, in reply to another question on the 29th stated:

"They" meaning the Corporation "wanted to augment their shares."

And, whenever the Corporation wanted to augment its shares Shri Mundhra was always there waiting to oblige, so much so that on one occasion the Life Insurance Corporation transacted business on a day when both the Calcutta and Bombay Stock Exchanges were closed.

**An Hon. Member:** On what day?

**Shri Feroze Gandhi:** Look at the dates and then find out the day. To my own question:

"May I know whether it is a fact that a few months ago some shares were purchased at a higher price than the market price of those very shares on the particular day?"

the Finance Minister gave an emphatic reply:

"I have been told that no such thing happened."

What does the statement reveal? According to the quotations on the Calcutta Stock Exchange given by the Minister himself, on the 24th there is

[Shri Feroze Gandhi]

an over-payment of Rs. 77,000. According to the quotations on the 25th, given by the hon. Minister in the statement, there is an excess payment of about Rs. 3 lakhs. What are the results of these augmentations?

Such was the stability of these concerns, such was the soundness of the investment, so stable was the man with whom the Corporation had struck 19 deals, that within two months of their last augmentation, in September the Government had to appoint administrators and directors in these concerns. This is not investment. This is a conspiracy to beguile the Corporation of its funds.

From the Finance Minister's statement it would appear as if these investments were made through the open market. The truth is that this was a negotiated deal with Shri Mundhra himself. In the case of such bulk purchases the market value dwindles into insignificance. Taking into consideration the fact that no sane investor would have touched most of these shares with a tadpole's tail, I am left much against my will to the sad conclusion that this was a device to help Shri Mundhra who happened to be in financial difficulties at that time, as I shall prove later. The sacred savings of the insured were misused for this purpose and, if I may say so, almost gambled away.

I shall now scrutinise the shares purchases made on the 25th June and, Mr. Speaker, I shall confine myself to an analysis of the purchase of the 25th June alone. The purchases totalled Rs. 1,24,44,000. Obviously all the inspiration to augment their shares could not have burst forth suddenly on the 25th. Deep thought must have been given to this investment. Prevailing prices of these shares on the Stock Exchange must have been thoroughly scrutinised. Balance-sheets must have been looked into. I am sorry, Sir, I made a mistake.

Some of these concerns have not published their balance-sheets since 1955. I do not know what procedure the Corporation adopted in the absence of balance-sheets to arrive at a conclusion as to the value of the shares they were purchasing.

Let us have a look round the Calcutta Stock Exchange, armed with the same authority as that of the Finance Minister, the official report of the Stock Exchange. The 25th was a Tuesday, 24th was a Monday, 22nd and 23rd were Saturdays and Sundays when the Stock Exchange was closed. Let us see how much less the Corporation would have paid had they concluded the transactions, say, on the 21st. The answer is, Rs. 10,73,000. These very shares could have been purchased according to the market value on the 21st, and the quotations are, from the official report of the Calcutta Stock Exchange, for Rs. 10,73,000 less. But let us move a little backward and see how much less would they have paid on the 20th. Again, according to the same source, the official report of the Stock Exchange, it is Rs. 9,42,000 less. On the 19th, Rs. 11,52,000 less; on the 18th, Rs. 13,47,000 less; on the 17th, that is Monday—Monday week—Rs. 13,62,000. My figures do not seem to be creating much impression. \* \*

\* I am going to jump one week from the 17th to give you an idea of how much less the Corporation would have paid had the purchase been made on the 10th June at prices prevailing and quoted at the Calcutta Stock Exchange. The Corporation could have purchased these very shares on the 10th for Rs. 20,83,000 less than what was paid on the 25th June. I have made no calculations of prices before the 10th. My nerves gave way.

Occasionally you, Mr. Speaker, are very helpful to Members, and on the 29th,—

Mr. Speaker: The hon. Member also is a Member.

Shri Feroze Gandhi: You are very helpful to Members, and I think you

understood what was in the minds of Members when they were groping in the dark and asking questions. You clarified the position. You, Mr. Speaker, said:

"The hon. Member wants to know whether to push up the falling prices of the shares of this company, either the Government or this Corporation went to the aid by investment in shares."

Mr. Speaker, you let the cat out of the bag. It had never occurred to me. But I gave very serious thought to all that you said. This is exactly what happened. For purchases effected on the 25th, the prices were artificially created by crude market manipulations on the 24th, when, all of a sudden, all these shares reached their peak. On Monday, the peak was reached. On Tuesday the purchases were made.

Let us see, as I shall prove to you and to the House, how it was worked up. What happened on the very next day, Tuesday? The peak had passed. The downward trend began and as on Friday, the 13th December, the Corporation's investment has depreciated by about Rs. 37 lakhs against the total investment of Rs. 1,24,44,000.

This, it may be argued, is not a loss, because I have purchased shares and as long as I do not sell them there is no loss. Actually, it would be difficult to argue that way, because, the investment has depreciated and what would happen when the actuarial valuation takes place? An insurance actuary will take the market value of those shares; not what you have paid for it. Therefore, the insured will lose heavily. The actual amount by which the capital investment has depreciated will be much more, because the total investment is about Rs. 1,56,00,000. I have only taken into account Rs. 1,24,00,000 odd in the calculation of Rs. 37 lakhs.

Now, how was the market manipulated? Let us take the case of one

concern—Angelo Brothers. Mr. Speaker, on the 17th of June, the price of the share which Angelo Brothers quoted at the Calcutta Stock Exchange was Rs. 16.87 lakhs. On the 18th, Rs. 16.87. On the 19th, Rs. 16.87. On the 20th, Rs. 16.87; on the 21st, 16.87. On the 22nd and 23rd Saturday and Sunday—the Stock Exchange was closed. What happens on the 24th? With the ringing in of the Angelees on the 24th Angelo Brothers was booked by the Insurance Corporation for Rs. 20.25 per share—Rs. 3.38 far more than the quotation of the previous five days. This is how the market was manipulated.

I shall give you another example—the Osler Lamp Manufacturing Company. It is a very interesting company. It was floated in 1947—ten years ago. Let us see how the shares moved from the 10th June up to 24th June. On the 10th June, the price is 2.78, in the Calcutta Stock Exchange. On the 17th June, the price is Rs. 2.81. On the 18th June, Rs. 2.81; on the 19th June, Rs. 2.87; on the 20th June, Rs. 2.84; on the 21st, 2.84; Saturday and Sunday, 22nd and 23rd. Quotation on Monday, the 24th Rs. 4. What happens on the 25th? The prices collapsed. It goes down to 2.87. It has come to its original, and the Life Insurance Corporation paid Rs. 4 for share. The total investment runs into several lakhs.

But what is the condition of this company in which we have invested the money—the Osler Lamp Manufacturing Company. The dividend on preference shares has not been paid since August, 1949. Preference shares dividend has not been paid since August, 1949. No dividend has been paid on ordinary shares for the last ten years, that is, ever since the company was floated. And the Life Insurance Corporation was looking all round for a healthy investment. This is the kind of concern that they put their money in.

Now, I come to the British India Corporation. The British India Corporation in which on one day, the

[Shri Feroze Gandhi]

25th June, they invested Rs. 42 lakhs, paid a dividend of 1½ per cent in 1954, nil in 1955 and 2 per cent. for the year ending 1956.

This will work out at about 1.87 per cent on the Corporation's investment. Rs. 42 lakhs were invested, and they were handed over to this Corporation on a return of 1.87 per cent. This is what we have done with the monies of the insured.

**Mr. Speaker:** What about the price of this share?

**Shri Feroze Gandhi:** The prices have fallen. If you like, I can give the quotation. But it will take time.

The British India Corporation, once a tower of strength to the City of Kanpur, is in a state of collapse. One of its mills is either closed or there is notice of closure. It is in a state of collapse. The ruins are a testimony to its pristine glory.

खंडहर बना रहे हैं कि इमारत बुलन्द थी ।

पुनर्वास तथा अत्यसंवेद्यक-कार्य भंगी  
(बी मेरु चण्ड खन्दा) : प्रालीसान थी ।

**Shri Feroze Gandhi:** The Corporation has an Investment Board. May I know why the Chairman did not consult the Investment Board before the investment of 25th June was made? Rs. 1,24,00,000 is not a small amount. I doubt very much if the Chairman has got the sole right to go about investing these huge sums of money in any manner he likes on his own authority, without the consent of the Investment Committee. Is it not a fact that the Board was presented with a *fait accompli* and the Members of the Board took strong objection to the manner in which the Corporation's funds had been frittered away? I would like the Finance Minister to tell me I am wrong and I shall correct what I have stated.

17. Mrs.

On the 29th November, the Finance Minister stated that these shares were

not spurious. What does 'spurious' mean? I do not know whether you have to rule it out again. That is the first word given here and you have once declared it unparliamentary. You can remove it from the record if you feel so later. 'Spurious' means, according to the *Chamber's Dictionary* and the *Oxford Dictionary* agrees with it—"bastard, illegitimate, not genuine, false". No one in this House said these shares were all these. Nobody had it in mind. I do not know how the Finance Minister said it; probably he used it in its general sense.

The point is this. Was the financial instability of these concerns known to the Government and to the Corporation? Was it known? Did they know that this money was going to be locked up in unstable financial concerns? It is here that I have an important clue contained in the report of the Textile Commissioner on the working of the British India Corporation and its subsidiaries and I shall read out the relevant portion from the report. I quote:

"The State Bank of India has recently demanded the mills to mortgage the fixed assets of the British India Corporation also as a security for the hypothecation loan. This is rather an unusual step and apparently this is due to the banker having lost confidence in the Corporation."

The State Bank of India had lost confidence in the British India Corporation. The Textile Commissioner further states:

"In fact, in the directors' meeting held on 23-3-1957, it was reported by the Deputy Managing Director, Mr. Powell, that when he contacted the Chairman and the Managing Director of the State Bank of India and also the Chairman of the Reserve Bank of India in connection with the application to enhance the loan facilities from Rs. 1.25 crores to Rs. 1.50 crores—i.e. Rs. 25 lakhs—for the Kanpur

Sugar Works Limited, a company launched by a subsidiary of the B. I. C., the three senior officials of the State Bank had expressed their concern with the financial position of the Corporation's group."

The three senior officials of the State Bank and the Reserve Bank were concerned about the financial position of the group, and what happened? Why did I say that I have a clue? The N. I. D. C. also refused a loan somewhere in the month of February or March. The State of India and Reserve Bank refused help in the month of March and in the month of March the Life Insurance Corporation started investing money in these companies. 23rd March is very significant, because the financial condition of the Mundhra groups was becoming worse and worse. The State Bank and the Reserve Bank refused help and the N. I. D. C. refused help because of the unsoundness of the concern. But the Life Insurance Corporation was only too willing and rushed in. The Textile Commissioner's survey concluded on the 10th June and the Life Insurance Corporation, a fortnight later, recklessly invested its funds in these very concerns.

I shall read out to the House an extract from the 1955 balance-sheet of the British India Corporation.—Directors' report on the accounts:

"Mr. Mundhra has taken a keen interest in the affairs of the Corporation and is lending every support to the directors and the management in their endeavours to ameliorate the condition."

Another paragraph begins:

"The results for the year are most disappointing".

If the Corporation, before it had invested its funds, had had a look at these balance-sheets, had seen what the condition of the Corporation was, they would never have touched it, as I said, with a tadpole's tail.

Now, let us see the seriousness of the entire transaction. Mr. Speaker, where are the scrips of these shares? Did the Corporation receive the share scrips before payment was made on the 25th June? That is a very important point. Or, did they make payment without having the share scrips in their possession? I would like to have that clarified. Have they even today in their possession all the shares I would like that to be clarified too, and if they have, have they got the genuine scrips?

Shri Tyagi (Dehra Dun): What?

Shri Feroze Gandhi: There is nothing to laugh about. Have they got the genuine scrips? My information is that there are on the market originals, duplicates and also forged scrips of these very shares. The House would like to know which variety the Corporation has got.

I hope I have established collusion between the Life Insurance Corporation of India and Shri Mundhra. I have I hope, established a conspiracy in which public funds were wrongfully employed for financing the interests of an individual at the cost of the insured. To me this discussion is a measure of the strength of democracy. We do not hang people. We do not chop off their necks, but we can make their existence pretty difficult. If we cannot knock off their heads, what can we do? Let me see if I can secure by pressure of public debate that which I have failed to achieve by peaceful negotiation.

I demand that Government institute an enquiry into this questionable transaction. There is already a precedent for such action. When charges less serious than this were levelled against the Industrial Finance Corporation, the then Finance Minister, Mr. Deshmukh, appointed a committee and the Chairman of the committee was a Member of the Opposition. Let us hope that our Finance Minister will follow the example of his predecessor. Mr. Speaker, this debate has been a very heavy strain on me both mentally and physically.

[Shri Feroze Gandhi]

It has not been easy to collect all these facts and place them before the House in a concise way because the transactions go into lakhs and lakhs. An unfortunate thing has happened. But I don't think there is any reason to be ashamed of it. I am a champion of the public sector. I was one of the persons who championed life insurance nationalisation. I am not ashamed to face an enquiry. I would like the public to know, I would like the Government to know, and I would like the Members of Parliaments to know that in the public sector, if such a thing happens, we are prepared to face an enquiry and get at the bottom of it.

**Mr. Speaker:** The hon Member's time is up. He should conclude in a minute or two.

**Shri Feroze Gandhi:** I hope that the Finance Minister will accept this suggestion of mine and appoint a Committee in which this House shall be well-represented. But I would prefer a committee of this House. I am not much enamoured of the word judicial I think we are quite capable; I think we can look after these enquiries. And I hope in the end that this small suggestion of mine will be acceptable.

**Mr. Speaker:** How long will the Minister take for the reply?

**The Minister of Finance (Shri T. T. Krishnamachari):** It depends upon what the other hon members have to say. I suppose Mr. Feroze Gandhi would expect me to reply to some of the points that he raised. May be, I will take about fifteen minutes for that. But if other hon. Members bring new facts to light, I will probably have to deal with them also.

**Mr. Speaker:** I have allotted an hour and a half. We have started at 4-35. We will close at 6-05. I will call upon the Finance Minister round about 5-45.

**Shri S. A. Dange (Bombay City-Central):** Mr. Speaker, the hon. Mr. Feroze Gandhi has made a very devastating case about the use of the funds of the Corporation, which are funds of the State as such. They are no longer private property.

After we took over the Insurance Corporation, we certainly expected that the funds will be used for the purpose of building the economy of the State, that is, the Plan. But, from the revelations made by Mr. Gandhi, quite a different picture comes out.

Now, I am not going to refer to the same facts again and I am not also going to question why the money was invested with Mundhra, and why not with Birla or why not with Tata or why not in Bombay Dyeing or Kohinoor. My question is quite different. My question rests on a certain principle and on certain statements made by the Ministry itself or the Government as a whole

Once, when in this House we pleaded for the nationalisation of certain companies, then the Government and the Prime Minister himself hurled at us the question: do the hon. Members want us to buy junk? It was a very wonderful question, and he thought that it was a very powerful question. Are we going to buy junk, he says; if we want to use our money, we should use money for building new factories. Why go and buy junk? Surely, why go and buy junk? But, here we find a case in which Rs. 124 lakhs are spent from the money of a Corporation belonging to the Government of India in buying just the junk, which they refused to nationalise and hurled a question at us.

Take Richardson and Cruddas. How many years old it is? It is just junk if you like to come and see it in the Bombay City. Then the British India Corporation. Is it not an old junk? Oser Company, is it not an old junk?

Then, what happened to the policy of the Government of India that it did not want to buy junk but wanted to invest their money in new concerns? Then why was the junk bought?

I am not concerned with whether they wanted to save Mumbra or XYZ. Go and save your brotherhood, if you want to save them. I cannot help them. The cases, as Mr. Feroze Gandhi stated, when he recited some of the facts, did not surprise some people. Well, I was one of those who are not surprised, because the Government, which in its main policy is advised by the private sector and some of the biggest speculators in the country, cannot but do such things. What could you expect from them? Therefore, we should not be surprised about such things. There is nothing to be surprised at.

The surprise is that it was found out. That is the thing. The surprise is not that it was done. The surprise is that Mr. Feroze Gandhi could find it out. Actually, it is in the natural course of things that the Government, advised by speculators, big monopolists and all they mighty brotherhood, should do such things. Here they slipped rather more seriously and were found out. Otherwise, the business of the stock exchange is always risky. At 11 o'clock a share may be floating at Rs. 250. At two o'clock it may be just near Rs 150. It can be manipulated. You just let in the news that Government or the LIC is going to buy those shares. Then there will be an up-shot of shares. These are all manipulations that can easily be done.

But, as I was saying, the question is one of policy and not a question of surprise so much and of serious thinking. Something has suddenly gone wrong. Therefore, I ask this pertinent question. Is it the Government's policy now henceforward to invest public money in buying junk? If it is so, then let us have a revision of the policy.

Therefore, my first conclusion from the debate is that Government violated

its policy. It might say that when we nationalised and took over the insurance companies, there was an understanding that a part of the funds, which will accrue to us every year—which, I think, are in the neighbourhood of Rs. 35 crores—a part of it will be invested in private business. If that understanding was there, then that understanding was a wrong understanding.

On what basis were we collecting this money? I hope hon. Members will not forget for what purpose we are collecting money. In the Five Year Plan we provided about Rs. 250 crores from funds gathered under the head "Provident Fund and other debt heads" that is, funds from insurance, funds from provident fund and other contributions and small savings also. We go to the country and tell people to save. For what? Save in order to lend to the Government. For what? Because Government wants to build factories, irrigation canals and so on. Why? Because Government is short of funds. So people are asked to save and workers are asked not to take bonus in cash but give it to the Government.

And when saving is made, what does Government do with those savings? It goes and invests crores and crores of rupees for buying junks, and that also at false prices. Is that a correct policy? Am I going to be denied my bonus in order that I may lend my money to the Life Insurance Corporation or to the Government of India, so that they may buy Rs. 42 lakhs and Rs. 50 lakhs worth of company shares, whose shares go down in the exchange or whose scrips are not of the right variety, as Mr. Gandhi said? Is that correct policy? Are we then telling people the truth when we take money from them if we say that we want it in order to build factories under the Five Year Plan? The Lal-Imli Mills and Richardson and Cruddas are already standing there. Why should we ask people to invest in insurance in order that Government may re-invest the money in such companies? Are

[Shri S. A. Dange].

they so much over-flowing with funds that they need not invest this money in the public sector need not invest funds in other factories, that they should invest funds in buying scrips on the market? Is that a correct policy? I want to raise a question of policy. Are we telling the people the truth when we are taking money from their small savings, from provident funds, from all these bonus cuttings and so on in order to build the Five Year Plan? Is this a part of the Five Year Plan? Is this building of the Mundhras shares a part of the Five Year Plan? If it is so, let us know. If that is so, people will have to revise their opinion about the Five Year Plan, those who run that Plan and those who take money from the people for that Plan and then, we shall have to question whether such a Plan should be supported henceforward in such sectors. Therefore, it is a serious breach of policy, a serious breach of the promise made to the people when you asked money from them, a serious breach in the general line that has been admitted on the floor of the House with regard to the Five Year Plan that we shall not buy junk, but we shall invest money in the building of good new factories. Why is this happening?

My hon. friend suggested there may be collusion, a conspiracy. May be, it may not be a collusion, it may not be a conspiracy. It may be old friendships being revived. One does not know. Because, I do not know whether I am entitled to ask or whether I am entitled to state that some of the Ministers at least were directors of Mundhras sometimes before they became Ministers. I do not know whether it is a fact.

Some Hon. Members: Who are they?

Some Hon. Members: They have to say.

An Hon. Member: You have to name them.

Shri S. A. Dange: The person if he is there should say it himself.

Mr. Speaker: As far as possible, hon. Members will avoid attributing motives to anybody. (Some Hon. Members: No; no). Arguments must be based on facts which can speak for themselves.

An Hon Member: It is a fact.

Shri S. A. Dange: There is no motive I am attributing. I am only stating revival of friendships in investments. That is all. If I know Mundhras and somebody asks me is this share good, I would remember my friendship and say, I know him very well, his share is good, do invest without fear. Before I become a Minister, if I knew him, why should I not advise a Minister to invest funds? What is wrong morally correct. In the capitalist system it is morally correct. It may not be so in a socialist system. Since we have not got a socialist system at present ..

Mr. Speaker: We have been proceeding nicely with respect to this debate. All that I can appeal to hon. Members is, not to attribute motives. Facts must speak for themselves. If I say, so and so is bad, merely on my ipse dixit nobody is going to accept. If on the other hand, facts are so marshalled and reasons are set out as have been done, of course, unless they are explained away, whatever has been said by Shri Feroze Gandhi require an explanation. *Prima facie*, they make out a case. That is enough. We need not go further and say what actuated this and that. Personally, so far as the Government is concerned, the hon. Member might one day adorn those Benches and if perchance I happen to be on this seat, I will prevent the Opposition also from saying the same things against him. Therefore, nobody need attribute any motives.

Shri S. A. Dange: Again I say, I do not attribute motives. No hon. Member suggested that any Minister was

personally interested. I am not suggesting that. If the enquiry that is demanded by Shri Feroze Gandhi is conceded, then, everything will be known. There is no question of attributing personal motives to anybody. I am not saying that. But, I am talking only of business and of habits of capitalist business. That is all.

Now, therefore, I would, again, reiterate that I am not saying that any particular Minister was interested in this transaction from the point of view of personal aggrandisement at all. Let me proceed by making a clarification and I hope that clarification will be borne out if an enquiry is considered and conceded during the process of the enquiry.

I should like to have a statement on three points. Firstly, should we, those from the working classes side and those who are interested in the earnings of the working classes and the people in general, on the basis of this fact, support henceforward surrendering our funds, our savings to the Government if the Government is going to utilise these funds in such a way? Secondly, is the Government going to nationalise these junks and buy them over for the State? Thirdly, if it is so, is that a correct policy, and whether the policy of the Plan is being revised by the Finance Ministry or by the L.I.C. in its dealings on such questions? These are the three questions, I think, on which, a straightforward statement can be made. I do not want to discuss any further this question.

There may be a statement that, as I referred to earlier, we were bound by the fact that we were to invest a certain part of the funds in private industry. What is the necessity. Because, if this policy is followed, I am afraid, we shall be buying some of their shares and at the end of the Plan, we shall have no money left and we shall be selling the public sector to the private sector in the same way. This is a very dangerous policy. To-

day, we have no funds. We complain of lack of funds. When we get funds, we invest them there. Tomorrow when we shall fail to find the funds for the public sector, are we going to follow the policy of selling the public sector investment to the private sector people? Because, if we do not observe a certain policy, then, we shall mix up our perspective. We shall fail in our goals and we shall fail in such a way that we shall not be able to build up the Plan that we wish to build. Therefore, I am submitting this question solely from the point of view of building up of the Plan, the financial condition of the country and of the Government and the necessity to utilise these funds for the sake of building the public sector investments, public sector enterprises and not spend the money in such speculation.

May be that the Finance Ministry itself may not be responsible for this. We do not know who is responsible. It is suggested that.....

**Shri Tyagi:** No; Minister is not responsible. It is the Corporation which is responsible.

**Shri S. A. Dange:** It is the Corporation which is responsible. But, the Corporation is functioning under the Government's guidance. If it is not, let us also have some light on the affair, we may know who ultimately governs the investments of this Corporation.

I want to make one more suggestion. Is it not a fact that some of the responsible directors of this Corporation formerly were vehemently opposed to the nationalisation of life insurance? They were vehemently opposed. These very people are running the Corporation. Can it be suggested that they want to run the Corporation in such a way that through all such compromising things, as this buying of shares, it can revert back to the private sector; by discrediting the management in the public sector, that public sector invests in this way,

[Shri S. A. Dange]

they can say private sector could do better; therefore, please revert to denationalisation; whether such a motive exists in the minds of certain people who are in charge of the affairs of the Corporation? If it is so, I would request the Finance Minister and the Government of India to look into the matter, discuss the matter with the people and tell them, gentlemen, if you do not like nationalisation, please relieve us of your presence, we will manage without you, you need not do such "enterprise" on behalf of the Plan, on behalf of the finances of the country and save the people from the robbery practised by—I do not know whether racketeers is parliamentary or not—

**Mr. Speaker:** Racketeer is as good as robbery.

**Shri S. A. Dange:** This racketeering on public funds should be stopped and a proper policy statement made and policy observed. That is my request to the Ministry.

As for Shri Feroze Gandhi's demand for a public enquiry, I do support it because an enquiry is necessary in this case. It will remove suspicions in whatever quarters they exist and give us better guidance. A public enquiry was given formerly when the Finance Corporation was once in trouble and their investments were also being challenged. Therefore, an enquiry should be given so that we shall have a better policy for the future in these investments.

17.29 hrs.

**Shri Asoka Mehta (Muzaffarpur):** Mr. Speaker, I am sure, we are all grateful to Shri Feroze Gandhi for the very illuminating information that he has given us this afternoon. Some months back, when, in this House we were privileged to discuss the Life Insurance Corporation Bill, you will remember that the then Finance Minister told us that he could only assure that that amount, not even that proportion of the income of the Life Insurance Corporation would

continue to be invested in the private sector as was done when insurance companies were privately owned and operated. Even that proportion, and that proportion was 16 per cent, shall not be maintained; only the amount would be maintained. But what do we find? In the interim report that was given to us we were told that of the total investment of Rs. 19.63 crores, Rs. 8.62 crores or 44 per cent were invested in the private sector. Before life insurance was nationalised, only 16 per cent were invested in private enterprises. After nationalisation, the proportion increased, jumped up to 44 per cent, and out of this sharp increase, 15 per cent of all that was invested in the private sector was invested in the concerns owned and operated by Shri Mundra. Fifteen per cent of this increased, augmented investment in the private sector went to the concerns owned by one single individual.

Not only that. I have been informed that immediately after the Budget—and I believe we had the Budget this year some time in May or perhaps early June—the authorities of the Life Insurance Corporation on their own, without taking the advice of the investment advisory committee that has been set up and which is expected to give some kind of expert advice and guidance, evidently under instructions received from higher quarters, invested largely in shares of various important concerns like the Tatas, A.C.C. and others. What was the reason? Evidently, the reason was to bolster up the market. Again, it is an important question of policy: should the funds of the Life Insurance Corporation be invested,—apart from certain transactions, doubtful transactions like those of Mundras—should at all be invested for the purpose of bolstering up the stock market; whether the funds should be used for the purpose of maintaining, keeping up the prices of shares of private concerns in the country?

The investments in Tatas and A.C.C., and more so the investment in the concerns owned by Shri Mundra, were made without any consultation with the investment advisory committee. This committee has some very distinguished people, men who have intimate knowledge of the financial markets and of the stock exchange, and they know the standing of different people. I am sure if this committee had been consulted, the committee would have warned the Corporation against investing in Mundra concerns, because, after all, Shri Haridas Mundra is quite a known person!

**Shrimati Renu Chakravarty (Basirhat):** Quite right.

**Shri Asoka Mehta:** I would like to know from the Finance Minister whether he knows that some of the members of this investment advisory committee put on record their protests against the investments made, that written protests were made against this unwise and unfortunate investment.

I shall not cover the ground that has been ably covered by my hon. friend Shri Feroze Gandhi. I do not know if he is there or not, but I think in his very able analysis, he made one mistake. He said that the State Bank of India was not willing to accommodate any further Shri Mundra. My information is that that may be so in March, 1957, but in July 1957, while the Life Insurance Corporation was helping Shri Mundra, the State Bank also was advised to give further accommodation to Shri Mundra and his concerns. Here again, it would be useful to find out from the Finance Minister whether that kind of assistance was made available after a very clear and a very categorical report made by three senior officers of the State Bank of India and the Reserve Bank of India that no such assistance or no such accommodation be made available to Shri Mundra.

I have known Shri Mundra for a long time. I happen to be connected

with trade unions in concerns that are owned by Shri Mundra. I know him for the last ten or twelve years, and therefore, I know him as a trade unionist. I know his strength as well as his weaknesses. Fifteen per cent of these investments were made almost at a stroke in his concerns. The State Bank of India was asked to give him accommodation, and all this was being done, we are told, on the advice given by higher authorities.

**Shrimati Renu Chakravarty:** Who are they?

**Shri Asoka Mehta:** As I said, I happen to know Shri Mundra, and I happen to know some people who are common friends. Talking to these common friends I found that Shri Mundra has been saying things which are very disturbing and very distressing. I would not like to say here as a responsible Member things which I have not fully checked up, but I have no reason to doubt the statements of these common friends. And the friend who told me is himself a banker, quite a distinguished banker. He said he had many discussions with Shri Mundra, and the things that he has been saying, the people whom he has been involving, the names he has been dragging into this whole question, I think, make one even more disturbed than all the disclosures of my hon. friend Shri Feroze Gandhi.

**Shri Joachim Alva (Kanara):** Do bankers divulge private, confidential information?

**Shri Asoka Mehta:** This is what Shri Mundra had told him. This is no private information at all. This is not about his transactions with the banker. This is what he had to say about this particular transaction as to what is his side of the case. As I said, that appears to be even more damaging than what has been brought out by Shri Feroze Gandhi.

I have no desire to go into the details which have already been covered

[Shri Asoka Mehta]

very ably by my friend Shri Feroze Gandhi, but I would say that if there ever was a case in which an independent, impartial enquiry should be held, here is the case.

Shri Feroze Gandhi and I have talked with the fullest sense of responsibility. We have placed before you whatever information is available. There are other things which can be brought to the attention only of an enquiry committee. We would not like to speak loosely in this connection. May be we have to say things about people who are not present in this House, who may not be able to defend themselves. We are privileged people, and because we are privileged, we want to use our privileges with a considerable amount of restraint.

The Finance Minister is my good friend, and there are many people who are annoyed with me and with him because we happen to be friends, but I say if he is my good friend my appeal to him in the name of friendship is: here is a case where there is need for an enquiry committee. If it is not enquired into, he would be failing in his duty. Let it not be said of him that when an occasion like this arose, he failed in his duty.

I have no desire to take more of your time. I would only say this, that while the Finance Minister gives us his reply to the various points that have been made by Shri Feroze Gandhi, let him also devote a little time and tell us why 44 per cent of all the investments have been made in the private sector, and why of the 44 per cent 15 per cent were invested in particular group of concerns, what were the governing criteria that led him or the Corporation to invest 15 per cent of those investments in the concerns of one single individual whose reputation in the financial market of the country is none too high.

Shri Prabhat Kar (Hooghly): I want to put only two questions before the Finance Minister replies?

Mr. Speaker: Very well, let him put the question.

Shri Prabhat Kar: May I know whether these shares which have been purchased, namely F. & C. Osler and British India Corporation, are considered in the stock market as safe investments or they are known as speculative ventures?—because in the stock exchange shares are known....

Mr. Speaker: That is all right. The question is clear. Whoever knows the stock exchange, knows it.

Shri Prabhat Kar: Secondly, may I know whether the Life Insurance Corporation was in the know of the fact that many of the scrips of B.I.C. which were purchased by Shri Mundra and deposited with different banks were forged scrips?

Shri Joachim Alva: I just want to ask one or two questions of the Minister. Please allow me.

Mr. Speaker: Now, Pandit Thakur Das Bhargava.

#### BUSINESS ADVISORY COMMITTEE SIXTEENTH REPORT

Pandit Thakur Das Bhargava: I beg to present the Sixteenth Report of the Business Advisory Committee.

#### INVESTMENT OF LIFE INSURANCE CORPORATION FUNDS—contd.

Shri Joachim Alva: As the House would remember, and I would recall for the information of the Minister, when Dr. John Matthai was holding this office, there was a debate in regard to the Exchange Bank of India being lent Rs. 80 lakhs under the nose of the Reserve Bank of India, hardly half a mile away in terms of physical distance.

Mr. Speaker: What is the hon. Member's question.

Shri Joachim Alva: I am coming to the point?