

[Shri Narayanankutty Menon]

feature that in many clauses and sub-clauses of the Bill there is a positive recognition of certain valuable rights involved in the patents and trade marks. I congratulate the Government in accepting the minority report of the Committee which was originally appointed—the three-man committee—and which made certain recommendations. When the Government found that many of the majority recommendations of the Committee were not at all in consonance with public good, the Government did well to refer the matter again to Justice Rajagopala Ayyangar, and on the basis of the minority report, Justice Rajagopala Ayyangar has made recommendations and almost all the recommendations of Justice Rajagopala Ayyangar have been incorporated in the Bill.

Mr. Deputy-Speaker: He may continue tomorrow. We pass on to the next item now.

MOTION RE: ANNUAL REPORT OF INDUSTRIAL FINANCE CORPORATION

Shri Harish Chandra Mathur (Pali):
I beg to move:

“That the Annual Report of the Industrial Finance Corporation for the period ending June, 1957, laid on the Table of the House on the 11th November, 1957, be taken into consideration.”

My intention in giving notice of this motion is to maintain a living interest of Parliament in these industrial enterprises and public autonomous bodies. I consider such living interest of Parliament not only necessary but expedient in view of the increasing and the growing importance of these institutions in the development of our social economy.

It is not always that we come here to discuss the reports only to offer adverse criticisms. I consider that that would be a wrong approach, and it would, as a matter of fact, detract public faith and confidence in these autonomous bodies which are going to

play a very important role in future. Of course we will never be wanting in offering ruthless criticisms where they are wanted as was done by my hon. friend here while discussing in some other form another institution, the L.I.C. But I think it is equally

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important that we give an unmistakable impression on the one hand to these autonomous bodies that they enjoy perfect autonomy so far as their day-to-day working is concerned and in so far as we enable them to take quick decisions and running the institutions efficiently, but at the same time, they should realise that they are constantly under public gaze, that they are accountable to Parliament and we discuss these reports to give them approbation or appreciation where it is necessary and at the same time to give guidance and direction for their future working. It is in this background that I have moved this motion and I shall offer my criticisms.

The first thing I would like to mention is about the directorate. I would like to submit that I do not feel very happy about the way the directorate is composed. I think it should be realised now by the Government that this is an institution which should not be equated with a banking institution. As a matter of fact, while we were discussing the amendment to the Industrial Finance Corporation Act in 1956, we gave expression to our apprehension. Not only one Member, but that apprehension was supported by Member after Member that the Government should take particular care to see that those institutions do not degenerate into merely banking institutions providing certain facilities to the capitalists to advance their schemes here and there, but they have to fulfil a much larger and a much bigger purpose, the purpose which was discussed when this Corporation was itself set up.

If you look at the directorate, you will find that it is overburdened with banking interests. There is represen-

tation of the Reserve Bank; there is representation of the State Bank and certain I.C.S. officers have been appointed. It is very necessary that this directorate is broadbased and certain people should be included who can bring about a fresh outlook. Another difficulty which should be realised is that, when you appoint as Chairman of such a corporation a very senior I.C.S. officer—there are other I.C.S. and other officers from the Government also—that the services have developed a certain tradition, a sort of convention and you cannot expect very much of that flash of ideas and that freedom of discussion among the members of the old, which are very necessary for the healthy growth of the institution. Therefore, you should have certain people from the public life. So, I urge upon the Government to broadbase this directorate and to extend it. In doing this, if there is nothing to stand in the way, you may include two Members of Parliament to represent the general public interest. It is not only the narrow vested interest of the Reserve Bank or the State Bank which is to be represented, but there should be a general broad outlook which we inherit here and which, as a matter of fact, is necessary for the implementation of our social order, of our economic policies. That sort of change in the composition of the directorate is necessary.

While mentioning the directorate, there has been some agitation. But I do wish to mention that the Chairman of this Industrial Finance Corporation had to resign from this body some time back. You will remember that a discussion was held here and it was followed by a certain inquiry. I am not interested in the individual or the person. That gentleman may be a nice man or a very good man, but my objection is that a gentleman who as a result of an inquiry found it necessary to resign from the chairmanship, to be appointed as the chairman of a certain bigger concern means something which should not be tolerated by this House. This only indicates that we can ride roughshod over the

sentiments and public feelings and feelings expressed in this House, just to satisfy the vanity of a particular gentleman or maybe there are some other reasons which they consider more important than the public morale or certain principles which demand that this should not be done. Maybe my friend will say that they have not appointed the Chairman to some other concern, but it is some other Ministry. But I expect that the Government functions as one unit, that it functions with mutual consultation. It was necessary for the Finance Minister to put his foot down and say that such an appointment should not be made. When the Corporation had its headquarters here, there were certain allegations against the Chairman and also against the working of the Corporation. You appoint the very same gentleman in a much bigger public enterprise. I think from any criterion of moral standard and public morale, it is not a desirable thing.

The next thing I would like to mention is about certain broad principles on which this Corporation works. When we were discussing this matter the other day, certain Members wanted to impress on the hon. Finance Minister with all the emphasis at their command that this Corporation should be utilised for the even and balanced development of the country as a whole. The Corporation should give special emphasis to certain undeveloped areas and it should not degenerate itself into merely a bank, because a bank has an absolutely different and narrow outlook. They will only see the application, just examine it, whether the party is good or not and whether their investment is safe or not. They are not concerned with anything else.

We never wanted this Corporation to degenerate into that position and we gave the Government a warning. We emphasised this point when we spoke in 1955 or 1956, but I am afraid the hon. Minister himself did not know what the correct position was. He raised certain difficulties and objections and said that all that they could do was to examine the ap-

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lications which were before them. Of course, they will try to fall in line with the Five Year Plan and they will give loans to those projects which fall within the Plan, but they cannot point out how they can extend their assistance in developing certain under-developed areas. At that time, I myself was not aware; I just thought it was my own view and the view of certain other hon. Members. But now, when I tried to examine the whole matter and just went through the discussion which had taken place when the Act was passed, I found that even at that time when that Corporation was originally constituted, certain Members in this House very strongly and forcibly pressed this point that one of the main aims and purposes of this Corporation should be to pay special attention to the under-developed areas. I looked into all the reports trying to find out whether Government have issued any direction to that effect or not.

Immediately after the Act had been passed, they had issued a direction, but I am afraid that direction had completely been forgotten, because as late as 1955-56, even the Ministry did not know it and it raised certain difficulties and objections.

Now, if you examine the working of the Corporation, if you see whether in this direction they have done anything, whether they have taken any special interest in the under-developed areas, you will be surprised to find that it is just the other way round. How is the Corporation going to take interest in the under-developed areas? It is not only by just looking at what loans have been sanctioned. Even if you look at the loans which have been sanctioned during the nine years, you will be surprised to find that not a single pie has been given to the most backward area of this country, and that is Madhya Pradesh, so far as industrial development is concerned. We find from the details that are before us that not a single pie of loan has been given to Madhya Pradesh. Then Rajasthan is the second poorest.

So, I venture to submit that that is not the correct approach, that is not the correct attitude and it is not the purpose and aim for which the Corporation was set up. The hon. Finance Minister at that time very clearly made a promise to this House. At that time, Shri Shanmukam Chetty, who was the then Finance Minister, stated:—

“There were a great many things about which it may be necessary to issue such instructions. For instance, a desire was expressed in the Select Committee, and very rightly too, that the operation of this Corporation should help the industrial development of more backward provinces and areas. It is very difficult to incorporate in a Bill of this kind appropriate provisions to ensure that resolution. But it is an appropriate subject to form the code of instructions that the Central Government may issue from time to time.”

As I submitted, the Minister himself had promised that instructions will be issued in the matter. But, as I just now pointed out to you, these underdeveloped areas have received the least assistance from the Corporation. The Corporation may have certain difficulties. But the whole approach is wrong.

Where are the offices of this Corporation? The Corporation has offices in Delhi, Calcutta, Bombay and Madras. Are these the backward areas for which you want to give impetus? If you want to give impetus to the under-developed areas, you should have branch offices in the under-developed areas. Why not have a branch in Nagpur, if you want to develop Madhya Pradesh, so that people may come in contact with the directors and the directors may encourage them and tell them what can be done and what cannot be done? So, I appeal to Government in all seriousness and earnestness that the branch offices of this Corporation should be shifted from Calcutta, Bombay and Madras to certain under-

developed areas, where special assignment should be given to the Corporation to see that these under-developed areas are properly looked after so that the Corporation may achieve the object for which it was constituted. Just look at the Directorate; none from these areas. Look at the advisory committees; none from these areas. Still, you expect that you are going to develop these areas and you are going to fulfil the purpose and mission for which the Corporation was constituted.

Now, having said that, I wish to turn my attention to the working of the Corporation for the year 1956-57. It is with great appreciation that we look at the exceptionally good work that it has done during the year 1956-57. The disbursement of loans has been almost the heaviest. It is almost four times of what it was during the previous year and much more than the average of the past several years. Not only that. They have, I think, streamlined the working of the Corporation and they have plugged all loopholes. The Corporation has, for the first time, made good banking business. They have, I should say, made good profits. They are now in a position to pay a dividend and they need not fall back upon the Government for the guarantee which they have given for the subvention. This work has got to be appreciated. There is not the least doubt about it. They have made provision for bad debts. They have even tried to make good recoveries of bad debts. Gross profits of the Corporation rose from Rs. 32.68 lakhs in 1955-56 to Rs. 43.06 lakhs during the year. After providing for Rs. 31.81 lakhs for the tax liabilities, doubtful debts and other contingencies, there will be a net profit of Rs. 11,25,000. This will enable the Corporation to pay the guaranteed dividend without asking for any special subvention. Loans sanctioned has come to Rs. 21.90 crores at the end of the year, as against Rs. 10.25 crores last year. It is stated in the report that the Corporation will be able to hold its own

in future and make good the subvention paid by the Government all these three years. I do not know whether it will be the policy of the Corporation to pay back to the Government what they had received to enable them to disburse the dividend in earlier years. That has not been made clear. All this is work for which the Corporation must be congratulated. I have not the least doubt or hesitation in saying that. But the question remains whether this Corporation is to work as a good banking institution or it has to fulfil the purpose for which it was constituted. And I would like to know what steps the hon. Finance Minister proposes taking and what directions he intends issuing to the Corporation to fulfil that purpose and that mission.

Government has issued certain instructions and under those instructions the Corporation has referred certain cases to Government. Now, they have referred to Government one case where a loan exceeding Rs. 1 crore was sanctioned. Very little information is given about it. I think the higher the loan, the lesser the information that we have here. We would like to know what were the special purposes and special reasons for which this consideration was shown to a particular concern. I do not want to attribute any motives. I do not know anything. But I want fuller information from the Minister himself. We would like to know what was the recommendation of the Corporation itself, whether they recommended this loan or whether it was in spite of the recommendation of the Corporation. We would like the hon. Minister to enlighten us on this point.

There is another reference in terms of another directive issued by the Government. The Corporation has referred to one case in which the parties concerned had already been granted loans by it on three previous occasions. They demanded a fourth loan of Rs. 50 lakhs and Government approved this additional loan to the party concerned. I wish more information is made available about such

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loans, which are not within the competence of the Corporation, which had gone to the Government. We would like to know the special circumstances in which these loans were granted. Here we hear a whispering campaign that these people, who were out of court for some time and who were denied assistance, were, as a special case, given some assistance which they would not have otherwise secured. But, as I submitted, I do not want to make any particular allegation in this matter. We would only like Government to enlighten us in the matter.

Another matter to which I would like to refer is the services. How is the recruitment made to this Corporation? There are about 20 officers who are drawing more than Rs. 1,000. What satisfactory arrangement exists for the recruitment of these officers? That question was raised more than two years back. Certain people suggested that the U.P.S.C. should be brought in and recruitment should be made through them. I do not know what thought Government has given to this matter. I do not know whether the Corporation remains satisfied with these very officers continuing in the very same office for a number of years. Does it not create staleness, a certain fear that these officers work in certain particular grooves? Once a branch manager is a branch manager for all times even from the new point of the work. We would like to know whether this is a satisfactory arrangement or not. Government have now such a vast number of public enterprises that whether any thought and consideration has been given to pool the services of all these industrial enterprises, even as they exist today. Are these transfers possible? How the recruitment is proposed to be made in the various enterprises and particularly in this which is before us for consideration?

Before I wind up—it is already time—I wish again to repeat the two important points which I mentioned.

One was to broadbase the directorate and another was to take certain concrete and specific steps to see that this Corporation fulfils the purpose for which it was intended, i.e., to go its way in developing the under-developed areas.

Mr. Deputy-Speaker: Motion moved:

“That the Annual Report of the Industrial Finance Corporation for the period ending June, 1957, laid on the Table of the House on the 11th November, 1957, be taken into consideration.”

Shri Prabhat Kar (Hooghly): Mr. Deputy-Speaker, Sir, I am thankful to the hon. Member, Shri Mathur, for having moved this Motion. He has stated that in order to create a living interest in the working of the public autonomous bodies this particular report has been brought before this House for discussion. He has raised the most important point, i.e., how we want the Industrial Finance Corporation should function? It is true that it was never the intention of the Parliament that another banking institution is to be created to finance the industry and the capitalists in the face of important banking institutions with a network of branches all over the country. This autonomous body was created with a view to help the planned industrial development of the country and it was expected that it will properly discharge its function to cater to the need of the Plan, to cater to the need of the industrial development and will also allocate its advances that not only the industrial development in the backward areas was assured but at the same time give priorities to those industries which form the life and soul of the country today.

The past of this Corporation and its activities have been subject to criticism. There has been an enquiry and, if I may say, some of its scandals were unearthed. But it was expected that after all these things we will see that this Corporation has changed its way of functioning and is now really

trying to discharge the responsibilities for which it was created. We are sorry that the high hopes that were pinned on it have been completely belied. It has been functioning as a banking institution. It is not only functioning as a banking institution but it is functioning as a banking institution to support a group of capitalists who really do not deserve any help from the Corporation.

It is no doubt encouraging this year that at least the Government has been saved from subsidising a huge amount to enable the Corporation to pay the guaranteed dividend, but up till now Rs. 53,45,000 has been paid. It is expected that when the Corporation is making progress and is earning profits, this amount which has been paid by the Government would be paid back.

If we look into the list of the statement of loans sanctioned by the Industrial Finance Corporation during this particular year, we will find that the same old way of functioning continues. We had a very gloomy fact of advancing to a glass factory to the tune of Rs. 63 lakhs. The interest has not been realised up till now and it is not possible to realise it. We have again advanced a huge amount to a glass factory in West Bengal. Now, we have advanced Rs. 20 lakhs to Bengal Potteries, to Bharat Ram Bhagat & Co. its managing agents. About this particular managing agency in the past we had occasion to say that it was through an undue influence that the Corporation was granting advances. Again, we find that in the present year, the same firm of managing agents has been granted Rs. 20 lakhs and the Indian Titanic Production Co. (Private) Ltd. to the tune of Rs. 30 lakhs and Rs. 6 lakhs. We know that this particular loan which has been granted and along with this we know that a firm, M/s. T. T. Krishnamachari & Sons, has been appointed selling agents....

The Deputy Minister of Finance (Shri B. E. Bhagat): Selling agents of

Shri Prabhat Kar: Selling agents of Indian Titanic Production Co. (Private) Ltd.

Furthermore, we find that a loan has been granted to the Imperial Chemical Industries. It is surprising, for the company, Indian Explosives Ltd., whose managing secretaries are the Imperial Chemical Industries, there has been a loan of Rs. 1,50,00,000. I can understand a banking institution granting a loan to any customer who fulfils the requirements of the banking institution, their guarantee and other things. I cannot understand the Industrial Finance Corporation granting such a huge amount to institutions and companies who under any circumstances cannot help in the development of industries, not to speak of backward areas.

Furthermore, what I find from the report and the analysis that has been given of the industries to which they have granted loans is this. I am rather surprised that instead of granting loans with a view to develop the industry, it is found that they are granting loans to those institutions which they are subsequently forced to sell. If we turn to page 62, we see, Miscellaneous manufacturing industries. A concern which was previously engaged in manufacture and production was sold by the Corporation. Then, Electric light and power—the Corporation sanctioned loans aggregating to Rs. 82,75,000 to five units of industry. The balance due from a concern was Rs. 33,64,000. This concern has stopped generating electricity on its own with effect from 3rd April 1955 and is from that date receiving hydro-electric power in bulk and distributing the same to its consumers. Instead of advancing to industries, we have started advancing to commercial firms, middlemen, purchasing hydro-electric power and distributing it.

If we turn to page 56—first of all I do not understand how this appears under manufacture of Iron and steel products, the Corporation has sanctioned an additional loan of Rs. 23 lakhs to a concern already engaged

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in the production of sugar, to enable it to complete a scheme for the production of ferro manganese, and no part of the loan was availed of by the concern during the year. I do not understand this exactly. In a bank, I can understand, the limit is sanctioned; whether the customer availed of it or not, it is not the concern of the banking institution. Here is a Corporation whose main purpose is to see that because of the absence of help, the industry does not suffer. You sanction the loan and the loan is never availed of. That means, either there is no proper scheme put forward before the sanction of the loan or there was no need for the loan at all. Sanction has been taken just getting the limit, to keep it pending. This is the position that we find from the chart that has been given in page 8; total amount of loan sanctioned and total amount of loan disbursed. I do not know whether it is due to the difficulties created by the Corporation that the loan has not been disbursed or the loan has not been availed of. You find that more than 50 per cent of the loans sanctioned are not disbursed. What is the reason? We do not know. It may be that you sanction the loan and it is not availed of. If we look into the years 1949 to 1957, we will find that in almost every year, more than 50 per cent of the loans are not disbursed or they may not have been availed of. There are others,—I can point out from this,—the Corporation is granting loans to companies whose assets had to be sold with a view to realise the amount and in some cases, from the assets, the money could not be realised. This is the picture we get from the report of this Corporation. I can draw attention to other pages wherein we find that in various cases, the Corporation had to sell the industries.

Are we here simply to help those firms which are, in the long run, to liquidate themselves, or are we helping industries so that they can improve their conditions, discharge their

obligation to society and repay the amount that they have taken from the Industrial Finance Corporation. In the case of banks, I can understand the question of bad and doubtful debts. Unless the Corporation is completely sure that the amount is being paid to those concerns which, in the long run, will improve their industry and will be in a position to pay back, I do not understand why such a heavy amount is sanctioned to these concerns. In the case of the Sodepur Glass factory, we have seen, when the question of the guarantor came, the property of the guarantor almost could not realise a single rupee. If the assets of the guarantor are such, I do not understand what happens. When you sanction a loan, you take a guarantee and the assets are being pledged to the Corporation. If it is subsequently found that the amount is irrecoverable, what are the processes of examining? It has been stated that two Law officers have been engaged and it is expected that all these things will be properly looked into. It has also been stated that the appointment of law officers and the addition of two branches have contributed in no small measure to accelerating the pace of disbursement of the loans by us. Simply by the appointment of law officers we cannot ensure that the failures of the past will not recur again. We could only see that a proper check is made.

As I was saying, if we look at page 19, we find the same thing: every time, the Corporation has to sell the assets and recover the amount. The whole outlook will have to be changed. Shri Harish Chandra Mathur has said, that so far as the directorate is concerned, they almost represent banking interests. We should change the directors. I would only suggest that the Finance Ministry takes this matter to the directors of the Industrial Finance Corporation that they are not to function as a banking institution, because there are many banks here and the industrialists are in a position to secure advances from the banking institutions. It is not

with a view to offer further banking facility to the industrialists that this particular institution has been created. It has a purpose. The purpose is industrial development and also industrial development of backward areas, and the priority is to those industries which cater to the needs of the country. This is the main purpose. If the Industrial Finance Corporation failed to discharge this particular responsibility for which this particular body was created, we will say that the Industrial Finance Corporation has failed to fulfil the obligation for which this particular body has been created. I would request the Finance Ministry to look into it and see that the functioning of the Industrial Finance Corporation improves.

There is only one more point. Perhaps 8 or 9 months ago, we passed the Industrial Finance Corporation Amendment Act. Government has taken the liability of guaranteeing deferred payment in foreign exchange on behalf of the Industrial Finance Corporation. Naturally, it has become all the more necessary that we see that all the lapses of the past are stopped and the Corporation functions properly, I would say again, for the industrial development of the country.

Shri Somani (Dausa): A specialised credit institution like the Industrial Finance Corporation really plays a very vital role in the economic development of the country. At a time when our country is in the midst of an ambitious programme of industrialisation, and when the capital market is not very favourable, I believe that the importance of the functions of such a credit institution as the IFC cannot be over-emphasized. Really, since its inception, the IFC has been able to contribute to the industrial development of the country, and I am quite sure that this institution will continue to play its important role to further the industrial development of this country. Criticism has been made in the past, and as we all know, there was an enquiry committee which had gone

thoroughly into the working of this Corporation, and then a complete reorganisation of the administrative machinery of the Corporation followed. It is gratifying that ever since that reorganisation took effect, the Corporation has made steady progress, and, as we know from its latest report, the Corporation has been able to earn to an extent which has enabled it to pay its guaranteed dividend to its shareholders without making any call on the Government.

Now, the figures of loans sanctioned and disbursed during the year clearly reflect the remarkable progress that the Corporation has made. Loan sanctioned during the year ended 30th June, 1957 was Rs. 11.91 crores and the disbursement was nearly Rs. 10 crores as against Rs. 2.82 crores which was highest figure ever disbursed in any previous year.

Criticism has been made about how the Corporation functions, but I would like to draw the attention of the hon. Members to the very elaborate process through which an application has to pass before the final sanction is conveyed to the applicant concerned. I do not think that in the light of the very elaborate machinery which has been set up by the Corporation, there is any serious danger of any sort of irregularity or lapse taking place.

Firstly, whenever any application is made, the branch office of the Corporation scrutinises it in proper detail, and then the application is forwarded to the head office where again there is an elaborate analysis of all the aspects of the application. After the necessary particulars are collected from the applicant concerned, the application goes to the advisory committee. I understand that four or five such advisory committees function with regard to the various important industries, consisting of various representatives, and as such, the application is reviewed properly by the advisory committee. After that review takes place, the applica-

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tion is again examined by the head office. Then, it is again placed before the Central Committee or before the Board. What we should also remember is that there are certain basic principles which have to be followed by the Corporation in the sanctioning of these loans. One of these fundamental principles is that the application must be in conformity with the priorities and principles that have been laid down by the Planning Commission.

Then, of course, there are certain other healthy restrictions put by the Government with regard to the amount of the loan that is allowed to be sanctioned for a particular concern or group of concerns. In view, therefore, of all this process of scrutiny and restrictions, I for one do not think that there is any likelihood of any irregularity or any lapse taking place in the processing of these applications.

The charge has been made about loans having been given to this industry or that, to this individual or that concern. After all, it has got to be appreciated that loans have to be given to those who are engaged in industry, and naturally, therefore, whether it is one concern or a group of concerns which may have to come again and again to the Corporation, the fact has to be recognised that the applications fit in with the broad policy laid down for the functioning of the Corporation. Once it is realised that all these precautions are taken, there is no reason for any apprehension whatsoever.

It has been said that not much has been done about the under-developed areas. I am one of those who strongly feel that the Government of India must do everything possible to give even preferential treatment so far as the industrial development of the backward areas is concerned, but the fact has to be recognised that, after all, the Finance Corporation comes into the picture only after some party or individual or entrepreneur enters

the field and moots a proposal and puts an application before the Corporation. I do not think it lies with the Corporation to just go about inviting applications. Even so, so far as I know, it has been the policy of the Corporation to encourage the State Governments to promote application for the industrial development of the areas concerned. I am not aware of any instance, and indeed my hon. friend Shri Harish Chandra Mathur who raised this point also could not say whether any application, which otherwise was sound on merit, from any backward area has been at any time rejected by the Corporation. The fact is that there are various other factors which are coming in the way of the development of the backward areas.

I am also on the Board of one of the State Finance Corporations, the State Finance Corporation of Rajasthan. At a recent meeting of the Board we were surprised that the Corporation did not get even a single application to consider. Rajasthan has a very vast area, there is plenty of scope for development and yet, leave alone the bigger resources of the Industrial Finance Corporation, even the small resources of the State Finance Corporation of Rajasthan are left unutilised simply due to the fact that they have no applications to consider. At the last Board meeting we had four or five applications which simply could not be put through because either they were withdrawn, or the party concerned did not avail himself of the facilities offered, and therefore no application was there to be considered. I am referring to this point only to emphasise that those of us who are interested in the development of the backward areas have to explore the real reasons which are responsible for the slow progress of industrialisation in those areas, and it is to those factors which will enable this process of industrialisation to be accelerated that we have to look.

So far as the particular matter about the former chairman of the

corporation is concerned, I think it was really very unfortunate that that was mentioned, because, so far as I am aware, the Inquiry Committee had exonerated the Industrial Finance Corporation of any favouritism having been shown. So far as that charge was concerned, there was absolutely no proof, and the former chairman of the corporation resigned of his own accord.

Shri Harish Chandra Mathur: Why?

Shri Somani: And I do not think it was at all relevant in the course of our discussion of the report of the Industrial Finance Corporation that his name should have been referred to for his having been appointed the chairman of some other body. So far as I know, he has got plenty of experience, and a very clean and good record of service to the country and to the economic development of the country. I do not think his record as chairman of the corporation was in any way of a nature which could have called for any such comments as my hon. friend did make in the course of his speech.

Coming to the other activities of the corporation, I am glad that the corporation has recently been enabled to give guarantees for the deferred payments for the import of capital goods, because on account of the foreign exchange restrictions, the Government of India have been insisting upon deferred payment arrangements being made by the importers; and I do hope and trust that the corporation could come forward boldly in entertaining the applications for this guarantee which will enable the industrialists to perform their obligations to the overseas exporters of capital goods.

In this connection, I would also like to make the suggestion that it will be worth while for Government to authorise the corporation also to take exchange risks. When the industrialists have to enter into long-term commitments of this nature, the risk of exchange fluctuations is really one which may cause serious repercus-

sions on a individual. I would, therefore, suggest that Government should authorise the corporation to undertake the exchange risk also while giving guarantees for deferred payments.

So far as the resources of the corporation are concerned, the Industrial Finance Corporation Act was specifically amended, some time last year, I think. Section 21 (4) of the Industrial Finance Corporation, 1948, was amended whereby the limit of borrowings of the corporation has been raised to ten times the amount of its paid-up capital and reserve fund. Therefore, the corporation can now borrow up to Rs. 50.55 crores. The total borrowings of the corporation aggregate at present to something like Rs. 26 crores, and, therefore, the corporation could still borrow a further sum of about Rs. 24 crores. In the context of the pressing needs of the country for industrialisation, I hope it will be possible for the corporation to make these borrowing arrangements, so that it could continue to offer its facilities to the various enterprises.

In this connection, the corporation has had to increase its interest rate from 6 per cent to 6½ per cent. I would like to suggest to Government that looking to the present times when the deferred payment terms and various other factors have increased the capital outlay of the various industries, it is desirable that everything possible should be done to minimise the incidence of interest charges; and, if possible, the corporation should be in a position to revert to its old rate of 6 per cent; and if that is not possible, at least it should be possible for the corporation or the Planning Commission to lay down certain priorities whereby this reduction in interest rate may be allowed at least in certain cases. That will, of course, depend upon the rate at which they are able to borrow. But the overall needs of the country to get these facilities for industrial development at the cheapest possible rate should be kept in view. I

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would, therefore, suggest to Government to make all possible resources available to the corporation at a rate which would enable them to continue to offer their loans at a reasonable rate of interest.

I would like also to draw the attention of the corporation to the delays in the legal formalities which sometimes occur in the final execution of the deed for their various loans. This is a legal matter about which I am not competent to say much. But the fact remains that a proper analysis of the working of legal formalities should be made so as to ensure that after the loan is sanctioned, these legal formalities do not take an unduly long time. Of course, I am aware that the corporation has also a system to give interim loans in cases where these legal formalities involve delay. All the same, it is desirable that these legal formalities should be simplified to the extent possible.

It is also gratifying to learn that the corporation has been giving a lot of valuable assistance to the co-operative societies. Especially last year, it has given so much for the development of co-operative societies in the sugar industry, and but for the very valuable loan facilities from the corporation, it would not have been possible for these co-operative societies to have been able to launch their projects.

Shri Ranga (Tenali): But it has not been utilised; it could not be.

Shri Somani: Loans have been sanctioned, but I do not know how far in particular cases they have been utilised.

Another suggestion that I have to make is about the high rate of stamp duty in the creation of a charge for raising loans on mortgage basis. This is a matter which lies with the State Governments. But I would like the corporation to negotiate the matter with the State Governments who are

so much interested in the industrial development of their areas, that these stamp charges are reduced to a reasonable amount.

BUSINESS ADVISORY COMMITTEE

TWENTY-FIFTH REPORT

Shri Rane (Buldana): I beg to present the Twenty-Fifth Report of the Business Advisory Committee.

ANNUAL REPORT OF INDUSTRIAL FINANCE CORPORATION—contd.

Shri Bimal Ghose (Barrackpore): Before I come to an examination of the working of the Industrial Finance Corporation, I may just refer to a matter which both the Mover and the speaker who followed him mentioned, namely, the purpose of the corporation's functioning. I do not understand as to what both of them meant by saying that the corporation should not function as a banking institution, because the corporation does not function as a banking institution. The reason why the corporation was set up in 1948, long before the Plan was formulated, was that an institution was thought to be necessary to provide long-term finance to industry, the commercial banks providing the short-term finance.

17 hrs.

If it is implied that the Corporation is functioning as an industrial bank does in another country, that criticism may be valid, but certainly it is not functioning as an ordinary commercial bank functions. Then also there are certain criticisms of the Corporation which might be valid taken generally, but certainly are not valid as applied to the Corporation functioning within the ambit of the Act. The Corporation is meant primarily for assisting the private sector. It is not the purpose of the Corporation to