

Mr. Speaker: At 5 o'clock.

Shri Braj Raj Singh (Ferozabad): There are two half-an-hour discussions also.

Mr. Speaker: The motion of Shri Vittal Rao will be taken up at 3 o'clock. Shri Khadilkar's motion will be taken up at 5'clock for an hour, or even earlier, if the first motion is finished earlier. After the first motion, this will be taken up as the next item.

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12.30 hrs.

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL

The Deputy Minister of Finance (Shrimati Tarkeshwari Sinha): Sir, I beg to move:

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

As the House is aware, the Industrial Finance Corporation Act was passed in 1948 to set up an institution for providing medium and long term credit to industrial concerns in India. The Act was amended in 1949, 1952, 1955 and 1957. The amendments effected on the last occasion, it will be recalled, were mainly to authorize the Corporation to guarantee deferred payments in respect of import of capital goods from abroad and to enhance the Corporation's borrowing powers.

The House may have already noticed the significant improvement during the last year in the overall business of the Corporation, as revealed in its Annual Report for the year ended 30th June 1960, which was laid on the Table of the House a few weeks ago. I would like particularly to invite the attention of the House to the record total of loans approved by the Corporation amounting to Rs. 17.92 crores, the previous highest figure having been Rs. 15.13 crores in 1955-56. The profits of the Corporation during the last year have also recorded a substantial

increase over that of the previous year. The Corporation has been able to augment its reserves appreciably. During the last three years the Corporation has paid back to the Central Government over Rs. 25 lakhs on account of the subvention received by it in earlier years for the discharge of its liability to pay a guaranteed dividend. The House may also be aware that, for the first time since its inception, the Corporation has secured a foreign exchange line of credit of \$10 million from the Development Loan Fund of the U.S. Government for sub-lending to industrial concerns in India. This will further increase the usefulness of the Corporation.

In view of the progress already achieved by the Corporation and the role it is expected to play in the coming Third Plan period, it is necessary to equip the organisation with the necessary tools to serve industry in a wider field. This Bill is largely intended to serve that purpose as is explained in the Statement of Objects and Reasons attached to the Bill.

I now turn to explain briefly some of the amendments before the House. It is proposed to amend section 23 of the Act to widen the scope of the business which the Corporation may transact. Under the existing statute, the Corporation is authorised to grant loans floated by industrial concerns in the public market, but not loans raised by such concerns from banks. It may sometimes happen that a concern which has already mortgaged its assets to the Corporation is unable to offer suitable securities for getting necessary accommodation from a bank. It seems but proper that facilities should be provided in suitable cases for industrial concerns to secure bank accommodation on the guarantee of the Corporation. Again, the Corporation has now power to guarantee deferred payments for import of capital goods from outside India but it cannot guarantee deferred payments in respect of capital goods manufactured inside the country. It seems desirable to include the purchase of indigenous capital goods also

within the scope of guarantee of deferred payments.

There has been a demand from business circles that the Corporation should have powers to guarantee credit arrangements made by Indian industrial concerns with foreign institutions like the Export-Import Bank of the U.S.A. It is proposed to meet this demand by empowering the Corporation to guarantee loans in foreign currency, subject to the prior approval of the Central Government.

Under the existing Charter, the Corporation is empowered to underwrite the issue of stocks and shares etc. by individual concerns, but is precluded from subscribing directly to such issues. In the present context of rapid industrial development it is considered that the association of an institution like the IFC with direct subscription to capital will engender a greater feeling of confidence in the general public. Furthermore, if industrial concerns can raise the necessary capital with relative ease, their dependence on the Corporation for loan finance will, in part, be reduced. It is therefore, proposed to amend the Act to permit the Corporation to enter this new field of direct subscription to capital issues.

Of the various businesses of the corporation, the most important one has been the grant of long-term loans to industrial concerns. These loans carry only a fixed rate of interest for the entire period. Where a venture, which has received a sizable loan from the Corporation, makes a very large profits and declares handsome dividends, it seems but reasonable that the Corporation should be enabled to share in the prosperity of the concern. To achieve this purpose, it is proposed to make it permissible for the Corporation to conclude, in suitable cases, loan arrangements containing the option to convert loans etc. granted by it into share capital of the loanee concern. I may incidentally mention, in this connection, that this method of

financing is also practised by the International Finance Corporation.

I now come to another important change proposed by the Bill. Under the present section 24 of the Act, the Corporation cannot guarantee loans or grant loans and advances, or subscribe to debentures of a single industrial concern if the total amount exceeds Rs. 1 crore, without the guarantee of the Central Government for the repayment of the loan with interest. The Government owns 20 per cent of the share capital of the Corporation. The Government gives the Corporation substantial loans from time to time. In addition, the Government has guaranteed all the bonds floated in the Indian market by the Corporation. It has also guaranteed the foreign currency loan raised by the Corporation from the Development Loan Fund of the USA. There is thus little point in the Government guaranteeing, over again, the individual loans etc. exceeding Rs. 1 crore which the Corporation gives, naturally sparingly, to industrial concerns in India. It is, therefore, proposed to dispense with the provision in the present section 24 for the Central Government's guarantee whenever the Corporation lends more than Rs. 1 crore to a single party. Nevertheless, Government would exercise proper control on such business. The amendment now before the House provides for Government's prior approval being obtained by the Corporation, in the case of these relatively large loans.

Before I conclude, I may mention briefly some of the other amendments in the Bill. It is proposed to include the cold storage industry in the definition of industrial concerns eligible for financial assistance from the Corporation. The House will welcome another provision in the Bill which seeks to bring the provisions of section 42 of the Act relating to the framing of rules by the Government, in accordance with the practice approved by the House.

[Shrimati Tarkeshwari Sinha]

There are a few other amendments which are of a minor or of a drafting nature and I need not take any further time of the House to discuss them. With these remarks I commend the Bill to the House for consideration.

Mr. Speaker: Motion moved:

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

There is an amendment by Shri Prabhat Kar. He may move the amendment and also speak on it.

Shri Prabhat Kar (Hooghly): I move that the Bill be referred to a Joint Committee of the Houses consisting of 30 members; 20 from this House, namely:—

Seth Achal Singh, Shri Premji R. Assar, Shri S. M. Banerjee, Shri Hem Barua, Shri Naushir Bharucha, Shri Bibhuti Bhushan Das Gupta, H. H. Maharaja Pratap Keshari Deo, Shri V. Eacharan, Shri M. Elias, Shri Bhaurao Krishnarao Gaikwad, Shri Aurobindo Ghosal, Shri Indrajit Gupta, Shri Muhammed Khuda Bukhsh, Shri K. P. Kuttikrishnan Nair, Shri C. R. Narasimhan, Shri Raghunath Singh, Shri E. V. K. Sampath, Shri Braj Raj Singh, Shri Shraddhakar Supakar, Shri Prabhat Kar;

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 numbers of members of the Joint Committee;

that the Committee shall make a report to this House by the first day of the next session;

that in other respects the Rules of Procedure of this House relating to 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.

So far as this Bill is concerned, we have suggested that this Bill be referred to a Joint Committee, the reason being that by this amendment a new character is going to be imposed on the Industrial Finance Corporation.

This Corporation, as pointed out by the hon. Minister, was started in 1948 with a view to provide medium and long-term credit for industrial undertakings. There have been subsequent amendments made to the Industrial Finance Corporation Act and the last one was to the effect that the Corporation is to guarantee in the import of capital goods on behalf of the private sector.

The new amendment gives power to the Corporation to guarantee industrial undertakings' advances from banks including co-operative banks and also to guarantee purchase of capital goods produced in the country. In short, I would say that the Industrial Finance Corporation is to act as what was known in the olden times as the shroff or the bania system to guarantee all the transactions of the principal. That part the Corporation is going to play on behalf of the private sector.

The purpose for which the Industrial Finance Corporation was established was with a view to help the industries in tiding over their difficulties and that also in the case of some specified industries so that they could be helped their function. Today, if we look into the statement of objects and reasons, as pointed out by the hon. Minister, we find that the Corporation will act as a guarantor in all the financial affairs of a company. The Corporation will be granting loans and the property will be mortgaged. Thereafter if finance is required, the company is to ask for an advance or loan from the bank. As it will not be possible for it to secure the required advance

or loan in the absence of security, the Corporation which has already granted loans will stand as a guarantor to the bank so that the money may be paid to the concern. When the property is already mortgaged to the Corporation because a loan is already standing in the name of the creditor, how will the same man again stand a guarantee to the bank? In case of difficulties which will be the first charge—the Corporation's loan or the bank's loan—and what will be the position of the guarantee of the Corporation to the bank?

It is clearly stated that sometimes the concerns which have already mortgaged their assets to the Corporation are unable to offer suitable security to the banks for accommodation and so the banks will not accommodate them unless there is a proper security. Because already the property or the assets are mortgaged to the Corporation and that also because a loan has been taken, the Corporation is standing as a guarantor. That means that the Corporation, in case a company is not in a position to pay to the bank, will make the payment.

Then, the Corporation will also give a guarantee in case of purchase of capital goods in the country. I do not know whether the Corporation will be acting simply with a view to provide complete finance for the private sector. Firstly, there is a loan that is granted; secondly, there is already a guarantee for the foreign exchange for the purchase of capital goods from a foreign country; now there is a guarantee for the banks' advances as also for purchase of capital goods inside the country. This means that if a company starts without proper capital, the Industrial Finance Corporation will provide all the money required and stand guarantee to see that the company thrives and pays dividends to its shareholders. I do not know whether this was the purpose for which the Industrial Finance Corporation was established. The way things are being amended now, I would at least

like to know from the hon. Minister that if all the finance is to be provided by the Industrial Finance Corporation directly or indirectly what part the private capital will play in that particular industry.

So far as the purchase of share is concerned, I welcome that provision. In that case the Corporation will also be entitled to take a share in the profits. But I do not agree that loans should be converted into shares. If a company has already taken a loan, that should not be converted into shares of that company. I would suggest, therefore, that as this is a major shift in the whole structure of the Industrial Finance Corporation, this matter requires thorough discussions and understanding. It should not be just discussed over here at this moment. It should be referred to a Joint Committee. After a thorough discussion about the future function of the Industrial Finance Corporation the Bill should again come before the House for its consideration.

As I have pointed out, as a result of this amendment, no doubt, the work of the Industrial Finance Corporation will increase but that will be to the detriment of the Corporation's interest because such a power which will be granted to the Corporation and which will be enjoyed by the various concerns will create complications about the realisation of the money and will result possibly in monetary loss to the Corporation.

The hon. Minister, while moving for the consideration of the Bill, has said that this practice is also followed in the United States. There the Finance Corporation also performs this function which is now contained in the amending Bill. But considering the present position and the role of the private capital and also the way in which the private sector is functioning, I would request the hon. Minister to consider whether such a function should be given to the Industrial Finance Corporation at this stage. I

[Shri Prabhat Kar]

would, therefore, suggest that this Bill be sent to the Joint Committee for their consideration.

Along with that I would just point out one or two things in the Bill itself. If at all this power of giving guarantees is to be granted, there must be certain hard and fast rules which should be laid down.

There must be something prescribed definitely under which circumstances guarantee will be made to the banks. It should not be left to the Corporation. Parliament must know exactly under what circumstances the guarantee will be given. I do not know why under clause 6, this new proviso is needed to section 24. It has been stated that there is no need for the Government to further guarantee because already the Government guarantee stands and it does the same function. It is said:

"Provided that the aforesaid limit of one crore of rupees may be exceeded with the prior approval of the Central Government."

I do not know which difficulty the Corporation is facing at present without this proviso. The proviso says:

"Provided that the aforesaid limit of one crore of rupees shall not apply to any such arrangement when any loans, advances or debentures are, on the recommendation of the Corporation, guaranteed by the Central Government as to the repayment of the principal and the payment of the interest."

Why is this proviso at all necessary? What are the difficulties faced by the Corporation in the absence of such a provision? As I have said, I am completely against the granting of this function to the Corporation to act as the shroff of the private sector. This type of power should not be granted. As I have said, this completely changes the whole character of the Industrial Finance Corpora-

tion when it was established. I would suggest that the Bill be sent to a Joint Committee. I move.

Mr. Speaker: Motion moved:

"That the Bill be referred to a Joint Committee of the Houses consisting of 30 members; 20 from this House, namely:—

Seth Achal Singh, Shri Premji R. Assar, Shri S. M. Banerjee, Shri Hem Barua, Shri Naushir Bharucha, Shri Bibhuti Bhusan Das Gupta, H. H. Maharaja Pratap Keshari Deo, Shri V. Eacharam, Shri M. Elias, Shri Bhaurao Krishnarao Gaikwad, Shri Aurobindo Ghosal, Shri Indrajit Gupta, Muhammed Khuda Bukhsh, K. P. Kuttikrishnan Nair, Shri C. R. Narasimhan, Shri Raghunath Singh, Shri E. V. K. Sampath, Shri Braj Raj Singh, Shri Shradhdhakar Supakar, and the mover;

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 first day of the next session;

that in other respects the Rules of Procedure of this House relating to 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 joint the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint committee."

Who are all the Members who wish to participate? There are eight hon. Members. I will allow fifteen minutes to each. Only two hours have been allotted for all the stages of the Bill.

Shri Warrior (Trichur): For such an important Bill, I do not know how the Business Advisory Committee was pleased to give only two hours.

Shri Naushir Bharucha (East Khadesh): His Party leader was there.

Mr. Speaker: Hereafter, hon. Members must abide by the decision of their party or they must themselves come in. When the report is placed on the Table of the House, they must make a suggestion. He says at the last minute, I do not know how they have allotted two hours. The hon. Member must make himself the leader of his party. Such expressions ought not to be used. There are three opportunities. No. 1; the Leaders of various groups or their representatives are there. Then, the report is placed on the Table of the House. It is open to an hon. Member to say, this is not enough. He just now comes up and says, 'I do not know'. The hon. Member does not know how things happen in this House. At 3 o'clock I have to start another item of business. I do not want such observations to be made. The world outside may feel that we are doing everything without consulting the House and the Members of the House. It never ought to be made. I am prepared to allow some time. At 3 o'clock we start the other item.

Shri N. R. Muniswamy (Vellore): The hon. Minister may reply at 3 o'clock.

Mr. Speaker: We have got the other Motion at 3 o'clock.

Shri Naushir Bharucha: It may be taken the next day.

Mr. Speaker: Already so much time has been taken. We shall finish at Three. We started at 12:30. I will give half an hour more.

Shri Morarka (Jhunjhunu): Eight Members who are to take part will take two hours even of 15 minutes

are given to each. It would be 3 o'clock. Where would be the time for the hon. Minister to reply?

Some Hon. Members: The hon. Minister can reply tomorrow.

Mr. Speaker: Yes. How long would the clauses take?

Some Hon. Members: They won't take much time.

Shri Warrior: I wish to make only a few observations. In moving this amendment to send this Bill to a Joint Committee, my hon. friend Shri Prabhat Kar has explained the necessity for that. The original Act came in 1948. After the original Act has been passed, the hon. Minister has pleased to say that there were certain amendments. There were, of course, seven Amending Bills. Out of the seven, four amending Bills had been passed before 1951. One was in 1952 and the remaining two were in 1955 and 1957. It is clearly known from this that these amending Bills had come much before the country had accepted the new pattern of economy. The country had accepted planned economy in 1952 only. The Industrial Finance Corporation as considered in 1948 is a pre-dated one. The character of the Industrial Finance Corporation ought to change. Naturally, the change comes now in the form of the Amending Bill. Is it in accordance with planned economy principle which we have accepted and tried in two Five Year Plans or is it militating against this is a very pertinent question which we should consider in this connection.

The Corporation, it is true, has made good progress and this year's report shows that the Corporation has invested Rs. 17 crores in loans, etc., and made substantial profits also. Also, the Corporation had repaid the loan taken from the Government earlier to meet certain guaranteed dividends, which the Corporation had to pay. That is also true, although

[Shri Warior]

half of the amount is still outstanding.

At the same time, the working of the Corporation will also show that there were certain instances, at least a few instances in which the loanees were not able to fulfil the obligations and the Corporation had to take over the physical assets of those concerns. The Corporation, in its report, is satisfied that those assets will cover the liabilities. But, those assets are to be taken over by the Corporation and kept in the hands of the Corporation until they are purchased by somebody else or auctioned in one way or the other and the loans realised.

12. 58 hrs.

[DR. SUSHILA NAYAR in the Chair]

There is another great aspect that this Corporation has got an Advisory body. In the report, we will find that the Advisory body members—none of them—have any direct connection with institutions which had availed of the loans. At the same time, you will find that some of them have already shares in these concerns; some of them may not have shares, but indirect connection with the same concerns. This is also an anomalous position now. Because, these advisers are all magnates in different fields of industry, sugar industry, chemical industry, textile industry and like that. It will also show one aspect that these industrialists who have invested some amount or not invested some amount, have only interest in running this Corporation. But really, the interests involved are those of the millions of workers and consumers, but not a single representative of the organised working class is there on the board of directors. I do not mind if even a representative of the INTUC is taken. But board consists of Government officials and some others outside. I cannot understand why this board of directors should be advised only by the industrial magnates of this country now. In 1948 the atmosphere was quite different, the set-up was quite different,

the whole concept of the economy was different, but that has completely changed now. So, commensurate with the changes that have taken place in our country, I think the constitution of the advisory body and the board of directors should also change, but no such amendment is brought forward.

13 hrs.

Last year the Corporation invested about Rs. 17½ crores. While taking over all these new liabilities, has the Government at least made a pre-assessment of how much money is involved? This Corporation is run with 99 per cent Government money in some way or other. It may not be direct, in a few cases it may be indirect, like shares taken by corporate bodies. Even among the insurance companies, I find from the report that more than 90 per cent of the investment is that of the LIC, and the Government stands guarantee for the LIC. There is no gain-saying the fact that it is a Government concern, it is as good as a Government concern.

Huge loans are given to this Corporation, even this year. It is claimed that the Corporation has refunded the amount loaned by the Government to defray the expenses or dividend payments, but at the same time the Corporation is getting crores from the Government. And we cannot allow a single pie of the taxpayer to be invested in a wrong fashion.

From this report we find where the money is going. I can understand the private sector claiming some help and loan from Government. This Corporation is only an agency of the Government. Instead of running it departmentally, it is entrusted to this autonomous Corporation, and the Corporation runs it on behalf of the Government. That is the position. It is as good as Government money, taxpayers' money. In the new set-up which we are visualising for the development of the economy of the country, we think more and more

attention should be paid to basic industries, but actually you will find from the report of the Corporation that the highest investment is in the sugar industry. Loans approved by the Corporation in the case of food manufacturing industries up to 30-6-60 aggregated Rs. 25.72 crores, of which sugar accounts for Rs. 25.62 crores. That is the highest figure. But important industries like the chemical and engineering industries are being starved. These industries are young compared to the textile industry and require help. I do not know if our textile industry cannot stand on its own legs after 100 years of protection, after our swadeshi movement, after all that we have suffered for its sake from 1920 onwards when so many of our people, so many of us sacrificed for it. We claim that we donated our blood for the protection of the textile industry in particular, because we had been in the movement in 1920. But even now the textile industry claims sustenance from the Government or the Corporation. I cannot understand how the textile industry can develop in our country at this rate. After giving all this protection, tariff protection, cotton cess protection, anti-labour laws protection, 25 to 30 mills have been closed down in our country.

What is the position of the sugar industry? By one stroke of the pen knowingly or unknowingly—I do not want to impute any motives—of the Food Ministry, the sugar industry has got crores. Discussions had come up here. That industry is taking the majority of the loans from this Corporation. So, in this context, I could understand, appreciate and also support it if it were the view of the Government and the Corporation that this amount should go to the development of the basic industries.

The Corporation has now got subsidiary offices in the States also, but from the analysis given here of the States which are the recipients

of these loans, we find a great disparity. Why this disparity? Is it because applications are not forthcoming to the Corporation from the backward States? Is it because, apart from the technical and legal questions, there are no industries at all in some of these States? In that case, I can understand if loans are given to these States in order to establish new industries. I can support that.

Shri Naushir Bharucha: Such as Kerala.

Shri Warrior: Kerala, Orissa and many more.

I do not wish to waste my time or the time of this august House by quoting facts and figures from this report placed on the Table of the House. Actually, Orissa, Kerala and some parts of Maharashtra have not got, but Bombay has got. It is good that Bombay, got, because it can help the rural parts of Maharashtra. Now Gujerat is getting. The loans are going to places where there are industries. Industries are growing vertically, not horizontally, that is my contention. Yesterday I had occasion to initiate a half-hour discussion here. The whole question is this. Because there are facilities in Bombay, because there is the Sasoon Dock in Bombay, because there are big buildings, because there is an airport, because there is railway connection, Bombay alone should get the loans. We cannot understand that. In that case, how can regional disparity be removed, and how can new industrial enterprises come up in the backward regions of this country, regions which have remained backward for centuries? I do not envy Bombay, Calcutta and the big cities, I am not jealous of them, but they have developed to such an extent that they themselves cannot bear the development.

So, I would say that the entire policy, set-up and direction of this

[Shri Warior]

Corporation must undergo a change. The amendments proposed do not envisage such a change, and so I suggest that the Bill be referred to a Joint Committee. I am sure the wisdom of the Joint Committee will give us a better Bill than this.

Shrimati Tarkeshwari Sinha:

Before you call the next speaker, I have to make a submission. The Speaker decided that I could reply to the discussion tomorrow, but then we have to send the Bill to the Rajya Sabha. The Rajya Sabha is meeting only on the 23rd. So, the Members there might raise objection that sufficient notice has not been given to them. So, if you can extend the time today by half an hour or so, we can finish this Bill and send it tomorrow to the Rajya Sabha, so that they get 24 hours notice of the Bill.

Mr. Chairman: Let us see how the debate proceeds, and then we shall decide about it.

Shrimati Tarkeshwari Sinha: The Speaker said that at 3 o'clock there would be another motion.

Mr. Chairman: Yes. I shall bear in mind what the hon. Minister has said.

Shri Morarka: I welcome this Bill for two main reasons. Firstly, it widens the scope of the present Act, and secondly, it gives a certain amount of flexibility to the Corporation in its operations. Before I come to the actual provisions of this Bill, since the hon. Member who has preceded me has given certain facts and figures from the annual report, I consider it my duty to give some more facts and figures, which, I am sure, if placed before the House, would substantially change the picture which he has tried to paint.

This corporation has till today sanctioned loans to the tune of a little more than Rs. 84 crores, and out of these Rs. 84 crores loans, about Rs. 20 crores are given to the

co-operative societies; most of them, of course, have gone to the sugar industry. Then again, out of these Rs. 84 crores, the actual loans disbursed are more than Rs. 50 crores, but the outstandings are only Rs. 39 crores, because the remaining loans are repaid. The total interest earned by this corporation during its short life is Rs. 9.21 crores. Out of these Rs. 9.21 crores, the actual amount received is Rs. 9.1 crores. This means that the interest in default or in arrears is only Rs. 11 lakhs.

Similarly, so far as the repayment of the loans is concerned, the total repayments due are Rs. 7.21 crores, and the amount actually repaid is Rs. 6.61 crores, leaving a balance of only Rs. 51 lakhs. Out of these Rs. 51 lakhs, time has been given by mutual arrangement for Rs. 21 lakhs, and, therefore, a sum of only Rs. 30 lakhs is left, to be realised for which efforts are being made.

The gross income of this corporation, when it started in the year 1947, was Rs. 5.73 lakhs. In the last year, for which we have got the report before us, this figure increased from Rs. 5 lakhs to Rs. 250 lakhs. And Government which were required to subsidise the payment of interest etc. every year gave Rs. 53.45 lakhs, towards that, has been repaid actually during the last few years to the extent of more than Rs. 25 lakhs, leaving a balance of Rs. 28 lakhs still to be repaid.

If you judge the performance of this corporation from all these points of view, I would submit that this is one Government corporation which has shown consistently good and encouraging results year after year.

There is another point also on which I wish to congratulate the Government and through the Government, the management of this corporation, and that is concerning parliamentary control or parliamentary accountability in regard to the affairs of this corporation. This corporation

has its annual accounts ending in the month of June, and we have got here a report which was submitted to its shareholders on 2nd August. You would appreciate that with all the various activities of this corporation, it was possible for this corporation to complete its accounts, get them audited and present them to the shareholders almost within a month. This, I think, is a remarkable achievement, and the other Government corporations would do well to take some hint or some lessons from this corporation.

Shri Naushir Bharucha: This is not an industrial corporation but this is only a finance corporation, and, therefore, it can do it.

Shri Morarka: We have got many other Government corporations too which are not industrial corporations, and their reports are presented only after a delay of more than eight or ten or twelve months and so on. For instance, we have got the LIC, the State Bank of India, the NIDC and many others, which are mostly financial corporations. I am only saying that here is a point which deserves encouragement and must be recognised by this House which is naturally very anxious about parliamentary control over Government Corporations. We have often made complaints that the reports are not presented in time. My only point here is that here is a corporation which has been able to finalise its accounts, get them audited and present the report in about a month's time. I think that is a remarkable achievement.

The second point that I want to mention is about the contents of this report. Very often, the House has made complaints that the reports of these autonomous corporations are very sketchy and they do not give full and complete information. Here again, I submit that this is one report which could well be copied by other cor-

porations. It gives such a lot of information, so complete in details that hon. Members here or as well as the public outside can liberally make use of the information, because it is a full disclosure, and on that basis they can criticise or support the corporation as they like.

Then I wish to point out that this corporation has given so far loans to 21 industries, and the total amount, as I said earlier, comes to a little more than Rs. 84 crores. Out of these Rs. 84 crores to 21 industries, five industries account for more than Rs. 60 crores. Of these five industries, the sugar industry which is the main claimant has got loans to the tune of Rs. 25.62 crores, and out of these Rs. 25.62 crores, about Rs. 20 crores have gone to the co-operative societies. The other main industries which have been helped by this corporation are as follows: Chemical industries: Rs. 9.38 crores; Textiles: Rs. 9.62 crores; Paper Industry: Rs. 9.74 crores, and the cement industry Rs. 6.17 crores, making a total of Rs. 60.52 crores.

In this connection, I would submit that the criticism of the hon. Member who has just preceded me and who said that this corporation gives loans mostly to the traditional industries which are already well established is not very well founded, because these are loans which were mostly sanctioned in the previous years. So far as the co-operative sugar societies are concerned, no doubt, loans are being given to them even now, but it is the policy of Government to encourage such co-operative societies. Otherwise, during the last year, the loans given to the textile industry, to the cement industry or to these other so-called traditional or established industries were very negligible.

Coming to the provisions of the Bill, there is already a provision in the Act, permitting the corporation to guarantee the loans floated in the public market by any industrial concern.

[Shri Morarka]

I have gone through the balance-sheet carefully, but I could not find out whether this corporation has actually guaranteed any such loan, because at least I do not know of any industrial concerns which can float a loan in the public market. The Government, of India or the State Governments or semi-Government bodies like municipalities etc. do it, but, for a private concern, to float a loan in the market is very difficult. So, even though this provision was there in the Act, it could not actually be made use of. And if one stretches this provision, the corporation could under the same provision have guaranteed even the loans borrowed from the bank by the industrial enterprises. But, instead of doing that, Government have come forward and have asked for special permission from the House to guarantee such loans. Once we accept the principle of guaranteeing the loans borrowed by the industrial enterprises, I see no harm in guaranteeing the loans borrowed from the commercial banks as well. If the loans can be guaranteed when they are borrowed from the public, they can all the more be guaranteed if they are borrowed from the commercial banks. So, the fear that Shri Prabhat Kar has in his mind, namely that here is a corporation which would find the equity capital, and loan capital and also guarantee the loans and deferred payments etc. is not very well founded. The reason is this. Whether the Corporation purchases the shares or under-writes the shares or guarantees a loan or actually sanctions a loan, there is a basic principle and criterion which it follows. It is that it does not advance more than 50 per cent of the value of the fixed assets of the borrowing company. It has very rigidly followed this provision of the directive from Government, namely, that except in special and exceptional cases, it does not advance more than 50 per cent of the value of fixed assets of one company. I am going to ask the Deputy Minister to consider whether it is not desirable to relax this direc-

tive and permit in suitable cases, particularly in cases of companies or concerns of medium size to relax this position and advance or investment to the tune of 65 per cent, 70 per cent or even 75 per cent. In small-scale industries, the provision is now to give loans even upto 95 per cent or in some cases even more percentage of the total assets. In the case of very big industries which require crores of rupees, if the provision is there about 50 per cent, it may be all right, because big persons can find capital. But the time has come when we must develop this concept of medium industries also. What is medium industry is again a matter of definition and understanding, but I believe the Planning Commission has some vague definition of a medium industry. At least in the case of such medium industries, which according to the Planning Commission come within this definition, I think the provision of 50 per cent must be relaxed. It does not require any amendment of the Act; it only requires a direction from Government. If they can do that, I think it would help the Corporation to function in a more flexible manner.

Another amendment sought to be made is to permit the Corporation to directly subscribe to the shares of any new company. Till now we permitted the Corporation to under-write the shares and till June 1960, it under-wrote shares worth Rs. 1.87 crores. Out of this, the Corporation purchased or was obliged to purchase under the agreement shares worth Rs. 67.03 lakhs. That means, as it is, the Corporation can, and in fact, does, get the shares under the under-writing agreements. It is only a technical position that instead of under-writing and getting the under-writing commission also, it straightway subscribes as purchaser of the shares. While it is desirable and while the argument of the hon. Deputy Minister is quite impressive that the Corporation should share in the benefits of the industries, this argument cuts both ways. Once you purchase the shares, you are tying

your fortunes with that of the concern. If it prospers, you benefit and share in that prosperity; if by any miscalculation, the company fails, to that extent you also suffer. But if you are only a lender and if you only advance money, your loans are comparatively more secure and to that extent your position is better.

Another suggestion is this. At present, loans are given only to public companies. But under an amendment of the Indian Companies Act made recently, we have imposed more obligations on the private companies and some of them would be deemed to be public companies now. I submit for the consideration of the hon. Deputy Minister whether it is not possible for the Corporation to extend its activities even to these private companies and whether any harm would be done or could be done by advancing loans to them also.

I venture to make one more suggestion. The Corporation should also undertake a new activity, that is, guaranteeing loans to foreign banks which advance these loans in foreign countries for the purchase of capital equipment for the industries to be established in India. There is no such provision here. If the Corporation can start this, by guaranteeing loans which foreign banks advance to us not in India but in the foreign countries to enable us to make payment for the machinery and equipment we buy there, and if the money is repayable according to the instalments that the Government sanction, either in the foreign currency or in Indian currency I think it would help many of the industries much more, and that in a way would help reduce the necessity of guaranteeing the deferred term payments.

Madam, I think one can say honestly that this Corporation has done very well during the last 12-13 years, particularly after the debate about it in this hon. House during the First Lok Sabha. I think it has shown remark-

able progress and the Government as well as its management deserve congratulations.

I wish to conclude with one point which though comparatively small, is yet a point. From the profit and loss account, I find that the salary of the General Manager of the Corporation is higher than that of the Chairman. It is perhaps quite all right to have the salary of a Secretary higher than that of a Minister; in politics, it may be all right. But when you are running a Corporation on business principles, strictly on those considerations there is no justification why the salary of the Chairman, who is also full-time, should be less than that of the person who is under him.

Shri Ranga (Tenali): He happens to be a pensioner getting his pension in addition to the salary.

Shri Morarka: I am saying this for the consideration of Government. I am not saying this with any particular person in view. If Shri Ranga has an explanation, it is all right. But when one reads the profit and loss account, it does strike one why the Chairman should be paid less than the General Manager. The Chairman's salary must be a consolidated one and must be more than those under him.

Mr. Chairman: I wish to make a request to hon. Members not to ask me to extend the time-limit of their speeches by one minute or two minutes, because already I find that three minutes more have been taken in this case. As the time is very limited and many hon. Members have to be accommodated, I do request hon. Members to please try to begin winding up at the first bell and stop after the second bell within half a minute or at the most one minute.

Shri Ranga: I hope to be as brief as possible. I find myself in general agreement with the remarks and suggestions made by my hon. friend, Shri Morarka, on this occasion. If I may

[Shri Ranga]

say so, it was an excellent speech, and very educative also.

I am anxious to urge two or three points. One is that so much power is given to the Central Government by this Bill in regard to so many items mentioned here. I would like the Union Government to see that it uses this power in such an impartial manner—non-political manner—that no opportunity would be given for any industrial concern or its management to have to complain that because it does not belong to such and such political party it is being discriminated against. I do not wish to make any charges now, because that is not my concern. I am only giving this warning and also this suggestion, and trust that the Government would so use its power as not to give any room at all for such complaints.

Secondly, I agree with the point made by my hon. friend to my right when he said that this Corporation should be expected to give special preference to the development of industries located in the hitherto under-developed areas, and also such industries which really deserve special development and which are not like the textile industry, which can claim to have its own resources and which has established its reputation for yielding very good profits. I am glad that as a result of the activities of this Corporation two great industries have come to be helped specially; one is the sugar industry on the co-operative side and the other, the cement industry. But care will have to be taken to see that they do not give assistance to such industries as are likely to run into over-production and, therefore, oblige the Government to permit exports at prices which would be less than the cost price in our own country.

Having said that, I would like Government to see that special preference is given to medium-scale and small-scale industries. Now that so many of these industrial estates are coming to be organised in different States,

there is no fear of those industries not having either internal or external economies, and, therefore, there would be no risk in advancing moneys to those industries and industrialists. I am very glad these two or three amendments are sought to be made now which would certainly extend the scope of the activities of this Corporation.

I am glad that whatever may be advanced by the banks would also come to be guaranteed. Also whatever accommodation may be given by deferred payments and so on by foreign concerns to our industrial concerns would come to be guaranteed. These two are essential needs of our industry and I am glad this Bill seeks to provide for these two very important needs.

But, I am a little doubtful, as my hon. friend Shri Morarka had been, about the provision made here allowing the Corporation to purchase the shares and stocks of those concerns which seek its accommodation. I would like further thought to be given to this matter. Although power is being taken by Government and through Government by the Corporation, in this direction, I think, after careful consideration they would be able to see that it may not be an advisable thing if they become partners in these various industrial concerns, in their fortunes as well as their misfortunes. There is, of course strength in what the Deputy Minister has said that the Corporation should be enabled to take a share in their profits. But there is no guarantee that they would always be making profits; and even if they were to make profits, it would be much better to leave the choice to the managements concerned whether they would like Government to convert the loans or investments into shares. As you all know, the managements have their right to say whether anybody is acceptable as a shareholder or not. I do not see any reason why in this case any exception should be made.

In conclusion, I would like the Corporation to continue its good work and to carry on its work in such a manner that whenever industrialists seek its accommodation it would not look at the request only with the eyes fixed on the political character of the Government of the day but, surely, from the point of view of the suitability, the profitability and also the advisability of developing that particular industry and to that extent and in that manner.

Shri Somani (Dausa): Madam Chairman, I would, at the outset, generally like to welcome the provisions of this Bill, except one provision which gives the Corporation the option to convert the loan into shares about which I have got certain misgivings and to which I would come later.

I whole-heartedly associate myself with the tribute that my hon. friend Shri Morarka paid to the efficiency of the working of this Corporation. I myself think that this is one of the few government Corporations where every effort is made and where no red-tape is allowed to come in the way of the prompt disposal of the proposals that come up before the Corporation.

Coming to certain points raised by certain hon. Members, about the inadequacy of the loan facilities given by the Corporation for the development of under-developed areas, I would also like to say something. The real position is—and I think all hon. Members will agree—that it is after all not the duty of the Corporation to canvass for loans for particular industries or for particular areas. It is left to the individual applicants either from basic industries or from under-developed areas to come and approach the Corporation for loan assistance. And, if any hon. Member can point out any instance where the Corporation has not done justice or has not dealt with any case from the under-developed areas promptly, then, there might be some justification for

making any complaints. So far as my personal experience goes, I am aware—and I come from Rajasthan—of the sincere efforts made by the Chairman of the Corporation to ensure that the industries from Rajasthan, for the development of that backward area, get the maximum benefit possible, from the resources of the Corporation.

Shri D. C. Sharma: (Gurdaspur): Is Rajasthan a backward area?

Shri Somani: I am aware that the Chairman of the Corporation wrote a D.O. letter to the Chief Minister of Rajasthan inviting suggestions that he could make to make the Corporation more useful to the development of the industrial areas of Rajasthan. From that point of view, I feel that it is for the under-developed areas themselves to see that the necessary applications from those areas are submitted to the Corporation. If the Corporation is not approached with such proposals I do not think we can very well take any objection or complain in any way about the inadequacy of loan facilities given to the development of under-developed areas.

Coming to the provisions, I feel that most of them are steps in the right direction and will extend the scope of the Corporation which is already doing much useful work for accelerating the pace of industrialisation in this country. I have no doubt that with the further widening of the scope under this Bill, the Corporation will be able to play a still wider and more significant role in the Third Five Year Plan.

So far as the provision allowing the Corporation to guarantee the repayment of credits for machineries of indigenous manufacturers is concerned, I think, it is really a very welcome move which will enable the various industries in the country to avail themselves of this facility so that they

[Shri Somani]

can make more and more purchases from the indigenous machinery manufacturers.

Similarly, the clause which enables the Corporation to guarantee any loans which any industrial project may be able to raise from such foreign financial institutions like the Export Import Bank of the United States is also really very welcome. It will enable the various industries in this country to avail themselves of the services of the Corporation for guaranteeing the repayment of loans which they may be able to secure from foreign financial institutions. This should help in making available plant and machinery to the industries at a time when we are so much short of foreign exchange.

There is one clause in this Bill, to which the hon. Deputy Finance Minister referred, relating to the option which is given to the Corporation to convert its loans into stocks and shares at a later stage, and I think a little more clarification is necessary about that provision. The hon. Deputy Finance Minister said that some such procedure is followed by the International Finance Corporation. I think I should draw her attention to the fact that it is this procedure, it is this insistence on the option to convert loans into stocks at a later stage, which has come in the way of several Indian business houses availing themselves of the facilities afforded by the International Finance Corporation.

As, Madam, you are aware, our country is also a member of the International Finance Corporation. So far as I know, during the long period since this Corporation has come into existence only two loan applications have been sanctioned so far as this country is concerned, and even out of these two applications one has not been availed of. Therefore, only in a solitary instance of a very small amount the assistance from the International Finance Corporation has been availed of, and at a time when industrial business houses are searching every financial quarter to secure accommodation for foreign exchange

you can very well realise the restrictive policy of the International Finance Corporation which has come in the way of several business houses taking advantage of the facilities provided by the International Finance Corporation. It is simply because of the fact that they insist on their option to convert their loans into equity capital at a later stage.

I would, therefore, like to seek a clarification from the hon. Deputy Minister. It should not in the ordinary course be a policy of the Industrial Finance Corporation in future to examine each and every proposal on the basis of this procedure under which they will ask the applicant to give the corporation the right to convert the loan of the corporation into equity capital at a later stage. This will create a lot of complications. Now that the clause has been provided in the Bill, I would only like to appeal that this clause should be utilised, this provision for conversion rights of loans into equity capital should be exercised only in very rare cases and very suitable cases where there may be certain special factors governing those applications, and in the ordinary course in the usual manner the corporation should continue to give and to make available these loan facilities on the basis of a fixed interest which has really proved very attractive and very useful to the industrial development of this country.

Similarly, I feel that this provision to do away with the guarantee by the Government is really a step in the right direction. I do not think it is at all necessary. After all, it is on the merits of each case that the corporation gives loans and it takes proper care from the point of view of security to see that whatever loans they give to any corporation or any company are adequately secured and no further additional guarantee from the government is necessary. Indeed, Madam, this guarantee clause has come in the way of business houses availing the loans promptly because in certain cases it has resulted in long delays. Since the guarantee clause is

not quite necessary, I think this deletion of the guarantee clause is a step in the right direction.

I may also here make a reference to the clause which provides that in all cases where loans of Rs. 1 crore and above have to be given the approval of Government has to be sought. I have no objection to the Government's scrutinising the cases. But I would like to draw the attention of the hon. Minister to the remarks that have been made by the Chairman of the Corporation in his speech at the last meeting that almost 50 per cent of the proposals could not be finally sanctioned because they were pending for approval with the Ministry. What I would like to submit is, it is much more desirable that whenever any such proposal for loan assistance of Rs. 1 crore and over is received it should first be cleared by the Government so that the lengthy process of screening by the Corporation and sanctioning the loan will not become a complete waste if later on the loan has to be rejected by the Government. It will not then become a waste of time and energy on the part of both the applicant company and the corporation. Therefore, in cases where the Government approval has to be sought it is very well desirable that the clearance about a particular proposal involving a loan of one crore and above should be given by the Finance Ministry in the first instance so that no unnecessary delay will be caused once the final sanction is given by the corporation. We find from the Chairman's speech that loans involving Rs. 9 crores, although they have been sanctioned by the corporation, could not be paid to the companies concerned because according to the requirements of the law the Government has to approve those loans as they involve sums amounting to Rs. 1 crores and over. Therefore, for the prompt disposal of cases, I suggest that it should be the policy of the Government that all such proposals should be first sent to the Finance Ministry and only after a clearance is given by them that the Corporation should be asked to deal

with those applications in their usual manner.

This is all, Madam, that I want to say about the clauses. I definitely feel that the Corporation has really been doing very impressive and very effective work in the field of accelerating the pace of industrialisation in the country, and the scope that is being widened under this Bill will enable it to function more effectively and more extensively in certain fields. At a time when there is an ambitious programme of industrialisation before us, I welcome this Bill which will enable the Corporation to play a still more extensive role.

In the end, I would also like to support the proposal made by my hon. friend Shri Morarka to enable the Corporation to be more lenient so far as the loan proposals from the medium industries are concerned. This rigid insistence on the conversion of 50 per cent loans as assets may really retard the growth of medium scale industries. When the small scale industries are receiving a liberal assistance—and rightly so—it is desirable that there should be some relaxation so far as the requirements of the medium scale industries are concerned.

Shri N. R. Muniswamy: Madam Chairman, at the outset. I have to oppose the motion for referring this Bill to a Select Committee, because it will only result in loss of time which can profitably be utilised towards the industrialisation of our country by availing of the facilities that will be available under the provisions of this Bill.

As regards the other aspects of the Bill, while appreciating the work done by the corporation towards accelerating the pace of industrialisation in this country, the experience gained by the corporation was such that the improvement sought for by one particular clause in this Bill is not going to help a great deal at least with respect to one aspect—subscribing to the stock and shares of any industrial concern.

Originally, Madam, the corporation could not participate in the prosperity

[Shri N. R. Muniswamy]
or in the adversity of any concern. Now that the corporation wants to have some say in the real management, in the real administration, by taking equity shares directly, I am not very happy about it for the reason that the corporation is now changing its entity into that of a commercial concern. They are to discharge two roles now: the role of lending money and at the same time the role of being a borrower. Therefore, they may not be able to exercise a strict control over the concerns if the corporation happen to be shareholders in the concerns. They will realise the difficulties and responsibilities of the concern, and the concern may not be supervised in a strict manner in the matter of the recovery of loans and also the guaranteeing of loans in respect of the money they borrow from the indigenous manufacturers for the purpose of capital goods. The corporation take money and also guarantee the money that they take from other institutions abroad. I for one am opposed to this principle. If they are to be the shareholders of a concern, then, it is against all canons of banking and all canons of corporation laws. Initially, when this corporation was formed, we thought that the enactment was meant for financing the deserving concerns. But now, if the corporation takes a share in the administration of the concerns, it is some thing like an inroad into the autonomy of the concerns.

Sometime ago, when this question was mooted at other places, I raised this same objection with the Finance Minister in one of the meetings of the Consultative Committee. He himself was amazed to see how it would be possible to do such a thing. He asked the officials whether it was a fact. Though they could not say anything definite, they said that there was such a move. The Minister was opposed to it. But I do not know how he has given consent to such a measure being introduced.

The dual role which the corporation will be asked to perform would create far-reaching repercussions and diffi-

culties in the main administration of the concerns. This is something like a bania's business. Not only do they lend money but at the same time they take a share in the concern. Therefore, they are to do two functions. They must recover the money advanced to the concerns but yet they themselves are shareholders in the concerns. So, they can always share the responsibility in the adversity as well as the prosperity of the concerns. When money is advanced, we have to insist upon the money being recovered or repaid in time. But now, when the corporation is itself a shareholder in a particular concern, it knows the difficulties and other responsibilities of the concern and it may even think of liquidating the concern or writing off the accounts or the loans, because the corporation has seen the difficulties of the concern. Therefore, I for one find no reason why this sort of dual functioning should be allowed.

The corporation as such must preserve its entity as a financial concern and not be shareholders in any concern. If it becomes a shareholder in any concern, it would mean that the corporation is liquidating its own entity and submerging itself with the management of the concern in which it is a shareholder. So, this aspect has to be very carefully considered by the Government. In fact, even the corporation may later find itself in difficulties and then surely the Government might come forward with an amendment to delete this particular provision. I say this with a certain amount of responsibility because the corporation has been showing a large amount of profit by guaranteeing loans and subscribing to debentures and so on; I quite understand it, but it should not go in for a share in any concern. It can get a commission and according to one of the clauses in the Bill, it is entitled to a commission. Let them enhance the rate of commission. They can get it doubled if they want. But they should never be equity shareholders.

My hon. friend who spoke just now was not in favour of this aspect of the

measure, and he pointed out how the corporation would come into difficulties by joining the fold of commercial concerns. The corporation may in course of time understand the difficulties of the concerns and those concerns may bring round the corporation to write off the loans, and it may all be done without the knowledge of the corporation also, or, things may go beyond the control of the corporation. Therefore, this is opposed really to all canons of banking institutions.

The other aspect which I wanted to mention is with regard to certain doubts which may arise out of this Bill. The corporation not only guarantees loans but also deferred payments, either in respect of foreign countries or our own country. At the same time, the Government also, in a way, guarantees the payments, over and above the guarantee given by the corporation. I am not able to understand to what extent the corporation guarantees the amounts and to what extent the Government comes in for guaranteeing the amounts, in the overall picture. I would request the hon. Minister to throw some light on this aspect of the matter. What is the amount so far guaranteed by the corporation, and to what extent the Government also would guarantee. There are two guarantees. It is really confusing. Why should there be two guarantees—one by the Government and the other by the corporation? In case the amount exceeds Rs. 1 crores, Government have to permit such a guarantee being extended.

Shri Jhunjhunwala (Bhagalpur):
With permission.

Shri N. R. Muniswamy: It has been modified into one of approval now. Whatever it is,—whether it is consent or approval—there is the guarantee of the Government also. There is also an independent guarantee by the corporation, at the same time. Why should there be two types of guarantees? I cannot understand it, unless it be that there is something behind all this. Unless the hon. Minister throws some light and make the hon. Members un-

derstand what it is, I am not in a position to support this provision.

To avoid all these difficulties, I only wish that the Government appoints a statutory body. The functions of the statutory body would be to see how far the corporation's functions are in consonance with the principles of the Act. This statutory body should be an independent body. It will be something like a super-body, covering the guarantees extended by the Government also. It will examine the position from time to time, and it will be of benefit not only to the corporation and to the Government but to the country as a whole. Such a statutory body would be more responsible to the House than this corporation, because this corporation is in a way a Government concern, since the Government owns 20 per cent of the share capital of the corporation. The balance is owned by the corporation. I would only suggest that a statutory body be thought of in this connection. I do not know how far the Government would be able to proceed in this direction and how far it would be possible to appoint a statutory body, when there is no sanction for the formation of such a body in this Bill. Unless probably they come with another amendment to have a statutory body to look into the corporation's functions, it would not be possible for us to appreciate the entire scheme of the corporation.

This corporation is not dealing with just a few lakhs or crores of rupees but with several crores of rupees, apart from getting huge monies from other countries also. It gets loans from foreign banks and that money is also to be guaranteed by the Government in respect of repayment. It is therefore not merely a banking concern but it is a big financial institution to help all concerns. It can be placed on a par with the World Bank. Therefore, since it occupies a very big position in the banking world, as a big banking institution, I should say that its responsibilities are greater than what one

[Shri N. R. Muniswamy]

imagines now. I know the chairman of the corporation has to discharge immense responsibilities not only in respect of the Members of this House and to the country but also to the Government. All the same, he must guard himself and the corporation from any lapse that might possibly come in or from any failure that might arise in the discharge of duties, not of his duties but of the duties of others. I therefore wish that instead of taking too much responsibility for the corporation, it is better that the corporation is left with minimum responsibility and discharge that responsibility to the entire satisfaction of the country. For this reason, it should not take any shares in any concerns, for that work would add to the responsibilities of the corporation. There should not be any addition to the responsibilities of the corporation; there should not be any more work than it could discharge now. I only wish that it eats less so that it can digest better, instead of eating more and finding it difficult to digest. Thus, for all these reasons, I submit that the corporation also must be reluctant to enter into activities that a business concern engages itself in. The corporation should not be shareholders in a concern.

I should like to make one more point and I shall have done. My hon. friend who spoke just before I rose, stated that good deal of time is being wasted when Government's approval is sought for loans exceeding Rs. 1 crore. I do not know the details, for, I am neither an industrialist nor a businessman and I do not know how business is conducted. But as a layman, I could mention this. Of course, I do not know how much time is spent by the corporation first, and then by the Government in giving their approval. The Government might not spend as much time as the corporation spends, but ultimately they may turn down the proposal which might cause delay and disappointment and belie the expectations of a concern, after a lot of time is spent over a loan application. I

know industrialists who have asked for loans of Rs. 1 crore or Rs. 2 crores. It is a huge amount. People may not know the magnitude of the loan; they think it is only Rs. 1 crore. The figure may be one, but the content is something much more. So, I disagree with my hon. friend who wanted screening by Government. It is better that it is done by the Corporation, because the Corporation is there on the spot. Instead of asking for screening by the Government, he could have said, "They should not take a long time and it must be finished within the minimum time." If his suggestion is accepted, Government may remit it back for some more information and like that there will be delay. So, what he must insist upon is, it must be speedy, because we want rapid economic and industrial development of the country. So, they must be very quick in coming to conclusions and decisions. So, I do not want there should be any screening by Government; I want the *status quo* to be maintained.

14 hrs.

Since 1957 and even earlier, sometimes the Corporation used to lend money, the amount not being known to others. Sometimes they do things in such fashion. A certain minimum can be fixed, say, Rs. 50 lakhs or Rs. 1 crore and whenever they lend money to that extent, they must give publicity that the Corporation had given so much money to such and such person, so that the people may pursue and find out whether that particular concern, which is the beneficiary to the extent of the huge amount of Rs. 2 crores or Rs. 3 crores, is being managed properly. When it is found that there is even an iota of mismanagement, it should be brought to the notice of the Government. Considering the way things are being done, it is better that some check is put and there should be no secrecy when we deal with such huge sums of money. It must be given wide publicity in the papers that this Corporation has lent so much money to such and such person, so that the

people may keep a watch, over and above the watch by the Corporation and the Central Government.

Mr. Chairman: It has been decided in consultation with the Speaker that the time for this Bill might be extended, so that the Bill is passed by 3.30 P.M. today. This means that the other motion will be taken up at 3.30 instead of at 3. I hope the House has no objection to this. I also request hon. Members to condense their speeches. Besides the eight who already stood up, two more have expressed their desire to speak. It will only be possible if some hon. Members take less time and follow Shri Ranga's example, who finished in 7 minutes.

Shri Rajendra Singh (Chapra): Mr. Chairman, these friends who are ordinarily critical about public enterprises have been found in this debate pouring praise on this Industrial Finance Corporation. This attitude is quite understandable. This IFC is in fact handling public money and it is being used for creating private fortunes. There may be some necessity for giving loans to industries, situated as we are in an under-developed stage, but nonetheless, considering the things as they are managed and the people who are favoured by this Corporation, it lends some anxiety in the minds of the people whether the Government in power seriously means to do what it professes.

My friend, Shri Prabhat Kar submitted that this amending Bill should be referred to a Joint Committee. I do not know how it would be received by the Minister in charge of the Bill, but I think that it is quite pertinent. Since 1952, a new complexion has been injected into the way we are looking at the development of our country. So, it is high time that this amending Bill was referred to a Joint Committee where it could have received the full attention of selected Members of this House. I hope Government will see to it and be reasonable in this matter,

though I have been often frustrated and found that anybody can see reason, but not the Government which is in power today.

There is a complaint that the Corporation has given help even to those industries which are well established and which have a reputation, in a very disproportionate measure. It is not good. My friend, Shri Morarka, said that everybody has to be given help and the measure of the help is not to be taken so seriously. I could not understand why the textile industry should still need to take aid from the Government. Naturally, it creates a doubt in our mind that this IFC is there more or less as a body which is always prone to extend its helping hand to those people who are more or less associated with the Government or who have favourable disposition towards this Government.

There is one thing which should receive our consideration. We have so many backward patches in this country. There the Finance Corporation should have used its influence and its power in looking to the fact that the backward areas in this country are benefited. The industrialists might have been asked, forced or influenced by the IFC to go to those areas where we do not have much of industries and where industrial development is needed.

My friend, Shri Morarka said that the medium industries should be given more than 50 per cent of the usual loans which are given to the industry. I know that it has been considered, and considered quite rightly, by people who have certain expert knowledge of economics, that in this country if speedy industrialisation is to have success, economic powers have to be dispersed in a manner that there is a greater sense of fulfilment among our people and for that small scale and medium scale industries have to be given priority over large-scale industries, except basic industries. It should

[Shri Rajendra Singh]

also be noted that unless it is very, very imperative large-scale industries should not be brought into existence and should not be given help from the IFC. But to our surprise we find that the large-scale industries, especially processing industries, have been given large amount of help. So, naturally, scope for small industries and medium industries has been very much limited. So, I submit that the whole thing has to be reviewed from a fresh angle which will meet with the needs of the situation.

Some of my hon. friends, like Shri Ranga, raised objection to equity participation by the Corporation. I think this is a good thing. The industrialists of this country have a habit of looking at the Government as a benefactor, from whom they want to take everything without giving back anything in return. When we give money to a certain firm or industry, it promises to return it back. But what is the harm if there is equity participation by the Corporation? By doing that the root of public control goes deeper down and does not remain superficial. So, I welcome this particular amendment, and welcome it quite strongly. The misgivings or apprehensions of those who are feeling a little bit disheartened and who have opposed this provision are not well-founded.

Then I come to one sore point. Whenever any firm or any industry gets any assistance from the IFC, it must be made known to the general public. Why should it be kept as a secret? If you see their annual report, of course, the names of the firms are there but the details of any previous help that might have been given to those firms are not disclosed. Apart from that, whatever is disclosed should be publicised widely in the newspapers and that way the public might be taken into confidence.

There is a complaint from certain sides that applications which are sub-

mitted to the IFC do not get speedy disposal. There is an element of truth in such complaints. Except emphasising that in the House and requesting the hon. Minister to expedite it, what else can I do? I can only say that some means must be found by which there is speedy disposal of applications and there is no complaint.

Coming to medium industries, I should say they should be defined. I agree that there should not be anything like a deadline and wherever there is necessity and need, on proper examination and investigation, Government should not hesitate to give power to the IFC to give more than Rs. 50 lakhs as loan in deserving cases. With these words, I support the Bill.

Mr. Chairman: Shri Achar. I find he is not here.

Shri Harish Chandra Mathur (Pal): We have before us for discussion certain amendments to the Act governing the working of the Industrial Finance Corporation. IFC is one of the public sector undertakings which is not in conflict with the private sector. We have always found the private sector accusing the growth and development of the public sector. But here is a public undertaking which is there for the exclusive purpose of propping up and feeding the private sector. The private sector, I hope, will take note of this fact.

These financing institutions have always a certain objective in view and we have got to consider all the amendments and the provisions of the Bill in the light of those objectives. What was the objective which was in view so far as the setting up of this Corporation was concerned? It was to encourage and facilitate the development of the private sector on certain lines which will fit in with our plan objectives. Otherwise, I do not think there is any justification for public funds being allotted for indiscrimi-

nate growth and development of the private sector. Are we succeeding in that matter is the crux of the problem.

Certain hon. Members referred to the development of undeveloped areas and a fitting reply, obviously and *prima facie* a fitting reply, was given by my hon. friend who comes from Rajasthan, Shri Somani. He says that the Corporation is quite anxious all the time to see that those areas which are backward and undeveloped, they are given preference, and the Corporation had gone out of its way to write to the Chief Minister of Rajasthan that there are no applicants from Rajasthan or such backward areas which have not received the most sympathetic attention of the Corporation. I do not blame the Corporation for that. But I definitely blame the Government for not giving proper directives for the functioning of this Corporation.

Let us examine certain facts which have been made available to us by the Planning Commission. While we were discussing the development of this country in the Planning Commission, I had raised certain points and I asked them what steps they were taking to develop the backward areas.

They themselves unfortunately have not got very up-to-date information, but whatever information was made available is of some real significance and I will like to give certain figures to this House. They have given out a list wherein they have stated mining and factory production in the various States. What is the state of affairs? What is the production of the various States in the mining and industrial sector? That will indicate what wealth is produced by each State.

From this statement it will appear that at the top comes Bombay where the figure is 8,640. These figures are in million rupees. Rs. 8,640 million

worth of goods are being produced there. Then comes possibly West Bengal and so on. At the bottom of the list comes Orissa where it is only Rs. 200 million. Above it comes Rajasthan and there it is Rs. 230 million. These two States are at the bottom of the list and as it happens the Corporation's assistance to these areas is also the least.

It can very well be argued that if there are no applications what the Corporation can do. Here I want to make a definite and clear suggestion and that is that the Corporation should be given a directive to the effect that it should follow a policy of giving loans to those concerns which are to be set up in these areas at a lower rate of interest. If they want money for machinery, the 50 per cent rule should not be followed here. They can give right up to 75 or 80 per cent.

There are various ways and methods which have got to be developed and which must be followed only by such corporations. It is only such financing institutions which can follow these criteria for the advancement of loans so that, following those criteria, the under-developed areas are propped up and are developed. But, unfortunately, as it happens, this Corporation is no better—I wish to repeat it; I have said it earlier—than any other banking institution. It may give special type of loans, but so far as carrying forward the objectives of the Plan are concerned, I venture to submit again that this Corporation is no better than any other ordinary banking institution trying to prop up and feed the private industry. But that is not our purpose. Therefore I wish that a definite directive should be given and provision should be made in this Bill that the Corporation should lend money on such preferential terms to attract all the industry to those areas which we have in our mind to level up during the course of the Second, the Third and the Fourth Plans.

[Shri Harish Chandra Mathur]

What has happened? We have produced a lot of wealth and the hon. Prime Minister has said that he will now investigate where this wealth has gone, whether it has gone to the poorer people or it has gone to make the rich more rich. Now the same thing follows here. Have these loans advanced by the Corporation gone only to develop further those areas which are already developed or have they gone in the direction of developing those backward areas?

Having said that, I come to the working of the Corporation. It would be unfair of me not to acknowledge and give a clear approbation to the Corporation on its working judging it by any standard. They are not the people who give directives. They are not people to make provisions in these Bills and enactments. It is the Government and the Parliament which make these provisions and enactments. So my criticism is levelled only against them. So far as the Corporation is concerned, within the given limits within which it is functioning I have not the least doubt in saying that judging it by all standards of judgment the Corporation has done fairly well. If we look at the reports we find that the amounts advanced have grown from year to year. Though the amounts actually advanced continues to be about Rs. 8 crores during all the three years, the amount of loans sanctioned during the last year is about Rs. 18 crores. I understand it. Also, so far as profitability, good loans, recovery of the interest, submission of reports and accountability to Parliament are concerned, I do not wish to hesitate for a moment to give the approbation which is due to the Corporation.

I will make in passing two or three further observations. My hon. friend, Shri Muniswamy, who spoke before me, made a suggestion that some statutory body should be created. I have not been able to appreciate his viewpoint. What type of a statutory body is demanded? I think the Cor-

poration itself is a statutory body. Why do you need another statutory body? If we cannot trust the Corporation, there is no reason why we would trust another body. I think we should not create any impression in the minds of those who run the Corporation or in the country that we have no trust in one particular statutory body and will have greater trust in another statutory body. As a matter of fact only a few days back we discussed.....

Mr. Chairman: I am sorry that I have to cut down the hon. Member's time to ten minutes because there are three speakers more and I am to ask the hon. Deputy Minister to reply at 2-45.

Shri Harish Chandra Mathur: I will conclude in another two minutes though I was under a different impression according to what the hon. Speaker said.

There is no statutory body which is necessary. As a matter of fact while discussing the public sector undertakings we had suggested an overall statutory body of Parliament which would look after all the 70 public undertakings in the country. There is no intermediate body wanted between that statutory body and this statutory Corporation to look after it.

I will make another observation about what my hon. friend, the leader of the Swatantra Party, said in the opening remarks of his speech. I have great respect for and personal relationship with my hon. friend but I do not know what sort of complex they have developed. He, at the very outset, wanted to give an unnecessary warning to the Government that they do not want that the Government misuse their power. Government has got much more power than this Bill gives it. It has thousand times more power than this Bill will give. Government has already got more powers in respect of the administration of this Corporation itself. Has he any instance to show where

this power has been misused? What is the use of making these general observations and giving unnecessary warnings?

Then my hon. friend, Shri Rajendra Singh, also made certain observations about money being given to those people who are favourably disposed towards the Government. I have got no such information. If he has got any such information, I will like to be at one with him and denounce the Government. But hon. friends who just want to make such observations would do much better either by pointing out that such-and-such application had been dealt with so or by citing a case in which the application had been turned down because it was from such a firm which was not favourably disposed towards Government. What we find is that on the other hand the Corporation is going out of its way approaching people and the Governments, more particularly in the underdeveloped areas, asking them for applications and wanting to give them all sorts of assistance. I do not think in the light of these circumstances that there appears to be any justification for such observations.

Shri Naushir Bharucha: Mr. Chairman, I think this is a welcome Bill seeking to enlarge the powers of the Industrial Finance Corporation. The fact has to be borne in mind that this Industrial Finance Corporation is a powerful instrument, if used in the proper way, for advancing the pace of industrialisation of our country.

Much of the criticism that has proceeded from my hon. friends of the Communist Party centred round the fact that they are opposed to the growth of the private sector as such.

Sir, the Bill, so far as it proceeds, seeks to remove certain disabilities which have been found in the operation of the Act by the Industrial Finance Corporation. There are six disabilities which this Bill seeks to remove.

First the Corporation cannot guarantee loans raised by industrial concerns from scheduled banks and State cooperative banks. This is an obvious matter. When the Industrial Finance Corporation has been entrusted with powers of assisting industrial concerns financially, there is no sense in not guaranteeing loans raised by such concerns from scheduled banks. This may have been an oversight and this lacuna is being rectified now.

The second disability is that the IFC cannot guarantee deferred payments for the acquisition of capital goods in India—a very invidious distinction to be made. Since acquisition of capital goods made in India, is absolutely in the interest of the country and in the interest of the promotion of industrialisation, one fails to see why the IFC cannot guarantee deferred payment for the acquisition of capital goods made in this country.

The third disability is that the Corporation cannot guarantee foreign exchange loans sought by Indian concerns from institutions abroad. That again seems to me to be a kind of impediment in the way of a Corporation which we have created for assisting industrialisation. That disability must also go.

The fourth disability is that it cannot subscribe directly to the share capital of an industrial concern although it can underwrite issues of shares. I really fail to see the distinction between acquiring shares by way of underwriting them, or acquiring shares by way of directly contributing to the share capital. Whether you subscribe directly or retain those shares which you have underwritten for a period of seven years, the distinction is very subtle and the handicap must go.

The fifth disability is that the Corporation cannot share the profits of an industrial concern which is entit-

[Shri Naushir Bharucha]

led to financial assistance from it in the shape of loans or debentures. If people say that the power given to the Corporation to underwrite share capital is there, and if we give it power to subscribe directly to share capital, I do not see any reason why it should not participate in the benefits of the industry.

The sixth disability is that it cannot grant loans or subscribe to debentures of industrial concerns, where the grant exceeds one crore of rupees. If in aggregate they can carry on business of much larger magnitude than this, I fail to see why single ventures of this kind should require special permission of the Government. The fact remains that the Industrial Finance Corporation is still a small concern notwithstanding its turn-over of nearly a hundred crores of rupees. Therefore our anxiety should be to increase the volume of the turn-over of this Corporation and make it truly an agency for helping the industrialisation of the country.

So far as the criticism as to whether it has assisted under-developed areas or not, I think that really belongs to the realm of policy with which the Industrial Finance Corporation is not concerned. It is up to the Government. It is not the business of the IFC to find out which are under-developed areas, because immediately on the connotation of under-developed areas there will be difference of opinion. It is the duty of the Government to give specific directives and it is for the Corporation to carry out those directives. It is not for the Corporation to find out and specify that these are under-developed areas and therefore they should be developed.

Shri Warrior: That directive can be issued by the Government.

Mr. Chairman: The hon. Member is not yielding the floor.

Shri Naushir Bharucha: That is the business of the Government. What I am pointing out is that the IFC cannot be blamed for not laying down a policy. The fault, if any, lies with the Government.

Much of the criticism centred round the administrative aspect of the Corporation. Some industrialists like my hon. friend Shri Somani, who makes very valuable contributions on financial matters, says that the loans are granted only up to the extent of 50 per cent of the fixed assets. I am of the view that it is erring on the side of having over-security for the investment. That policy should be definitely abandoned and some sort of reasonable relaxation should be made. A directive from the Government is also necessary in this matter.

Finally, I have to point out one thing. So far as the Bill is concerned, we are only here to decide whether certain powers should be given or not. As to how these powers are used and to what extent the Corporation should be accountable to the Parliament, these are totally independent questions. I am not in favour of setting up any statutory body. As my hon. friend Shri Mathur pointed out, if we are going to have a body for going into the affairs of all undertakings in the public sector, it is a different thing. We may have such a body. But I am of the opinion that at present our narrow and limited concern is whether the Bill should be passed or not, whether we should extend the powers of the Industrial Finance Corporation or not. I am of the opinion that these are more or less lacunae left in the Act which experience has brought to the forefront and they should be rectified.

After all I believe the Industrial Finance Corporation has still a greater and vital role to play in the course of the Third Five Year Plan when our industries are expected to take a big step forward and we hope the Corporation will give a good account of it.

self in the course of the Third Five Year Plan.

Pandit Munishwar Dutt Upadhyay (Pratapgarh): Madam Chairman, I am very thankful to you for giving me a few minutes, although you are so hard-pressed for time. Many of the points which I wanted to make have been covered by the previous speakers and I shall take only a few minutes.

Before I go to the merits of the Bill itself, I would like to say that my hon. friend Shri Ranga gave a different turn to the debate from our constant demand for greater control over such corporations by the Parliament Government, whenever such subject came before the House. He said that the control of Government was probably too tight over this Corporation and its working and said that Government should not have that much of control in the working of this Corporation. As a matter of fact, Government has taken almost 99 per cent of the responsibility for the financing and working of this Corporation. To say that Government should have no voice, I think would be highly improper in this regard at least. In other respects our demand for having a tight control over such institutions I think is appreciated by Shri Ranga also.

The other point that he made was that the loans advanced were mostly to sugar factories and cement factories. Of course loans were advanced to sugar factories run by cooperative societies. That was the policy of Government and I think there is ample justification for it. As regards cement, for the heavy construction works that are going on cement is badly needed and if any help to develop that industry has been given, I think it was fully justified. Again he said—I wonder how he could say so—that not much has been given to small-scale industries. As a matter of fact, the object of this Corporation is not to give aid to small-scale industries. Therefore, that question does not arise.

Another hon. Member from the other side said that there should be a change in the constitution of the Advisory body or the Board of directors. I do not know what change he wanted in the Board and the Advisory body. In fact, the Board is not being controlled by persons who are running the industries, generally. There are a number of others, officials and others, and Members of Parliament. I think the Board is properly constituted and its working has been very satisfactory. In the beginning there were a good deal of complaints. A sub-committee was appointed. The report of the Sub-committee came before us. After that report, I find that the working of the Corporation has been very satisfactory. There does not appear to be any reason for making any further complaint. Of course, there were certain drawbacks and those drawbacks are now being made good by the suggestions that have been put forward in the amendment.

The most welcome suggestion that has come is the guaranteeing of loans from Scheduled banks and co-operative banks, although loans were taken from the public. There was no provision for a guarantee for loans from the Scheduled banks and co-operative banks. This was very necessary. It is an easier way to raise money and loans for the purposes of working these concerns. Another provision which is still more welcome is the provision by which the Corporation can give guarantee to the purchase of capital goods made in India. This encourages the manufacture of capital goods in India and also helps those concerns that are manufacturing these goods. These are the two most important amendments that are being made and they are very welcome.

The drawbacks that have been pointed out still are that the underdeveloped and backward areas are not sufficiently helped. As some hon. Members said, that is not due to the fault on the part of the Corporation

[Pandit Munishwar Dutt Upadhyay]

itself. Its constitution does not allow the Corporation to go in that direction very far. It is really the fault or the drawback of the Government directive or power not having been conferred on the Corporation. Doubt there is none probably, that concentration of industries is being made in certain areas and some of the Pradesh are neglected. Some of the Pradesh were named by my hon. friend. I think it is correct. If it is possible, an amendment should be made so that the Corporation may have an opportunity to help those under-developed areas in a better manner.

Another hon. Member on the other side—I think, Shri Rajendra Singh—said that private fortunes are being made with the help of the Corporation. I think he remembers those days of the Corporation in the beginning when a lot of complaint was made. After the report of the Committee, I do not think there can be any such complaint against this Corporation. Therefore, I would submit that the working of the Corporation is excellent, there is not much room for complaint and that the amendments that have been suggested are welcome.

Shrimati Tarkeshwari Sinha: Mr. Chairman, I am grateful to the hon. House for being so commendatory about this Bill. Many useful suggestions have been put forward. I can assure on behalf of the Government and the Corporation that all these suggestions will be kept in view.

There is a certain misunderstanding in the minds of the first two speakers which I would like to clarify. Shri Warior raised a point that there is no representative of the workers on the I.F.C. Board. As the hon. Member knows, policy decisions in regard to disbursement of loans and so many other things are decided by the Board of directors. In the Board of directors, there are certain members nominated by the Government. One of them is a representative of the workers. A very important trade union

leader has been nominated by the Government as a director, on the Board of the I.F.C.

Shri Warior: On the Advisory body. The hon. Minister should not confuse. It is not on the Board of directors. There is an Advisory body. It was in that that I suggested that there is no representative of the workers.

Shrimati Tarkeshwari Sinha: The doubt that he expressed does not at all arise because, actually, it is the Board of directors that evolves policies for the working of the Corporation. The Government keeps a constant watch that the interests of every section of the country are well represented in the working of the Corporation.

Another point was raised by the first two speakers, Shri Prabhat Kar and Shri Warior who have tabled an amendment for sending this Bill to a Joint Committee. I do not see any reason why this Bill should be sent to a Joint Committee. The House had opportunities of discussing this Bill a number of times. I mentioned in my speech that, since the Industrial Finance Corporation Act came into existence, the House had opportunities of discussing this Act four times. This is the fifth amendment which has come. Therefore, all the policy decisions, and the ground work on which the Corporation is functioning at present were thrashed out by the various discussions that took place in Parliament and also in the various discussions that took place between the Corporation and the Government. I do not see why this small Bill should go to the Joint Committee and cause delay. Many hon. Members are anxious and many Members have expressed their concern today even in the House that the Corporation's work should be expedited much more vigorously and that it should expand its activities much more. Therefore, to cause delays where delays should not happen will certainly hamper the work done by the Corporation.

Therefore, the Government did not really think it at all advisable to send this Bill, which is a very small Bill consisting of a few clauses, to a Select Committee. Hon. Members would realise that in the Statement of Objects and Reasons it has been pointed out that from the experience gained by the Corporation in its working from 1957, when the Act was amended last, it has become necessary to enable the Corporation to render assistance to industrial concerns in a wider field. For this very purpose, this Bill has been brought forward and it has received such happy support from all sections of the House. When this Bill was drafted, all the aspects of the Bill were considered. It has been considered in the various committees, and the Consultative Committee of Parliament. From time to time, Members have raised certain points by various questions that they have put forward in this House. Many suggestions have been received and many queries have been made. Government have seen that all these various suggestions and various queries are fully considered. We also considered this matter with the Reserve Bank of India and the concerned Ministries as to how to formulate a policy so that the working of the Corporation may be smooth and may be expedited for the benefit of the whole country. The overall scope of assistance which would now be rendered by the Corporation would be completely in line with other financial institutions serving in the same field. Actually, the activities of the Corporation and the expansion of its activities will serve to fulfil the growing need of industrialisation of this country and they will supplement the other financial institutions which are also operating in India today. This was the reason why the Corporation is being given enhanced powers. The whole principle of the Corporation is being provided with more elasticity.

Another point raised by both the speakers was about the guarantee to the banks: whether loans provided by

the banks should be guaranteed under this Bill. Many hon. Members have answered the point fully and I do not have much to add to. They have lightened my burden. There is ample reason why it should guarantee loans raised from banks. Actually as the hon. Member Shri Morarka pointed out, for industrial concerns, it is very difficult to go and float loans in the open market. Generally, they go to the banks and secure loans for their industrial development. It is for the Government of India, State Governments and public bodies like the IFC to float loans in the open market, but it is really very difficult for an industrial establishment to go and ask for money in the open market. Even then, the Corporation already has this privilege of guaranteeing the existing loans raised in the open market. As Shri Bharucha pointed out, it was really an oversight which prevented the Corporation guaranteeing the loans provided by the banks. After all, most of the business undertakings take loans from banks. So, it is very anomalous really that the Corporation should guarantee loans raised by industrial concerns from the market as such and not guarantee loans which the industrial undertakings take from banks. The purpose of this amendment is to remove this anomaly.

Both the hon. Members who spoke first are quite conscious of the fact that Government has 99 per cent financial interest in the Corporation. That is the very reason that made the Government or the Corporation come forward with the amendment which releases the Corporation from the additional guarantee of sums above Rs. 1 crore. After all, as the hon. House knows, because the report is before it, Government owns nearly 20 per cent of the Corporation's present issued capital of Rs. 5 crores, and in addition, it guarantees the balance share capital of Rs. 4 crores. Apart from that, it gives the Corporation large loans and guarantees all the bonds issued by

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the Corporation which, in fact, constitute the principal source of the Corporation's funds. The bonds so far issued by the Corporation, carrying Government guarantee aggregate nearly Rs. 25.74 crores. There is, thus, little point in the Government guaranteeing again loans over Rs. 1 crores given by the Corporation. I do not think it is at all necessary or desirable for Government to undertake such guarantees for the sake of a few concerns.

The hon. Member was very concerned as to why all this money should really go to the people who have already big funds. That is the very reason why Government does not want to give this guarantee only to a few people. The Government guarantees the loans and the bonds issued by the Corporation and so many other things of the Corporation. So, why should Government really give this additional privilege to only a few people whose borrowing goes to Rs. 1 crore or more than that? It is in the interests of the Corporation and Government that this additional guarantee is not provided only to a few lucky people. It is therefore felt that no particular advantage is gained by providing the additional guarantee to loans of Rs. 1 crore or more. This has been relaxed.

Shri Warrior also raised the point about loans being disbursed to a few lucky people. Some other hon. Member also made a very uncharitable remark saying that public money was being spent for making private fortunes. I think it was a very unfortunate remark. If Members have gone through the report, it is really not very necessary for me to give any additional information, because the report is so exhaustive that it gives all the information. But, again for the information of the House, I may venture to say that the number of concerns to which loans were disbursed till 30.6.60 was 146. The total amount of loan disbursed in these years since the Corporation has come into existence is

Rs. 50.73 crores. During the last three years the Corporation has really made a tremendous progress. Out of Rs. 50.73 crores of loans disbursed, disbursement in the last three years has been as under:

1957-58	Rs. 8.33 crores
1958-59	Rs. 7.48 "
1959-60	Rs. 8.41 "

Loans which were sanctioned and approved were as under:

1957-58	Rs. 7.79 crores
1958-59	Rs. 3.79 "
1959-60	Rs. 17.92 "

Applications rejected have been very few. In 1957-58, out of 48 applications received, only one was rejected. Applications which were withdrawn or which lapsed in 1957-58 totalled 10, in 1958-59 it was 22 and in 1959-60 it was six, but for that nobody can blame the Corporation.

Out of the total of Rs. 84.61 crores of loans sanctioned since the Corporation has come into existence, Rs. 33.88 crores have not been disbursed. This gap is made up as follows:

Loans declined or not to be made available Rs. 10.95 crores

Loans approved subject to Government approval which was alities which have to be gone through Rs. 12.51 crores.

Loans under commitment awaiting completion of necessary formalities which have to be gone through Rs. 12.51 crores.

So, it is clear that it was not through any default of the Corporation that this sum of Rs. 33.88 crores has not been disbursed. These are certain fundamental principles which have to be followed by any financial institution, and more so by the Industrial Finance Corporation, 99 per cent of which is public money.

I do not want to repeat the points already taken up by Shri Morarka, Shri Somani, Shri Bharucha and so many others. They have given support and strength to this Bill. But there are one or two points which were raised by a few Members about regional disparity and the responsibility of the Corporation in fulfilling the obligation of reducing the regional disparities. As Shri Bharucha pointed out, it does not depend upon the Corporation to go into the question of regional disparities, because, as he pointed out, it may be that the concept of regional disparity may differ from one industrial unit to another. So, the Corporation, which is an impersonal body, cannot really go into the question. But I do appreciate the anxiety of the House about reducing this regional disparity. That has also been our national policy. It has been the policy of the Government, and the whole House is in support of that policy. I can certainly assure the House that we shall really keep in view this anxiety expressed in the House and see, without affecting the basic structure of the Corporation and without interfering in the day to day activities of the Corporation, whether Government can really find out some way so that when applications are received, this question can also be considered. Every application which is to be sanctioned by the Corporation has to be very sound financially. The whole purpose of such a financial institution is to go into the entire financial soundness of the whole proposal. They have to satisfy themselves about it in respect of every industrial undertaking, responsibility for which they take upon their shoulders. But a case may come in where there are two units equally sound and equally deserving loan from the Corporation. There certainly the Government can look into the question, because these major loans have to be advanced under the approval of the Government. While these big loans are advanced with the approval of Government, Government will certainly try to pursue the policy decision which they have already

taken in other governmental activities or even in regard to the licensing of the private industrial undertakings, namely that they will keep in view the question of reducing or avoiding regional disparities. As the hon. Member has pointed out, this does not require any amendment of the Act. This can be really provided for by a suitable discussion between the Government and the representatives of the IFC. But I do not think it is proper on the part of anybody to blame the IFC on this score.

15 hrs.

Shri Harish Chandra Mathur: Nobody has blamed the corporation. We have very clearly stated that the corporation within its limits has done exceedingly well. So, the corporation is not being blamed. We only wanted Government to give a directive which will be in line with the policy of Government; they could give certain incentives so that in certain areas which are backward, both industry and capital could be attracted. Instead of being only a banking institution, the corporation which is a Government institution must certainly pursue a policy which will tend to promote industries in the backward regions.

Shrimati Tarkeshwari Sinha: I have already taken cognizance of the anxiety expressed on the floor of the House, and certainly we shall try to do whatever we can in this respect.

There was another criticism advanced that these loans were provided only to the big industrial undertakings. Several arguments have been advanced, and figures also have been quoted by Shri Morarka that out of the industries for which loans had been approved, there were actually seven major industries, namely, sugar, paper, cotton textiles, chemicals, cement, rayon and mechanical engineering. These cover almost all the important industrial sectors in the

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country. Out of the loans approved for them, Rs. 25.62 crores have gone to the sugar industry; and these have been given mostly to the co-operative societies. So, to say that this corporation is only providing funds to the big industrial undertakings and big capitalists is not quite correct.

Shri Morarka raised a point about the relaxation of the principle of 50 per cent margin. Certainly, Government will bear this in mind. As the hon. Member himself has pointed out, this does not require an amendment of the Act. This will certainly be discussed between the Government and the IFC and we shall decide that could be done. Already, we do relax in certain respects. The IFC itself relaxes these rules in certain respects. As to what more we can do for the medium industries, we shall certainly keep this in view.

Shri Somani has raised the question about the purpose of the Central Government guaranteeing the loans given by the IFC. There are no special features in regard to the guaranteeing of these loans. Under the existing Act, there is section 3(2) which makes a provision in this behalf. The provision of guarantees of the IFC loans by the Central Government, State Governments, the scheduled banks or State co-operative banks relates to the cases where adequate securities in the shape of mortgages, pledge etc. are not available, and only in such cases as those relating to the IFC loans to sugar co-operative societies, which are generally formulated by the Central Government or State Government, this provision operates. This is the main purpose of guaranteeing the loans given by the IFC, and we cannot completely do away with that principle, because we have to see the merits of each individual case and find out whether sufficient mortgages or sufficient property is at their disposal which can be set apart to provide adequate guarantees by various other bodies like the State Government or the Central Government or co-operative banks or scheduled banks.

A point was also raised by certain Members that adequate publicity is not given to the activities of the corporation. Publicity regarding the corporation's activities has been given at least to the House. The hon. Members themselves have commended the report of the corporation and said that it is so exhaustive that it covers almost all the aspects of the corporation's functioning. Therefore, to level this kind of charge is not fair. Besides, anybody who wants to get a copy of this report can get it and thereby know which are the industries which have been sanctioned loans and how the functioning of the corporation has been organised.

There was a suggestion by Shri Ranga that these loans should be disbursed with a lot of care. I think Parliament has exercised enough care in the activities of the corporation, and it is as a result of the zealous care that Parliament has exercised that the functioning of the corporation has improved very much. I have been a Member of this House since 1952, and I can realise how the functioning of the corporation has improved. In fact, it has been realised by the House also, because the House has also started commending the functions of the corporation. The praise that has been given to the IFC today on the floor of the House was not there in 1952. So, the House rightly appreciates the improvement that the IFC has brought into its operations and its structure.

I have nothing more to add. Once again, I thank the House for giving such a favourable response to this Bill and I move the Bill for the consideration of the House.

Mr. Chairman: There is an amendment moved by Shri Prabhat Kar. Need I put it to vote?

Shri Warrior: We are not pressing it.

*The amendment was, by leave,
withdrawn.*

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.

Mr. Chairman: We shall now take up the clauses. There are no amendments to clauses 2 to 4. So, I shall put them together to vote.

The question is:

"That clauses 2 to 4 stand part of the Bill."

The motion was adopted.

Clauses 2 to 4 were added to the Bill.

Clause 5— (Amendment of section 23)

Shri Warrior: I beg to move:

(i) Page 2, line 13, for 'agreed upon' substitute 'prescribed'. (1).

(ii) Page 2, lines 15 and 16, for 'twenty-five years' substitute 'ten years' (2).

(iii) Page 2, line 18, omit 'scheduled banks or'. (3).

(iv) Page 2, line 20, for 'may be agreed upon' substitute 'prescribed'. (4).

(v) Page 2, omit lines 29 to 35. (5).

(vi) Page 3, line 18, for 'seven years' substitute 'one year'. (6).

(vii) Page 3, line 23, for 'twenty-five years' substitute 'ten years'. (7).

The purpose of my moving these amendments is this. With all the explanations that the hon. Minister has given, I do maintain that this is a clear departure from the structure and concept of the IFC which we had agreed to in the original Act and the amendments made therein later on. These amendments which are being moved now are intended to restrict us very much,—since we are now in the stage of almost accepting this Bill without referring it to a Select Committee,—and restrict the activities and the liability that may

come on the head of the corporation. The corporation is given very wide powers. I am quite sure that those who are going to benefit out of it will certainly press the corporation to such an extent that the corporation may well find it difficult to shoulder all these responsibilities.

I shall just give one instance to convince the House of this. We are providing now that the corporation should stand guarantee to the loans raised by any concern even from a private scheduled bank. Suppose the corporation does not know actually what the position of the scheduled bank itself is; suppose it is a bank like the Palai Bank, for instance, what will be the position of the corporation when guaranteeing such loans? These private banks may be scheduled banks, but they may be giving loans to the concerns under certain circumstances, under certain pressures. What will be the guarantee about the security of those loans? We have no such guarantee. Even now banking concerns, especially in our parts in the south are, I know, in a flux. Under such circumstances should we load the responsibility of all these guarantees on this Corporation? I do not think that it is necessary at least at present.

Then again, we are now guaranteeing debentures and other loans. At the same time, there is a clause here to enable conversion of the loans into shares. Suppose the share market goes down. What will be the position? Naturally these concerns will come to the Corporation and press it for conversion of the loans into shares. We had such occasions and we had mentioned it here. Hence, as far as possible, we should not put the Corporation in a ridiculous position when it actually has to face pressure from the other side. My only object is to save the Corporation from this situation. It is not that its powers should be restricted so far as giving of loans is concerned or so far as the expansion of its activities is concerned. But the other side must not be given

[Shri Warrior]

overwhelming power to coerce the Corporation into certain awkward positions in which there will also be financial loss. Hence these amendments.

In my first amendment, I have said that instead of 'agreed upon', it should be 'prescribed'. There must be specific rules and directions given to implement these provisions. With this end in view, I have moved these amendments.

There is another amendment saying that the number of years must be reduced. In the original Act, we have provided for 25 years. Now things are moving faster; it is not like the earlier years. There are many changes taking place in the entire financial and industrial sector. Hence it is necessary that there should be periodical check-up and inspection so that at any time the Corporation can withdraw its hands from the affairs of certain companies which may be mismanaged. For this, 25 years is too long a period. It must be reduced to 10 or 7, whichever is feasible. I do not press that it should be 10. It may be 7 or 12. It is not sacrosanct. But in the present state of our very speedy and quick development, 25 years is too long a period.

All these amendments are harmless. They are meant only to save the Corporation from much trouble and pressure and I hope the Minister will not have much objection to accepting them.

Shri Morarka: I could not understand the amendments moved by Shri Warrior. One of his amendments seeks to delete the words 'scheduled banks'. In support thereof, he has instanced the case of a loan taken from, say, the Palai Bank and a guarantee given for such a loan. I cannot understand what is wrong with the guarantee. After all, the Corporation guarantees the repayment of this loan to the bank. The bank gives a loan to an industrial concern and if that concern cannot repay it, then the Corporation

would repay. The standing of the bank does not actually matter here. Unless the bank is in a position to make a loan, it will not do so. If the loan is not given, the question of guarantee would not arise. The Corporation only guarantees that the loan would be repaid if the concern, the principal borrower, cannot repay. So Shri Warrior's amendment on this point is not quite clear to me.

Shri Warrior: If you will permit me, I will make it clear.

Shrimati Tarkeshwari Sinha: We understand it.

Shri Warrior: The Deputy Minister has understood it. Take a concrete instance. A security was given to the Palai Bank for Rs. 25 lakhs. Actually, its value was only Rs. 5 lakhs. In such a circumstance, Rs. 20 lakhs would have had to be given by the Corporation to the bank in terms of the guarantee, because the value of the assets offered as security was only Rs. 5 lakhs.

Shri Morarka: Here it is not a question of providing any security or assessing its value. Here a loan is given to the industry concerned by the bank which is guaranteed by the Corporation.

Mr. Chairman: The hon. Member is trying to explain that if the bank is not vigilant and does not look into the assets properly and gives more loan than is warranted by the assets, then the Corporation will be made responsible for the repayment of the loan.

Shri Morarka: That question would not arise, because the Corporation would look into all the details of securities etc. before standing guarantee. Merely because some bank has given a loan, the Corporation will not guarantee it. Before guarantee is given, the Corporation would satisfy itself that all the conditions are fulfilled. So the nature of the security and value thereof would be fully examined. Hence that contingency would not arise.

Shrimati Tarkeshwari Sinha: I agree with what Shri Morarka has said about this. Actually the question does not arise at this stage, because the Corporation will have the choice and discretion to guarantee a particular loan given by the bank or not. This is only an enabling provision for the Corporation to guarantee loans; but it will certainly exercise its discretion before giving guarantee. This Bill does not compel the Corporation to give guarantee. It will be very vigilant, as it has been in the case of so many other loans sanctioned directly by itself, so that the apprehensions of the hon. Member are not well founded at this stage. There is a lot of presumption in what he said.

Then another point was made about conversion of loans into shares. The Corporation has to make some profit. After all, this House has allowed the LIC and ICICI to convert their loans into shares and to buy shares and go into the open market. We have also enabled the Corporation to do likewise. It is not an open sanction to the Corporation to venture into every kind of share. It is just an enabling provision that in case it thinks fit it may buy a particular company's shares which are available and which will be profitable to buy. The Bill certainly gives option to the Corporation to have this elastic approach. It allows it the option of converting part of its loans to shares or debentures. But certainly I do agree with Shri Somani and Shri Morarka that there is an element of risk in this. But in business there is always a little risk involved. I am sure, like a shrewd financial body that the Corporation is, it will be very cautious about the whole approach to be made in the share market. It has an additional responsibility under clause 8 which amends section 42 of the Act. Under this amendment, we are providing that the rules framed by Government should be published in the official gazette and laid before Parliament within 30 days and will be sub-

ject to modifications made by Parliament. So Parliament will have abundant opportunity of discussing that rule and throwing it out if it thinks so and if it is against public interest. So, there should be absolutely no apprehension on this account. Because there is nothing in these amendments, I do not propose to accept any of them.

Mr. Chairman: Does the hon. Member want to press his amendments?

Shri Warrior: Yes.

Mr. Chairman: Shall I put all of them together?

Shri Warrior: Yes.

Mr. Chairman: I shall now put amendments Nos. 1 to 7 to the vote of the House.

Amendments Nos. 1 to 7 were put and negatived.

Mr. Chairman: The question is:

"That clause 5 stand part of the Bill".

The motion was adopted.

Clause 5 was added to the Bill.

Clause 6— (Amendment of section 24)

Shri Warrior: I beg to move:

Page 4,—omit lines 5 to 9 (8).

My hon. friend, Shri Prabhat Kar, has explained this point. I do not want to add anything more to it.

Mr. Chairman: This amendment is now before the House. Does the hon. Member press it?

Shri Warrior: No.

The amendment was, by leave, withdrawn.

Mr. Chairman: There are no amendments to clauses 7 and 8. So, I will put all the three clauses, clauses 6, 7 and 8 together for the vote.

[Mr. Chairman]

The question is:

"That Clauses 6, 7 and 8 stand part of the Bill."

The motion was adopted.

Clauses 6, 7 and 8 were added to the Bill.

Mr. Chairman: The question is:

"That clause 1, the Enacting Formula and the Long Title stand part of the Bill."

The motion was adopted.

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

Shrimati Tarkeshwari Sinha: Sir, I beg to move:

"That the Bill be passed."

Mr. Chairman: The question is:

"That the Bill be passed."

The motion was adopted.

15.22 hrs.

MOTION RE: REPORT OF INTER-MEDIATE PORTS DEVELOPMENT COMMITTEE

Mr. Chairman: Now, we will take up the next item, the No-Day-Yet-Named motion by Shri T. B. Vittal Rao and others.

Shri T. B. Vittal Rao (Khammam): Madam Chairman, I beg to move:

"That this House takes note of the Report of the Intermediate Ports Development Committee, laid on the Table of the House on the 9th September, 1960."

The Committee was appointed in March 1958. The report was submitted to Government some time, as published in this report, in April, 1960. Several months after the report was submitted to Government, they thought it fit to lay it on the Table of the House

on 9th September, 1960. Even then the Government's decision on the recommendations is not known. It is still in the consideration stage and, probably, some discussions are going on between the Ministry and the Planning Commission. But I welcome the decision of Government at least to appoint this committee because all the while emphasis was being laid on major ports and the development of major ports. Only when they saw a few years ago that due to congestion at these major ports they have to pay heavy demurrages they just thought of developing some minor ports and appointed this committee.

15.24 hrs.

[SHRIMATI RENU CHAKRAVARTY in the Chair]

The idea of developing these minor ports is very good because the major ports which we have already reached the optimum—the saturation point. And, whatever alterations or additions we can make will not be of great help. Even for developing the handling capacity of the various major ports in the country, for increasing their handling capacity, several other ancillary works have to be undertaken. For instance, if the capacity of the Madras port has to be increased by adding a berth or two, for handling the iron ore traffic for export, you will have to double the railway line between Guntakal and Madras, which would again entail huge expenditure.

Another important point which has come to the fore is the export market for our iron ore. As stated in the Report, the Japanese steel industry wish to buy enormous quantities of iron ore. Then there are the East European countries and some other buyers from the western countries. It is estimated that we would be in a position to export 9 million tons of iron ore annually by the end of the Third Plan period, that is 1965-66. This 9 million tons would be, I think, on the conservative side. This cannot, by any stretch of imagination, be said to