ways' Capital programme in the Plan —which at present is Re. 1,325 crores —is now under consideration. This amount includes Railways' own contribution towards expenditure on Capital works chargeable to Revenue, and to Depreciation Reserve Fund and Development Fund.

8. The problem of accidents on Railways has been engaging my aatention. Following the discussions in the Parliament after the unfortunate accidents at Ghatsila, Mainpuri and Kosgi during October/November, 1961, a Committee has been constituted, with Dr. H. N. Kunzru as Chairman, four Members of Parliament and two technical experts. The terms of reference of the Committee are to

(i) consider the question of accidents on Indian Railways.

(ii) suggest measures by which they can be further minimised.

The Committee has started its deliberations.

9. Railways are the largest single employer in the country and stand committed to a policy of progressive improvement in the measures of welfare for staff. Residential accommodation for the staff continues to be augmented at the rate of about 11,000 quarters every year. The number of beds added in Railway Hospitals, health units and chest clinics was 780, —including 109 T.B. beds in approved sanatoria—in 1960-61, and 180—including 72 T.B. beds in approved sanatoria —since April, 1961. Railway Schools and Railway aided schools and subsidised hostels for the children of railway employees, holiday homes for staff—including the one which is being set up in Srinagar,—schemes financed from the Staff Benefit Fund, such as handicraft centres for the benefit of families of railwaymen and scholarships to children of railway employees for technical education, have all continued to function with increasing usefulness. In addition to financing staff welfare measures from Railway Revenues, a "Railway Minister's Welfare and Relief Fund" has recently been set up, under the management of the Ministry of Railways, to be fed from voluntary donations of railwaymen or others and from proceeds of special entertainment shows organised by Railwaymen, etc. The Fund is meant to provide assistance to employees, or to dependents of deceased employees left in straitened circumstances, in cases in which the normal rules cannot provide relief or cannot provide adequate relief. Grants have been given in some 20 individual cases so far, from out of a collection to the Fund of about Rs. 2,25,000. On the occasion of the recent centenary celebrations of the Railway Workshop at Jamalpur, I also donated Rs. 25,000 from the Fund, for the collective rehabilitation of railway staff and their families in this area who had been badly hit by the unprecedented floods of 1961. The staff had, through their own splendid efforts, raised a sum of Rs. 10,000 for this cause.

10. I am glad to say that the staff relations during the year have been generally cordial and satisfactory. I feel confident that, with the courage, devotion to duty and patriotism, of all ranks of Railwaymen, Indian Railways will progress from strength to strength in the years to come and will successfully discharge the responsibilities placed on their shoulders.

12.37 hrs.

STATE FINANCIAL CORPORATIONS (AMENDMENT) BILL, 1961

Mr. Speaker: The House will now take up the consideration of the Bill further to amend the State Financial Corporations Act, 1951.

The Deputy Minister of Finance (Shri B. R. Bhagat): I beg to move*:

"That the Bill further to amend the State Financial Corporations Act, 1951, be taken into consideration."

As the House is aware, the State Financial Corporations Act was passed in 1951 to provide for the establishment of State Financial Corporations in the States for rendering financial assistance to small and medium-scale industries. Under this Act, all the States have established Financial Corporations in their respective territories except the Madras State where the Madras Industrial Investment Corporation Limited is functioning as a Financial Corporation for that State. In the Union Territories of Delhi and Tripura the jurisdiction of the Punjab and Assam State Financial Corporations Acts respectively have been extended to serve the needs of the industr in those territories. The question of extending the jurisdiction of the Punjab and Assam Corporations to Himachal Pradesh and Manipur respectively is under consideration.

Since the last amendment of the Act in 1956 the administration of the Act has brought to light the need to amend it in certain respects to ensure smooth functioning of the Corporations. The amendments now before the House were considered at the annual conferences of the representatives of the Financial Corporations held under the aegis of the Reserve Bank of India in 1958, 1959 and 1960. The amendments recommended by these conferences have been considered by the Reserve Bank and the State Governments and it is now proposed to amend the Act suitably.

The House might recall that the Industrial Finance Corporation Act, 1948 was amended in 1960 with a view to enlarging the scope of the activities of the Industrial Finance Corporation. The State Financial Corporations which function as supplementary corporations, one in each State, for providing financial assistance to medium and small-scale industries should, it is felt, also be enabled to enlarge their field of operations on comparable lines with adequate augmentation of their resources in order that they may play their part fully in their own field by diversifying and widening their activities.

The State Financial Corporations have made commendable improvements during the last few years in their overall business. The loans sanctioned by these Corporations up to September 1961 aggregate to Rs. 29·55 crores in respect of 1, 547, applications, against which the disbursements were of the order of Rs. 19·59 crores. It may be mentioned in this connection that about 30 per cent of the total loans sanctioned, namely, Rs. 8·85 crores, was for small-scale industrial units numbering 1,076.

I now turn to explain briefly some of the important amendments before the House. It is proposed, firstly, in Clause 2 of the Bill that the State Financial Corporations should be enabled to provide financial assistance to the hotel industry and industrial concerns engaged in inland water and road transport and the development of industrial estates. The hotel industry is important from the point of view of earning foreign exchange through the inflow of tourist traffic from abroad. The road and river transport facilities require to be expanded considerably to cope with the increased industrial production envisaged in the Third Plan. Financing the setting up of industrial estates will provide a fillip to the much-needed development of small-scale industries.

I have already indicated the need to augment the reserves of the Corpora-

*Moved with the recommendation of the President.

tion. In this connection I would like to explain at some length the provisions of clause 5 of the Bill which seeks to amend sections 7 and 8 of the Act dealing with the borrowing powers and deposits of the Corporations in addition to the existing borrowing powers it is now proposed to enable the Corporations to borrow money from the State Governments concerned and financial institutions notified by the Central Government on terms to be agreed upon and from the Reserve Bank repayable on the expiry of fixed periods not exceeding 18 months.

At present the aggregate of outstanding bonds and debentures and contingent liabilities of a Corporation in the form of guarantees given by it or underwriting agreements entered into by it shall not exceed five times the paid-up capital and reserve fund of the Corporation. It is now proposed that the existing limit of five times be increased to ten times. The enhanced limit will also include the new borrowings from the Reserve Bank, the State Government and the notified financial institutions. Simultaneously it is also proposed to limit the contingent liabilities of Corporation to twice the paid-up capital and reserve fund of the Corporation and in special circumstances up to three times with the prior approval of the State Government and in consultation with the Reserve Bank. This restriction is sought to be imposed in clause 10 of the Bill to which I shall revert later.

Besides these further facilities are also proposed to be extended to the Corporations to attract funds in the shape of deposits. Section 8 of the Act which provides for acceptance of deposits from the public repayable after the expiry of a period which shall not be less than five years has remained more or less inoperative on account of the difficulties experienced in raising such long-term deposits. It is now proposed to reduce the period of deposits to twelve months or more and also secure them by the guarantee of the State Government concerned so as to make them sufficiently attractive to the investor.

The amendment to section 8 is also meant to enable the acceptance of deposits from the State Governments concerned.

Another important amendment which is being incorporated is for the purpose of diversification and enlargement of businesses transacted by the State Financial Corporations. Clause 10 of the Bill seeks to amend section 25 of the Act adding new business and enlarging existing ones. The two new businesses are, firstly, the guaranteeing of loans raised by industrial concerns from scheduled banks and co-operative banks and, secondly, the guaranteeing of deferred payment due from any industrial concern in connection with its purchase of capital goods within India. The enlargement of existing business as proposed in the Bill fall mainly under three heads. Firstly, the Corporations will be enabled to retain as part of their assets stocks, shares, bonds or debentures of an industrial concern taken up in the fulfilment of underwriting liabilities for a period beyond seven years from the date of acquisition with the prior permission of the Reserve Bank and will also be able to subscribe to right shares if the industrial concern increases its capital. Secondly, the Corporations will be enabled to convert their loans or advances or debentures into share capital of the industrial concern and, as a sequel, to subscribe to right shares if fresh capital is issued by such a concern.

Thirdly, the Corporation will be able to act as agents of any financial institution specially notified by the Central Government. These new activities which the State Financial Corporations will be able to embark upon are more or less similar to those approved by the House in the case of the Industrial Finance Corporation in December, 1960.

[Shri B. R. Bhagat]

This clause also seeks to provide a limit on the contingent liabilities of a financial corporation a brief reference to which I have made earlier while dealing with clause 5.

Before I conclude I may explain one other important amendment which seeks to liberalise the limit of accommodation which a Corporation may extend to a single industrial concern. Under section 26 of the Act the State Financial Corporations cannot enter into any arrangement in respect of guaranteeing of loans raised by industrial concerns and loans or advances granted to or subscription to debentures of industrial concerns for an amount equivalent in the aggregate to more than 10 per cent of the paid-up share capital of the Corporation but in no case exceeding Rs. 10 lakhs. The paid-up share capital of each of these Financial Corporations except those of Orissa and Jammu and Kashmir is Rs. 1 crores. In consequence the Financial Corporations cannot grant financial accommodation exceeding Rs. 10 lakhs in the aggregate to a single industrial concern. In view of the all round increase in the cost of land, building, plant, machinery etc. since the passage of the Act in 1951 the question of revising upward the limit of Rs. 10 lakhs deserves consideration. It is proposed as dispense with the alternative limit expressed as percentage of the paid-up share capital and provide the two limits of Rs. 10 lakhs and Rs. 20 lakhs calculated with reference to the outstanding loans due from an industrial concern instead of the aggregate amount of loans sanctioned from time to time. The enhanced limit of accommodation of Rs. 20 lakhs will be applicable only to industrial concerns which are public limited companies or co-operative societies. This is in consonance with the need to provide incentives to the wider participation of the public in the corporate industrial sector of the economy.

Of the rest of the amendments which are minor I may specially mention one. Clause 19 of the Bill seeks to provide for the establishment of a special reserve fund to which will be transferred by mutual agreement the whole or a portion of the dividends accruing to the State Government and the Reserve Bank of India on the share capital held by them in a State Financial Corporation. The retention of the dividends with the Corporation will augment the reserve fund of the Corporation. This provision is similar to the provision of section 32A of the Industrial Finance Corporation Act, 1948.

The other amendments have been explained in the notes on clauses and are consequential, clarificatory or procedural in nature and I need not take any further time of the House to explain them.

With these remarks I commend the Bill to the House for consideration.

Mr. Speaker: Motion moved:

> "That the Bill further to amend the State Financial Corporations Act, 1951, be taken into consideration."

Shri Warior (Trichur): Mr. Speaker, Sir, of the amendments sought to be made to the parent Act the main amendment is to the definition by clause 2 where 'industrial concern' is re-defined. The new definition gives powers to the Government to include certain categories of industries, such as, the hotel industry, the road transport industry, the water transport industry and the like. The rest are electricity and some other industries and industrial estates.

As far as the road transport industry and the hotel industry are concerned, it is true that by the Industrial Finance Corporation (Amendment) Act of 1960 inroads were made into those clauses and the hotel industry was included. But what was the result of the working of the amendment to that Act? Without looking into the security and other aspects of investment, the Industrial Finance Corporation, we find, had given certain loans and aid to certain hotels which to our mind were not necessary at all because, as at present constituted, that industry does not at all require any aid from the State Government. If it is a hotel of the Centrally sponsored nature, like, the Ashoka Hotel, we do not mind if some aid is given, but when it is a case of a private concern we do not know how the hotel is run, for what purpose it is run, for which section of the public it is catering, whether foreign or Indian. We do not know all those details. Why, at this juncture of the hour when money is so tight and every pie of investment must go to the medium and small-scale industries, these big hotels are to be aided by the Government is not known to us. Practically that is unnecessary. The very same thing is sought to be amended here also. In 1961, when the parent Act was introduced in this House, we found that the main object was to encourage medium and small-scale industries in the States, especially States which were very backward as far as industrialisation was concerned. That object has not yet been gained. From the report available about the working of the several State Financial Corporations and the review made by the Central Government, we find that that object is not gained. In the last review, we found it was only 800 and odd industries that were financed or aided by these corporations. Now, the Minister was pleased to say that it comes to about 1004 or something like that.

Shri B. R. Bhagat: Number of industries—1076.

Shri Warior: That is all that has been gained. All the Corporations of all the fourteen States together have contributed to aid 1076 small-scale and medium industries alone. Look at the expanse of the country. The real situation as far as the medium and small-scale industries are concerned, and the demands of the small industrialists who are engaged in the small-scale industries are concerned, is, the applications are so many. After getting all the applications, we will find that only a very meagre percentage of the applications received by the State Finance Corporations are sanctioned and by the time, the sanction is coming up, many of the applications will be withdrawn. I have looked into the annual reports of many of the State Finance Corporations and I have found that by the time money is available to the small industrialists, the very object for which the loan or aid is sought has lapsed and the money will not be useful for that purpose and they withdraw the applications themselves. That is the practice usually. There are many industrialists who wait for a long time to get the loan. But, actually, it will not come in proper time. If aid is not given in the proper time, it is not sought afterwards. The aid does not give any benefit to the industry.

That being the situation, now, this amendment seeks to extend it to the transport industry. I do not know about the road transport industry in other States. As far as the south is concerned, the entire road transport industry is almost a monopoly now. Wherever you go in Tamil Nad or Kerala or Mysore, you will see the same sign-board on the buses: T.V.S. or Narayanan or this and that. A few monopolists are monopolising the entire road transport. You will also remember, Railway Ministers had been crying hoarse that the cream of this traffic had been monopolised by road transport at the expense of Railways. The railways do not get this traffic, but the road transport is taking it, thus starving the railways. Here, now, another branch of the Government comes to this House and asks for extending it to road transport. Which road transport industry is suffering now for want of aid, we do not know. Because, in road transport, huge profits are accumulated by the monopolist companies. As far as the south is concerned, I am quite certain that most of them are private concerns: not public concerns, not even public limit-

[Shri Warior]

ed companies—private proprietorships or partnerships. Why should the State Financial Corporations with meagre resources, with a paid-up capital of Rs. 1 crore, extend aid to these monopolistic concerns, to increase or extend their business in this industry? So also in the hotel industry. I have very serious objection to extending this facility which ought to be somewhere else to those who do not deserve at all this sort of aid from the Financial corporations. That is the main objection. That is why I want to limit it to the newly coming up industrial estates.

As far as the industrial estates are concerned, except very few like that in Guindy or in some other places in the north, all the industrial estates are mostly deserted places so to say. No industrialist will go to an industrial estate unless he is cock-sure that he will get some aid from the Government in the form of either capital or raw material. If one is sure of getting aid, he will go to the industrial estate. Otherwise, why should he go there? If an industry is located in an urban area, there are so many conveniences like conveyance, supply of electricity, water and all these things. Naturally, industrial estates are located in some spacious place outside villages. They have to sacrifice all these conveniences. Why should they go to an industrial estate? Mainly for the purpose of getting some aid from the Government in the form of either finance or in the form of raw materials and supplies and facilities for the supply of the produced articles to the Government. Looking into the working of industrial estates, you will find that most of them are not patronised by small-scale industrialists. Because, there is difficulty of getting financial help or other help which they require. This amendment now extending the facility to industrial estates is welcome and I think that that must be accepted.

Coming to the working of the State Financial Corporations, this is more or less an appendage of the Industrial Finance Corporation. The Industrial Finance Corporation is aiding or giving big loans to monopolistic concerns in big business. A reading of the whole list of the investments which the Industrial Finance Corporation has made in big business will be astounding. I have a small brochure giving the experience gained by these investments. Many of these loans are being given irrespective of either priorities from the point of view of industrial development or of the internal resources of the borrowers. The Third annual report the working and Administration of the Companies Act, 1960, has to inform us on this subject—it is a very pertinent and relevant portion which I will read here—

> "Cases have come to notice where companies with large reserves have invested heavy amounts in shares of other companies in the same group while borrowing heavily from Government and quasi-Government Institutions like the Industrial Finance Corporation, State Bank of India, National Industrial Development Corporation, etc. While these companies appeared to be financially sound and could have apparently met their needs for expansion or modernisation of their plant and machinery by converting their investments into cash, they have preferred to borrow from outside bodies."

The reserves of these big companies are sufficient for modernisation or expansion of the existing units of their industry. Still, what do they do? The surplus cash available or surplus reserves available are invested in some other companies so that they will have a chain control of the whole industry or allied industries or accessory industries. For their own needs of cash for the existing unit of the industry, they borrow from the Financial Corporations or Financial institutions of the Government. It is not that their particular industry is suffering for want of cash or capital. They have sufficient liquid capital. That liquid capital is invested somewhere else because that may fetch more industrial power in their hands or more profit in their hands. They seek to reimburse that amount which they are investing like that from government institutions which are there to aid industrial expansion.

This would not aid industrial expansion at all.

13 hrs.

Last time, we had occasion to speak here about the working of the Industrial Finance Corporation. It was pointed out at that time that the major part of the funds of the Industrial Finance Corporation were invested in the textile and sugar industries. Are those the industries which we want to expand in this country. On the one hand, we are crying that the industrial production of the sugar and textile industries reached saturation point, and unless and until we can export huge quantities, we cannot sustain those industries. On the other hand, we find that these financial corporations are investing more money in those industries only, whereas other industries which are vital to the country, and which are basic industries, and which are the need of the hour, and which are a prime factor in industrialisation of any country are starving.

Take, for instance, the chemical industry. If you look at the picture of the chemical industry in India, you will find that especially in the south, from which I come, there is so much scope. There is scope for expanding the titanium dioxide industry in Kerala, or the ilmenite industry or the rare earths factory at Alwaye and so on. But we find that all these industries do not expand at all. Then, the carbon-dioxide industry is also starving for want of capital. Not only were the State Government not allowed to give any amount to aid that industry, but from the Central resources also, that industry did not get any aid. Hence, my plea with the Government and with the Ministry is that more funds must be diverted from the Industrial Finance Corporation at the Centre and the State Financial Corporations to these industries, and aid must be restricted only to those industrial concerns which have a fixed capital. of Rs. 10 lakhs or less only. No industry with a fixed capital of over and above Rs. 10 lakhs should be given any aid at least for the present. After having worked it on these lines, if we find that a number of small-scale and medium-scale industries have come up, then we can reconsider this matter and see if we can lift this ban in order to aid the large-scale industries.

In 1951, when the debate took place in this House on the parent Bill, it was pointed out by the speakers at that time, and it was more or less accepted also by the then Finance Minister, Mr. C. D. Deshmukh, that this corporation was intended more for the small-scale and medium-scale industries, especially in the rural parts. Unles and until the rural parts have a crop of medium and small-scale industries there is no hope of bridging the gulf between the countryside and the urban areas, which is a very wide one today. Unless and until this is done, improvement of roads will not take place in the rural areas; no conveyances will go there, and the rural parts will remain totally neglected. It is for that purpose that the State Finance Corporations were set up, and they were given a directive that their funds should not be directed for any other purpose except to promote the growth of small-scale and medium-scale industries. That object has not been gained as yet. It is true that something may have been done, but that something is very meagre and most unsatisfactory in the present conditions. Hence, I would plead with the Government, before they take up a new line of industries such as the hotel industry, the

[Shri Warior]

transport industry, the water industry and so on, to check up the entire picture and find out what new industries are necessary, and where and how the money should be invested.

I find also that there is a dangerous departure which is sought to be made. Now, we are going to guarantee the loans from the scheduled banks. At present, the financial trend in the country is such that, as far as I can gauge, no banks are coming forward to guarantee the operations of the small industries, with the result that many of the small industries which are starting go down after some time. Infantile mortality in the small industries is probably much more than what it is among human beings, because no proper aid is given to these small industries at the proper time. Raw material is a difficult proposition for them. Again, supplies are a difficult proposition. Coal is also another difficult problem. After all these difficulties are overcome, when the production goes to the market, there is no proper market at all for it. Then, there is the question of standards also. In view of all these difficulties, it is quite easy to understand why the banks are not guaranteeing the loans or the production of these small-scale industries.

The Reserve Bank itself has issued a directive, as far as I know, to restrict these advances, because there is no guarantee that they will come up or that their securities will be enough, after a certain period. Now, loans are advanced on mortgages of their assets, both movable and immovable. After a time, how do we know that these mortgages will cover at least 50 per cent?

As far as bank loans are concerned, I am very doubtful as to why they should be guaranteed by Government. I hope the Ministry will be very careful while giving this guarantee. Of course, I know they are very careful about it; I do not doubt it. But supposing it is a bank like the Palai Bank, then what will be the effect? If a guarantee is forthcoming from Government, then any petty bank will readily give money to any petty fellow, without even looking into the securities. Who is there to vet the securities? What is the machinery with Government to vet these securities furnished by the small-scale and medium-scale industries? As one who knows something about the working of these State finance corporations, and as one who is coming from the practical field, I would say this . . .

Shri B. R. Bhagat: On a point of clarification. Does the hon. Member object to the guaranteeing of loans advanced by the scheduled banks to the small-scale industries?

Shri Warior: Yes.

Mr. Speaker: If the loans are guaranteed, who is there to check whether the guarantee has been correctly given or not? So, what the hon. Member wants to say is that we should ensure that money is not thrown away.

Shri B. R. Bhagat: I shall explain that in the course of my reply.

Shri Harish Chandra Mathur (Pali): We had approved of the guarantee scheme here.

Mr. Speaker: The hon. Member will have his turn to speak later.

Shri Warior: If the securities are to cover properly all the loans advanced by the banks, the banks will be in a much better position to scrutinise and to probe and go into the details of the assets and see whether they will cover the entire loan. Why should Government give that guarantee? Once Government give the guarantee, I would warn the Ministry that any petty bank will be willing to give money to any petty fellow without even looking into the securities, because the guarantee is there. Since the Government will pay, why should the banker worry about it? The banker will not worry at all about it, because that is the meaning of guarantee itself. Suppose there is a fellow who is not able to provide proper securities, and who is taking loans, then, another fellow who is completely solvent and who has greater financial standing stands as surety for him, and no bank will worry about the first person or the applicant, because the surety is there to furnish the amount if the first person defaults.

From this point of view, I feel that in a changing economy, in an economy which is always oscillating this side and that side, it is very dangerous for Government to undertake to guarantee the loans advanced by scheduled banks to the industries. Why should not Government directly give loans to the industries? Why should the medium of the banks be sought for this purpose? In this connection, I might point out that when the parent Bill was considered here, it was mentioned that the industrialists, especially the new industrialists who were coming up, should not be at the mercy of the banks because they did not charge a reasonable rate of interest, and moreover other persons will then be able to utilise these banks to squeeze the small industries of all that they have gained, and thus, the small industries will be left without any protection. So, it was to avoid the interference of banks too much in the industrialisation of the country that the responsibility was taken over by Government, and the parent Bill was introduced.

13·09 hrs.

[MR. SEAKER *in the Chair*]

That Bill was introduced in order to save people from the clutches of the banks. But we find that Government are now again guaranteeing the bank loans, thereby giving the banks once again a prominent place in the nature of things. That is objectionable, and I think that Government must probe into this matter more carefully. Otherwise, there is the big danger of finances being invested by banks in unscrupulous hands without proper securities, and Government will be obliged to pay back the amounts, if they guarantee.

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I would also like to point out that all the State Finance Corporations are not of the same kind. From the operations of these financial corporations we find that most of the credit will go to certain areas only which are already industrially far advanced, such as Bombay, Calcutta, Kanpur and Madras. Analysing the figures, we will find that most of the huge investments were made by the Industrial Finance Corporation in these areas, and those areas which have not got such huge industrial development do not get their share. But the State Financial Corporations are primarily intended to meet the demand for this investment in these backward areas. This must be attended to. The Industrial Finance Corporation itself must have a view of the whole picture. It must invest not only in certain big industries, but its resources must also be diverted to the backward areas through the medium of the State Financial Corporations. Thus the neglected areas of the country must be given some help to establish and promote small and medium industries. This could be done, but this aspect is now neglected. Instead, all the investment is flowing in the same channel in the same direction of certain big industries in some areas. It will loom large as States like Maharashtra or West Bengal being helped. I do not say that the thing is going to the entire West Bengal or entire Maharashtra. It is going only to cities like Bombay and Calcutta

[Shri Warior]

where industries have grown; most of the resources are diverted to these places. I suggest that a portion of the amount available with the IFC must be channelised into the backward areas so that small-scale and medium industries may grow up in those areas and the leg between one place and another and one region and another will be removed and disparity also eliminated, thus ensuring that some sort of uniformity of growth in the whole country is attained.

With these observations, I support the Bill.

Shri Harish Chandra Mathur: Mr. Deputy-Speaker, Sir, there have been many occasions when we have differed from our friends sitting opposite, but I was really amazed today when my hon. friend who preceded me voiced certain feelings and made out arguments which went so much against the small-scale industrialist. I am afraid most of his criticism arose out of ignorance, possibly because he was not informed, and he did not know what the guarantee scheme was.

The guarantee scheme which, as a matter of fact, stands approved by this House, which had been mentioned by the hon. Finance Minister on earlier occasions and regarding which we have always asked certain anxious questions, is one of the most important schemes which have been devised by the Finance Ministry to help the small-scale industrialist, so that loans which would otherwise be not available to him might made available to him through the State Bank and the scheduled banks, as the Reserve Bank, acting as agent of the Government of India, functions there to encourage scheduled banks as well as the State Bank to advance loans to such units which would otherwise not be considered by these banks. The idea is that comparatively weaker units may get financial sustenance and come up. This is a scheme which almost stands approved by this House. All the deliberations which have taken place on this subject have all the time been urging on Government the need for expansion and extension of this scheme to wider areas and wider fields. This scheme is intended primarily for the small-scale industrialist so that he may be assisted. This is with reference to one of the points raised by my hon. friend.

When I rose to speak on this amending Bill, I had many many more things in mind. I am afraid that we have not done any justice to our ten years experience of the working of the State Fnancial Corporations. It is quite a number of years since we passed this legislation, and in many States the State Financial Corporations have been in operation and are doing their job in a particular manner. What is our experience of the working of these corporations? It is possibly as a result of the working of these corporations in various States that now the hon. Minister has brought forward this amending Bill, with a view to strengthen these corporations, by giving them certain borrowing powers and by permitting them to have deposits. Possibly he further wants—rather it is clear—to enlarge the orbit of their operations to bring under their cover certain industries which had otherwise been excluded. But I would like to pose a question to my hon. friend, whether it is for lack of resources that the small-scale industrialist has not been served by these corporations satisfactorily. I do not know. All the financial corporations put together have sanctioned loans to the tune of about Rs. 29 crores, out of which loans granted are about Rs. 19 crores, out of which, again, what falls to the share of the small-scale industries—these are figures which my hon. friend gave and I believe I remember them correctly—is no more than Rs. 8 crores.

Now, we have been trying to do everything possible to encourage the growth and development of small-scale industry during these two Plans, and we had laid a particular emphasis in the Second Plan on the growth and development of small-scale industry. The State Financial Corporations are the only instrument for advancing loans to them and giving them a little fillip. But what is the assistance which has been given during all these years by all the State Financial Corporations put together? A most insignificant figure of about Rs. 8 crores! Can we look at the performance of these corporations with any amount of satisfaction? What is the total quantum that would be required? I was just looking up the Third Five Year Plan. As a member of the Working Group on small-scale industries I know that we had worked out that possibly during the Third Plan, small-scale industries would require an investment of Rs. 300—400 crores. In the Second Plan, they must have require about Rs. 300 crores. Out of the Rs. 300 crores, the accommodation given by the Government through all the Financial Corporations—the main instrument for financing and assisting small-scale industries—is about Rs. 8 crores. Could we not call this a completely and thoroughly woeful and disgraceful state of affairs? Was it for lack of resources that this happened?

Now that we want to augment the resources, the first question I pose is: was it for lack of resources that we put up this performance? If you look at the resources position, you will find that even at present there is an amount of about Rs. 7½ crores lying unutilised with these corporations. If such an amount remains unused, we have got to look at the deeper reasons, not only to give a camouflage and coverage by saying that we are including this industry and that industry which can readily take loans and that we are strengthening the corporations by giving them further powers of borrowing and deposits. We have not been able to utilise even the amount which has already been made available to these corporations, and the small industries, as everyone knows, are in a starving conditions. So there is something very fundamentally wrong with the working of these corporations and we must understand this fact.

Therefore, the main thing is to examine and look into the working of these corporations and to remove the bottlenecks and difficulties which stand in the way of these small-scale industries.

My hon. friend said that the small-industrialist had to wait for a long time and therefore he got disgusted and frustrated. I say he does not go to these finance corporations at all; he hates going to them because they have not proved themselevs to be a fit instrument for the financing of the small-scale industry. Therefore, I wish to submit that the first requirement is not only widening the range and enlarging the coverage, not only strengthening the resources of these corporations, but making them a fit instrument for the small-scale industrialist.

My hon. friend was objecting—I do not know why, it was really surprising—to the secrity clause and to the guarantee scheme. It is exactly here that the bottleneck lies. All the chairmen of the finance corporations who have discussed it from year to year and even the Governor of the Reserve Bank—I am afraid we have not been listening been to him—has said that we must bring about a fundamental change in the policy and the procedures of working of these corporations. What are those fundamental changes in the policy and the working of these corporations about which everybody in this House has been arguing, about which the Finance Minister himself when he spoke the other day to the schedule banks, had argued, about

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which the Governor of the Reserve Bank has been arguing? The Finance Minister, I understand, only a few months ago, while addressing the representatives of the various scheduled banks of the country here, was pleading with them to change their mental outlook and attitude. He requested them to ask for securities, not to be very rigid about it. He wanted them to see whether there was a productive programme before them, whether the small-scale industrialist who came before them had a good scheme, whether he was creditworthy in his own person. In our country, a brilliant and promising engineer with a good productive programme cannot borrow Rs. 5,0000 or even Rs. 500 from any bank. Therefore, he was all the time pleading with them, he wanted to encourage them to help the small-scale indutrialist by changing their attitude and approach. But I ask the Finance Minister whether he himself has changed his attitude when it comes to his own job, when he is going to amend this Bill. Has he adopted that attitude, has he removed that rigidity and restriction which section 25 of this Act enforces, that every loan which is advanced by the finance corporations must be adequately secured by this, that and the other? It is hemmed in by all sorts of things. Whatever you do, the benefit will be taken only by the moneyed people, who will definitely get richer. It is not the brilliant, promising engineer, the small entrepreneur who will benefit from these financial corporations. We in Parliament have been talking here in this strain, the Finance Minister and the Governor of the Reserve Bank have been talking in this strain, but nothing happens, and we go in the same old-fashioned manner, with that rigid attitude, only helping the moneyed people and not at all being development-minded. We are asking even the scheduled banks to reorientate themselves. So, these finance corporations, which were devised in addition to the scheduled banks so that they might help the growth and development of the small-scale industry, should develop an entirely different attitude. How are the poor people who are running these corporations going to help the small-scale industry if their powers are curtailed, if they are bound hand and foot by these provisions? You want the scheduled banks to change while these special institutions which were established for this particular purpose are functioning in this manner. Therefore, I wish my hon. friend tells us first whether these finance corporations have any developmental outlook, whether they have any promotional responsibilities. If they have a developmental outlook and promotional responsibilities, and if they are not to be only security-minded, how are they going to function when section 25 continues to remain as it is on the statute-book?

Secondly, do they realise that these corporations have absolutely no agencies for working? They are situated in the cities which are the capitals of the various states. They have no branches anywhere, and they have no field agency. We expect them to go to the entrepreneur's door, even the Governor of the Reserve Bank suggested it, but nothing doing. Have they done anything in this direction? Do we want to proceed in that direction? It may give some self-satisfaction to my hon. friend the Finance Minister bringing forward this Bill to think that he is doing so much for the small-scale industry, but I have very grave apprehensions that, by enlarging the scope of the Act to cover the hotel industry — I am not against covering the hotel industry—and the transport industry, the small-scale industry which is very difficult to approach will be starved and completely neglected. That will automatically happen because where are the hotels going to be built—in the capital cities where the tourist goes, where the corporation is situated. They will certainly take advantage of this, but have we devised these corporations for that purpose? That was not the purpose for which we devised them. We devised them, as my hon. friend very correctly pointed out, so that they might be special instruments of financing, so that industry could go to the backward areas. Is there any amendment in the proposed Bill which will go even a little distance in that direction? I do not see that direction at all in the Bill before us.

Then, what is the management of these corporations like? Without meaning any disrespect to any person, I may say we have got here half a dozen institutions, big institutions to accommodate, to give assistance to the large-scale industry. Large-scale industry has been crying hoarse in this country against the public sector, but I venture to submit that nobody has benefited more during the last ten years than the private sector or large-scale industry in this country. And we have purposely promoted it, because we want development and industrialisation to go ahead. We do not bother about the hoarse cry of the private sector, we are not against it; rather, we would do anything for the development of large-scale industry. But this is the only institution which is there for the medium and small-scale industry, and even this is completely dominated everywhere by large-scale industry. Look at the personnel, the chairmen. Who are the chairmen of these corporations, what is their sympathy for the small-scale industry? There are big men, a Poddar, a Birla or somebody else, who are the chairmen of these corporations. Is this the way you want to bring about socialism, you want small-scale industry to grow? I lodge my strong resentment against the composition of these corporations. The small-scale industrialist must be heavily represented on all these corporations, these financial instruments which are meant more for the development of the small-scale industry in all the various sectors and in the backward areas.

Therefore, I would strongly appeal to my hon. friend to look to these great bottlenecks which are there. I do not object, as I submitted, to the hotel industry or even to the transport industry being included. My friend may have in view a few big firms which are dominating or monopolising the transport industry, but there are thousands and thousands of small transport runners, and we in the Transport Reorganisation Committee had recommended that we must give them special assistance. We know that they have got to take loans at rates which run from 12 to 36 per cent. As my friend may know, even in Delhi, so many houses have come up just to fleece the small transport man, and in turn he fleeces the public. It would only be proper that we extended this to cover the transport industry.

I would also not object to covering the hotel industry. Hotel industry, in this country, has lagged woefully behind. If our friends were to collect figures, they will find that there is too much of tourist traffic, that it has doubled and trebled while hotel accommodation has not gone up by even 25 to 40 per cent. So, this industry has got to keep pace with tourism in the country. Thousands of people coming out from foreign countries and millions of people travelling from place to place in this country itself mst find some accommodation.

I do not know what type of hotels are envisaged. But, certainly, this industry will have to grow with the mobility which is gaining ground every day. I do no object to this; but I do definitely warn the Government that this should not in any way unbalance the assistance which is the legitimate right of the small entrepreneurs and the small-scale industrialists.

If you just go through the figures you will find that the loans sanctioned amount to Rs. 29 crores and the amount availed of is Rs 19 crores. What is the matter? There is something fundamentally wrong. What is the time lag between the loans sanctioned and the loans availed of? There are procedural rigidities which are mostly due to inefficient

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functioning of these corporations. It is not my allegation only that these corporations have given a poor performance, that they have not come up to our expectations. This is admitted by the corporations themselves; and this is the verdict of the Governor of the Reserve Bank. The facts and figures which I have quoted eloquently bear out these unfortunate allegations against the working of these corporations.

Shri Somani (Dausa): Mr. Deputy-Speaker, Sir, I wholeheartedly welcome this amending Bill which is primarily meant to diversify and enlarge the scope of activities of the State Financial Corporations. At a time when the tempo of our industrialisation is gaining momentum steadily, it is very appropriate that Government should have brought forward this Bill to liberalise and modify certain provisions of the present Act so that these corporations may play a more effective and dynamic role in stimulating the growth and development of small-scale and medium scale industries.

At the outset I would like to join issue with my hon. friend, Shri Mathur, who just preceded me, in regard to the rather unfounded allegations he made about the role of big businessmen in the running of these State Financial Corporations. I can understand somebody suspecting something about the position of these big businessmen in the functioning of the big corporations like the Industrial Finance Corporation or the Industrial Credit and Investment Corporation where the applications of big business houses are processed and sanctioned. But, so far as the State Financial Corporations are concerned, I would like to assure my hon. friend that nobody would be happier than these so-called big businessmen if they are allowed to get themselves relieved from their responsibilities in these corporations.

I am myself associated with the working of the Rajasthan State Financial Corporation. Two other big businessmen are also associated with it, one as Chairman and the other as a director. In its working during the last few years, I have found, from time to time, that some of us have asked the State Government to relieve us of our responsibilities. If, indeed, some of us have continued to be on the board—at least I know that in the case of Shri I. N. Birla who is in the Rajasthan Financial Corporation, he has expressed more than once his desire to relinquish his directorship—it is because we have been persuaded to remain there. I am only clarifying this aspect that these big businessmen have nothing to benefit from these corporations and that they have no industrial project or other things for which....

Shri Harish Chandra Mathur: The hon. Member is just giving an answer to what I said. I just want to know whether he agrees that the porformance of these corporations all over the country has been extremely poor and woeful and whether the managements shared any responsibility for that or not. I cannot compliment the Rajasthan Government if they cannot spare big businessmen.

Shri Somani: So far as the functioning of these corporations is concerned, I was myself coming to the point that I fully share the pessimistic views expressed by my hon. friend and I generally strongly endorse his sentiments about the very poor performance of the corporations in general. As a matter of fact, almost all the State Financial Corporations have been carrying on with subventions from the State Governments except, perhaps, the Maharashtra State Financial Corporation and it is shown by the nature of their activities.

But, in this connection, I would like to submit that if their performance has not been better and if they have not been able to render the service which is expected of them for the development of small-scale and medium scale industries, the blame lies elsewhere. The working of these corporations is governed, generally, by the policies that are laid down by Government under the Act and also by certain rules and regulations. As the hon. Minister himself has pointed out, the working of these corporations is reviewed every year at a conference of the Chairman of the various State Financial Corporations which is called by the Governor of the Reserve Bank.

An Hon. Member: And yet nothing happens.

Shri Somani: It is that policy which comes in the way of broadening or liberalising the scope of service of these corporations that we have to seek to modify. I, therefore, wholeheartedly endorse the feelings of my friend, Shri Mathur, that Government should apply its mind to ensure that these corporations really function more effectively and more usefully for the purpose for which they have been set up.

Here I may also make a passing reference to our friend from the opposition. I am really surprised—as my friend Shri Mathur was—at his raising obection to the guarantee scheme. He referred—and I also refer—to the observations of the hon. Finance Minister the other day regarding the encouragement which the scheduled banks should give in affording loan facilities to persons without security.

There is a practice in the United States of America where commercial banks give loans to persons of known integrity and reputation, good experience and technical knowledge, without any consideration of security. If our objective of broad-basing and diffusing the industry on the desired lines is to be achieved, then, not only this scheme of guarantee but something else has to be done to enable the banks and the State Government machinery to encourage the grant of such loans, without consideration of adequate security.

Here again I endorse the view of my hon. friend, Shri Mathur, that it is this rigid question of security which has come in the way of giving loans. In the case of Rajasthan, the State Financial Corporation has received a number of applications. When these applications have been processed, according to the rules and regulations, it has been found that quite a number of them have had to be rejected merely because they do not conform to the rules and regulations which the corporation is expected to observe in processing and sanctioning these applications. Therefore, at a time when we have a dynamic programme of industrialisation, we generally welcome this broad-basing of the industrial structure. For this it is desirable that Government should deliberately and positively encourage the taking of risks by these corporations and banks by not insisting rigidly on forms and security. This is coming mostly in the way of these state financial corporations going ahead giving that help which alone can really give a dynamic growth to the aim of industrialising the small-scale and medium-scale sector. The question of giving loans for working capital was raised at a series of conferences which the state financial corporation chairmen had with the Reserve Bank so that these corporations could be given the discretion to give loans even for working capital to the small and medium scale entrepreneurs. There are certain restrictions which prevent them going ahead as they would like to do. I welcome the liberalisation of the loan limit from Rs. 10 lakhs to Rs. 20 lakhs; at a time when the entire concept of economic size of an industrial unit is undergoing a rapid change, it was very necessary that this restriction of Rs. 10 lakhs should have been liberalised and I feel that it should have gone a little further,

[Shri Somani]

say to Rs. 25 lakhs or even Rs. 30 lakhs. But I welcome it so far as it goes.

I would like to draw the attention of the hon. Minister to one enabling clause which means that the state corporations could convert their loans into equity. This is a controversial point. Even at the time when the IFC was given this enabling power I had criticised it. The hon. Minister would admit that the experience of the International Finance Corporation in Washington whose mode of working generally is to give loans on convertible basis has come in the way of this country utilising the facilities available from that Corporation. Our Finance Ministry and various other business houses in this country as well as in some other countries have severely criticised the functioning of the International Finance Corporation because of the stipulation that they have. They stipulate that the loans can later on be converted into equity capital. That is to say, they link their loans to some clauses about the participation in future profits. The IFC deals only with big industries. But if the state corporations ask the small and medium entrepreneurs, at the stage when the concern does well and flourishes, for participation in their profits, I do not think it will be fair. I think the profits could be much better utilised in expanding and developing the meagre resources by themselves, rather than by the state finance corporations being allowed to participate in the flourishing conditions. So, it should be the policy of the Reserve Bank and the Central Government to discourage this option. These corporations should not be encouraged to call upon these small entrepreneurs to allow them to participate in their equity capital and to exercise their right of participation. I do not think this is a sound practice which will in any way promote or encourage the availability of finances for this sector. So, even if this clause could not be dropped at this stage, it should be applied in a manner which will be conducive to the growth and development of these industries.

My hon. friend Shri Mathur referred to the availability of technical and commercial services for these corporations. The big industries can look after themselves; they have got their own organisation at their disposal and they can formulate schemes and process them through various stages. But it will be very appropriate if the Government of India and the Reserve Bank took certain positive steps to strengthen the technical and commercial sections of these corporations so that they can render some positive service to the small and medium scale entrepreneurs. They can not only receive the applications and process them but can go out of the way to formulate schemes of potential industrial development in various areas of their States and any suitable person who wants to establish some medium or small scale industry should be able to seek the assistance even at the very initial stages. It is not enough that he makes up his mind and submits an application and then the state financial corporation comes into the picture. So, it is desirable that the technical, administrative and commercial services of these corporations should be substantially strengthened so that such enterprising persons can avail themselves of the available facilities. They can find out suitable schemes from a number of schemes available in the office of the corporation and start them if there is potentiality for development in certain regions of the State. This is an important aspect of a positive service which the state finance corporations could render. I do hope and trust that the Central Government will make some arrangement by which the state finance corporations will be able to strengthen their organisations to the extent where they can really be useful and active in the development of the industries.

Shri B. R. Bhagat: Mr. Deputy-Speaker, I am grateful to the hon. Members who participated in the debate for their very valuable comments. To begin with I shall take up some of the points raised by the hon. Member who initiated the debate. He criticised the liberalised provision to include industries like the hotel industries and inland water and road transport industries but welcomed the inclusion of the industrial estates for financial help by the State financial corporations. I think the comment is misconceived in respect of the first two industries, hotel and transport. His main objection was that this should not go to the private industries. If it is a hotel like the Asoka Hotel it is all right, he said but asked: why should it go to a big hotel or some other hotel run by the private industrialists? The misconception is that both the industrial finance corporation and the various state finance corporations have been constituted by Acts of Parliament precisely to help the private industries. To say that they should not help the private industries goes to challenge the very point that has been accepted by the House. This is the primary mis-conception. But even on merits, as I said, there is no harm in developing hotel industry which goes so well to serve the tourist trade in the country. (*Shri Warrior*: Small-scale hotels) . . . yes, small-scale hotels.

There is another misconception when he mentioned that the Ashoka hotel or any other big hotel is not covered by the State Financial Corporations.

Shri Harish Chandra Mathur: Rs. 20 lakhs would not be a small amount.

Shri B. R. Bhagat: It is the maximum amount now. It is precisely in regard to the small hotels not in big capitals, but even in other places of interest which may not be the capitals of the various States but are places of tourist traffic—even out of the way places—where, for want of resources hotels cannot be built, that this aspect is given consideration. Hotels will be built there, because the State Financial Corporations can only give assistance up to Rs. 20 lakhs now. So far, it could give only Rs. 10 lakhs. So, it will be only to small or medium hotels or any such industrial concerns. It is an accepted thing that, to develop tourist traffic and earn foreign exchange, apart from the 'un-international' understanding in the present-day world, it is necessary that there should be a greater and greater inflow of tourists, and that cannot be developed sufficiently—this is the considered view—unless there is adequate provision of hotels in the country. That is why, earlier, the House accepted an amendment to include the hotel industry in the work of Industrial Finance Corporations. Similarly, a similar provision is being introduced by an amendment in the State Financial Corporations Act.

Similarly, the hon. Member brought in the question of conflict between the road and rail transport and argued how the road transport is impinging upon rail traffic, and referred to other issues which are not material to the discussion. But the point is that the industrial and economic momentum of the country is growing, both rural and urban, and the communication systems—road, rail and inland water—have to be developed, and particularly in a State like Assam, they are naturally very keen to develop their internal water resources because of the special conditions that prevail there. Due to partition, the transport by road or rail has been disrupted. Their entire transport and communication have been disputed, in spite of the fact that they are doing everything to built up their communication. But their economic life is being still very much handicapped. Their promotional and developmental activities are very much handicapped. For reasons of speedy communication, they are very keen to develop their inland water transport and that is why this aspect should be included here.

[Shri B. R. Bhagat]

Hon. Members should know—I have mentioned this while making the earlier speech—that the Reserve Bank in its conference with the State Corporations in 1958 or 1959 or 1960 brought out these points. Various State Governments and the representatives of the State Financial Corporations were there and they felt the necessity of broadening and diversifying the activities. That is why some of the items were added. I think that the objection to these two items is entirely misconceived. I am glad that the hon. Member has welcomed the inclusion of the industrial estates as one of the activities of the State Financial Corporations.

Dr. M. S. Aney (Nagpur): What is the number of hotels to whom loans have been advanced by the Financial Corporations to cope with the growing tourist traffic?

Shri B. R. Bhagat: None. The State Financial Corporations cannot include hotels for giving loans; they can only do so after the amendment is accepted by the House. So, at present there is none. But informally and otherwise we know that there would be quite a sizeable number of applications to be financed out of the resources of the State Financial Corporations in the various States. I cannot exactly say the number, but the number would be quite sizeable.

Then, I do not know why the hon. Member objected to the guaranteeing of loans by the scheduled banks. It is not as if the financial corporations are very keen to guarantee the loans by the banks, but in actual operation, —I think this is a clear point—we come across certain cases which are likely to happen where the corporations help an industrial unit by giving loans. The guarantee provision would be there if the unit happens to have the mortgage of assets and still needs funds, because the assets are in the form of plant and machinery, and they may not be easily divisible, if they got Rs. 10 lakhs as loan and their assets are Rs 25 lakhs; but because the could not be divided, the entire thing is mortgaged to the State Financial Corporation. But, if it needs a short term or a medium term money, it goes to the bank and the bank cannot give it, because the entire asset is mortgaged to the corporation. In such cases, the State Financial Corporations can, in order to help it, guarantee the loans given by the scheduled bank, and this would facilitate the development of such industries. Otherwise, such industries would come in for rough weather and would suffer for want of resources which are badly needed.

Shri Warior: Will that be covered by the security?

Shri B. R. Bhagat: It does not matter, the guarantee is there. It would not be covered by the security because there is the first charge on the bank, and that security cannot be divided, and the entire asset is mortgaged. Therefore, it cannot offer any further assets or security to the bank. Therefore, this is a question of guarantee, and in most cases, it would help the industry. I think such an amendment would be very healthy and would provide encouragement to the companies, particularly the smaller ones.

Mr. Deputy-Speaker: Is it intended that these securities would be furnished only in cases where the corporation has already been advancing money?

Shri B. R. Bhagat: Yes.

Mr. Deputy-Speaker: There are cases where the corporation has advanced money to a unit and the unit is in need of more money, and the security is already there with the corporation.

Shri B. R. Bhagat: It would be exactly in those cases that such a thing occurs, although the amendment as it is more an enabling one because, in these cases, the assets are mortgaged to it.

Shri Warior: Then the clause must be suitably amended in that way. Now, there is no assurance that all the assets will be given to the financial corporation.

Mr. Deputy-Speaker: The Deputy Minister of Finance wants to say that the guarantee would only be given when the corporation is satisfied that there is a security already with it and there is no danger of any loss if guarantee is given. That is what he means to say, because the corporation shall have to exercise some discretion. It would certainly not advance when there is a risk and where there might be a danger of losing the money, but it would only do it when it is going to incur the liability of giving the guarantee when it knows that already there is a security.

Shri B. R. Bhagat: Otherwise, if the concern has security, it will go and offer to the banks, but in such cases, when they have no securities and the secured assets mortgaged with the assessee is much more than the loan, the case arises.

Then, I come to the points raised by the hon. Member Shri Harish Chandra Mathur, who made a very eloquent speech and covered a very large ground. He quoted on the one hand the Reserve Bank and on the other the Finance Minister who, according to him, has said that in promoting and developing the small-scale industries too much insistence should not be laid on the security offered, and the resources would be readily or easily available to the small-scale industries. He said that clause 25 provides that there should be security. His point is, on the one hand we are saying that we should liberalise the provisions and provide all the resources needed for the promotion of small-scale industries and on the other, we are not changing and adapting the procedures so as to fulfil those objectives. So far as the Government is concerned, it is true that we have been giving very anxious thought to provide all assistance and resources to the small-scale industries and various steps have been taken. But it is a fact that the demand for funds from the small-scale industries is always larger than we could actually provide.

14 hrs.

It is not true to say that we have been sitting tight and the procedures continue to be rigid, that the securities demanded continue to be excessive, with the result that developmental activities are clamped down, etc. That is not true. If the hon. Member sees the steps taken by Government or the Reserve Bank in liberalising these provisions, he would appreciate that we are confronted with a very difficult question. There is the historical background, the psychological background of the development of our banking system and our financial institutions and we are fighting hard to provide the funds and resources needed for the small-scale industries.

If we do not ask for adequate security—that is the expression used in clause 25—the result would be that many of the State Financial Corporations will be faced with bad loans and will have to incur heavy losses. We know with our experience of the Industrial Finance Corporation, when we had a few such bad loans, the whole House was exercised over it. We had an inquiry and we had to take a number of measures. Therefore, so far as the Government is concerned, it is always a question of judgment, balancing the two—how much security we should demand and how much liberalisation should be given—so that the small-scale industries would not suffer for want of funds

[Shri S. R. Bhagat]

We have taken certain steps. For example, it has been our practice to provide for 50 per cent of the assets as security. Now some of the State Financial Corporations have reduced that margin from 50 to 40. Then, we have this guarantee. He said out of Rs. 19 crores of loan provided, only Rs. 8.5 crores have gone to the small-scale industries, i.e. roughly over 30 per cent, which is woefully small. It is true, but we have been trying to develop certain other institutions. For example, through the pilot scheme of the State Bank, which we have been trying for a number of years, we have provided help to the small-scale industries. As I said, it is very difficult to move those financial institutions and the financial system, which has developed a tradition over a number of years. But still, in these few years, the progress is not very insignificant.

Shri Harish Chandra Mathur: Let us not have a wrong tradition for new institutions.

Shri B. R. Bhagat: I am saying what other facilities we have developed. At a point of time, the State Bank has given Rs. 5 crores as advance to these small-scale industries Even the Reserve Bank, which has recently started guaranteeing small loans, has provided about Rs. 8 crores to Rs. 10 crores. Similarly, we have the various State-aids to industry. In nine States, the State Financial Corporations are the agencies to provide such aid. They have sanctioned about Rs. 3.7 crores, of which Rs. 1.7 crores have been disbursed. It is not as if we are doing nothing.

Shri Harish Chandra Mathur: I never said you are doing nothing. Out of a total requirement of Rs. 300 crores to Rs. 500 crores, this is all you have provided for.

Shri B. R. Bhagat: That is true; that only emphasises the magnitude of the task and the difficulties we are confronted with. But the fact is that the Government is trying to do everything possible to augment the resources and the funds available to the small-scale industry.

Then, he said the working of these corporations has been a failure. It is a very sweeping statement.

Shri Harish Chandra Mathur: I only quoted the words of the Governor of the Reserve Bank.

Shri B. R. Bhagat: He said only 1076 loans have been given over a period of ten years. But the fact is, although the Act was passed in 1951, some of the State Financial Corporations were started actually as late as 1959. For example, the Mysore Corporation was started on 30th March 1959, the Jammu and Kashmir Corporation in December, 1959, etc. So, it is not as if 10 years have elapsed; in some cases it is only 4 or 5 years. It is only after a number of years that they earn enough experience. They are getting into stride. If more assistance could not be given, it is not for want of resources. Funds are available and they are going to be increased.

Some States are much ahead and are taking a more dynamic attitude towards the development of industries in their area and in some States that dynamism is not there. So, we cannot treat all the State Financial Corporations on a similar basis. The hon. Member will appreciate that although the Act has been passed by Parliament, the administration and the composition of the boards, etc. rest with the State Governments. It is not as if we can control them from here. It is wrong for us to intervene in their working, because it will stifle all the initiative. In the annual meeting which the Reserve Bank calls, in which all the State Financial Corporations are represented and our own people are also represented, we devise ways and means, discuss the problems and try to introduce dynamism, new lines of thinking, etc. That is what we can do. If we go further, the result would be just the opposite. It will stifle all the initiative and the development of the small-scale industries would be very much handicapped and hindered.

Then, he said in regard to the composition of the boards, more representatives of the smaller section should be there. It is true that in some States like West Bengal, a leading industrialist is the Chairman of the Board. So also in Rajasthan and Mysore. That is because we want to utilise their experience towards providing assistance for the development of industries. I think the State Governments themselves are conscious of the need to develop industries. Each State Government is more and more anxious to develop more industries. I think we are trying to do our best to make them do things much more speedily and with the cooperation of everybody, so that whatever dynamism is there would be strengthened. In future, with some of the provisions that we are making like augmenting of resources, liberalisation of provisions, diversifying of activities, etc., there will be further development of the small-scale industries. That is not only our hope, but that will be our endeavour and I think the hon. Member should be satisfied with that.

Mr. Deputy-Speaker: The question is:

> That the Bill further to amend the State Financial Corporations Act, 1951, be taken into consideration."

The motion was adopted.

Clause 2—(*Amendment of Section 2*)

Mr. Deputy-Speaker: We shall now take up the Bill clause by clause. The Question is:

> "That clause 2 stand part of the Bill."

Shri Warior: Sir, I have to make one submission. I have sent in three amendments. Although the amendments were tabled late, because of the peculiar circumstances, because we came to the House only yesterday and today we are taking up this Bill for consideration and we did not have sufficient time to give notice of our amendments, will it not be possible to waive the time restriction and treat them as in order?

Mr. Deputy-Speaker: The difficulty is that these amendments could not be circulated to Members, otherwise they would have made their comments on these amendments also. Are they very necessary? I have read them. They are the same points that he raised and which have been answered. He raised two points. I have seen them. If he is very particular, I have no objection and I will allow him. If he thinks that he must press those amendments, I will allow him as a special case on the opening day.

Shri Warior: Yes.

Mr. Deputy-Speaker: All right. I will allow him to move them as a special case on this opening day and waive the time restriction. He may move his amendments to clause 2.

Shri Warior: Sir, I beg to move:

Page 1, line 11,—

after "means any concern" *insert*—

> "with a fixed capital not above ten lakhs of rupees and" (4)

Page 1, lines 13 and 14—

> *omit* "in the hotel industry or in the transport of passengers or goods by road or by water" (5)

I have spoken enough on these amendments. I only want that these amendments be accepted by the House.

Mr. Deputy-Speaker: May I put them together?

Shri Warior: Yes.

Amendments Nos. 4 and 5 were put and negatived.

Mr. Deputy-Speaker: The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Mr. Deputy-Speaker: The Question is:

"That clauses 3 to 8 stand part of the Bill."

Shri Harish Chandra Mathur: Sir, can I seek a clarification from my hon. friend? As I mentioned in my speech, in order to strengthen these corporations and their resources we are permitting them to have deposits and to have borrowings. Will the hon. Minister explain how it is that even the funds which have already been made available to them remain unutilised? He owes an explanation to this House. He did not say anything in his speech about it. Rs. 7 crores remain unutilised. What are they doing about these procedural rigidities? What is the use of strengthening these corporations and giving them further resources if the resources that are already made available to them are not being utilised and industries are starving? As I told you, the demand of the industries is much greater, the funds are there and the corporations are there.

Mr. Deputy-Speaker: But one of the hon. Members has already observed that there are certain formalities to be observed, certain conditions to be fulfilled before an applicant becomes entitled to the grant of a loan. If these are not fulfilled, should the money be given away necessarily to any applicant who comes in?

Shri Harish Chandra Mathur: Let us have it from the hon. Minister. At the conference of the financial corporations the Governor of the Reserve Bank posed the same question before all the corporations, as to what was going to be our policy, whether money was going to be advanced strictly on the title deeds or money was going to be advanced on the character, knowledge and productive programme of the entrepreneur. This is the question which was answered by the hon. Finance Minister when he was addressing the scheduled banks. These financial corporations are a special instrument for the assistance of small-scale industries. May I konw how they are going to answer this question?

Shri B. R. Bhagat: I explained that we are trying to do every thing to liberalise the provisions. We have devised new ways, created new institutions to provide more funds and in some of them the rigidity of security is not there.

Mr. Deputy-Speaker: The hon. Member wants to say, if the need is so great, there are many applications and the loan granted is so small, even then there remains a good deal of surplus with the corporation. His suggestion is, should not we study it further.

Shri B. R. Bhagat: There is not a surplus of Rs. 7 crores in all corporations. Some of them were started much earlier. Some have utilised all the resources. He is saying of the total in all the States. And, it is not as if there is some money available and more money is not needed. The need is very great and we want to make available more resources. We want to expand the activities more rapidly.

Mr. Deputy-Speaker: The question is:

"That clauses 3 to 8 stand part of the Bill."

The motion was adopted.

Clauses 3 to 8 were added to the Bill

Clause 9.— (*Amendment of section 9*).

Mr. Deputy-Speaker: There is a Government amendment to clause 9.

Amendment made

Page 5, line 10,—

for "depute" *substitute* "may depute" (3)

(*Shri B. R. Bhagat*)

Mr. Deputy-Speaker: The question is:

"That clause 9, as amended, stand part of the Bill."

The motion was adopted.

Clause 9, *as amended, was added to the Bill.*

Clauses 10 *to* 23 *were added to the Bill.*

Clause 1—(*Short Title and commencement*)

Mr. Deputy-Speaker: There is a Government amendment to clause 1.

Amendment made

Page 1, line 4,—

for "1961" *substitute* "1962" (2)

(*Shri B. R. Bhagat*)

Mr. Deputy-Speaker: The question is:

"That clause 1, as amended, be added to the Bill."

The motion was adopted.

Clause 1, *as amended, was added to the Bill.*

Enacting Formula

Mr. Deputy-Speaker: There is a Government amendment to the Enacting Formula.

Amendment made

Page 1, line 1,—

for "Twelfth Year" *substitute*

"Thirteenth Year". (1)

(*Shri B. R. Bhagat*)

Mr. Deputy-Speaker: The question is:

"That the Enacting Formula, as amended, stand part of the Bill."

The motion was adopted.

The Enacting Formula, as amended, was added to the Bill.

The Long Title was added to the Bill.

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

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

Mr. Deputy-Speaker: Motion moved:

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

Shri Harish Chandra Mathur: Sir, it is true that these financial corporations are different, and they are operated by the various State Governments. But here, on the floor of this House, we have given expression in very strong terms to the difficulties that we envisage. We have given certain facts and figures to show how funds remain unutilised, how the loans sanctioned are not utilised, how there remains Rs. 7 crores unutilised and so on. Then, though we have sanctioned loans amounting to Rs. 29 crores the amount utilized is only Rs. 19 crores. This very strongly underlines the procedural rigidities. I wish that the feelings of this House may be conveyed to the State Governments. I wish also that the hon. Finance Minister may convene a meeting, not only of the heads of the Finance Corporations—because they have got to go and report to the State Finance Ministers and they by themselves cannot do anything—but also of the Finance Ministers of the State Governments and discuss between themselves the working of these corporations and devise ways and means to make them real and effective instruments for the financing of small-scale industries. I am of the opinion that it is more

[Shri Abid Ali]

through conferences, friendly advices and discussions that such things can be done rather than in any other manner. Though the State Governments and others are coming up to help the small-scale industries, as this is a very important instrument to assist the small-scale industries, special attention of the Finance Ministers, both at the Centre and the States, will be useful and may serve the cause of small-scale industries.

Dr. M. S. Aney: In the course of the reply the hon. Minister has stated that this Act, though passed by this House, is operated by the States. He also stated that there are certain States which are developed and which have, therefore, started their own finance corporations, while others are lagging behind. I want the Central Government to take greater interest in this matter. Those States which are undeveloped, in which there is not much of initiative about this matter, they have to be encouraged to take advantage of these corporations. If the operation of this Act is left entirely to the States, probably the present position of inequality between developed States and undeveloped States may remain the same or even become wider. From that point of view, in order to encourage the initiative and to give greater momentum to undeveloped States, there must be some mechanism by which the Central Government should be in a position to bring about healthier and speedier industrial growth and a tendency to take advantage of this Act in those States also.

Shri B. R. Bhagat: As for the two suggestions, we will certainly have the feelings of the House conveyed to the various State Governments. As for the convening of the meeting of the State Finance Ministers with the Union Finance Minister, it will certainly be examined and if it is found that it would help, certainly the Finance Minister would consider it; though we would not commit ourselves to this at this stage, we welcome the suggestion offered by the hon. Member.

Regarding giving encouragement to the undeveloped States by the Centre, it will certainly be done. We are interested in the development of the country and we are trying to do everything, but for the information of the hon. Member we would say that although we do not have any representative on the Board, the Reserve Bank has a representative on the various State Financial Boards. It contributes the capital and takes active interest in the matter. Further, every year an annual conference for two days is also called by the Reserve Bank in which the officers of the State Financial Corporations attend, there they discuss all the problems and remove all the difficulties in the way. If any particular State is lagging behind, so far as development is concerned, it will immediately come to our notice, as our representatives also attend all these meetings, and we are willing to do—in fact, it is our duty to do—all that is possible on our part to remedy the situation.

Mr. Deputy-Speaker: The question is:

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

The motion was adopted.

14.25 hrs.

DOCK WORKERS (REGULATION OF EMPLOYMENT) AMENDMENT BILL

The Deputy Minister of Labour (Shri Abid Ali): Mr. Deputy-Speaker, I beg to move:

> "That the Bill further to amend the Dock Workers (Regulation of Employment) Act, 1948, be taken into consideration."

The present legislation was enacted in 1948 mainly with a view to reducing the hardship suffered by dock workers due to uncertain and irregular nature