

10th September, 1955  
(Saturday)

# LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)



LOK SABHA SECRETARIA.  
NEW DELHI

SIX ANNAS (INLAND)

TWO SHILLINGS (FOREIGN)

## CONTENTS

### No. 31.—Monday, 5th September, 1955.

	COLUMNS
Statement <i>re.</i> Publication of Bank Award Commission Report . . . . . before	12183—85
presentation to Parliament . . . . .	12185—93
Convention <i>re.</i> Quorum . . . . .	12193—94
Business of the House . . . . .	
✓ Companies Bill as reported by Joint Committee—	
Consideration of clauses—Not concluded . . . . .	12195—12374
Clauses 323 to 367 . . . . .	

### No. 32.—Tuesday, 6th September, 1955.

Paper laid on the Table—	
Notification under Central Excises and Salt Act, 1944. . . . .	12375
Indian Coconut Committee (Amendment) Bill—Introduced . . . . .	12375—76
✓ Companies Bill as reported by Joint Committee—	
Consideration of clauses—Not concluded. . . . .	12377—12574
Clauses 323 to 367 . . . . .	12377—12448
Clauses 368 to 388 . . . . .	12448—12572
Clause 197 . . . . .	12554—60
Clause 2. . . . .	12572—74

### No. 33.—Wednesday, 7th September, 1955.

Papers laid on the Table—	
Amendment in Indian Aircraft Rules . . . . .	12375
Declarations of Exemption under Registration of Foreigners Act . . . . .	12575—76
All-India Services (Discipline and Appeal) Rules . . . . .	12576
Correction of answer to Starred Question . . . . .	12577
Business Advisory Committee—	
Twenty-fourth Report—Presented . . . . .	12577
Committee on Private Members' Bills and Resolutions—	
Thirty-sixth Report—Presented . . . . .	12577
Personal Explanation by a Member. . . . .	12577—78
✓ Companies Bill as reported by Joint Committee—	
Consideration of clauses—Not concluded. . . . .	12578—12766
Clauses 389 to 423 . . . . .	12578—12728
Clauses 424 to 555 . . . . .	12728—12766

### No. 34.—Thursday, 8th September, 1955.

Business Advisory Committee—	
Twenty-fourth Report—Adopted . . . . .	12767—71
✓ Companies Bill as reported by Joint Committee—	
Consideration of clauses—Not concluded . . . . .	12771—996
New clause 460 A and clause 516 . . . . .	12771—85
Clauses 556 to 609 . . . . .	12785—867
Clauses 610 to 649 . . . . .	12867—936

### No. 35.—Friday, 9th September, 1955—

Public Accounts Committee—	
Fourteenth Report—Presented . . . . .	12937
Business of the House . . . . .	12937—39
✓ Companies Bill as reported by Joint Committee—	
Consideration of clauses—Not concluded . . . . .	12939—13035
Clauses 610 to 649. . . . .	12939—13009
Clauses 273, 516, 516A and 609A . . . . .	13009—27
Schedules I to XII and Clause I . . . . .	13027—35
Committee on Private Members' Bills and Resolutions—	
Thirty-sixth Report—Adopted . . . . .	13035
✓ Resolution <i>re.</i> State Monopoly of Foreign Trade—Negatived . . . . .	13035—58
Resolution <i>re.</i> Appointment of Commission for Development of Indian Shipping—	
Not concluded . . . . .	13058—98



## No. 36—Saturday, 10th September, 1955.

Messages from Rajya Sabha	13099—100
✓ Companies Bill as reported by Joint Committee—	
Consideration of clauses—concluded.	13100—58
Schedules I to XII and clause 1.	13100—58
Motion to pass as amended—Not concluded.	13159—262

## No. 37—Monday, 12th September, 1955.

## Papers laid on the Table—

Delimitation Commission Final Order No. 30.	13263
Statements showing action taken by Government on assurances etc.	13263—65
Report of Indian Delegation to Eighth World Health Assembly.	13265
Estimates Committee—	
Thirteenth Report—Presented.	13265
Business of the House.	13265—66, 13267—70

## Demands for Supplementary Grants for 1955-56—

Presented.	13266
Election to Committee—	
Central Advisory Board of Archaeology.	13266
Prize Competitions Bill—Introduced	13266-67
Chartered Accountants (Amendment) Bill—Petition presented	13267
✓ Companies Bill, as reported by Joint Committee—	
Motion to pass as amended—Adopted	13270—91
Chartered Accountants (Amendment) Bill—	
Motion to consider—Adopted	13291—325
Clauses 2 and 1	13325—39
Motion to pass—Adopted	13339
Motions re. Displaced Persons Compensation and Rehabilitation Rules—	
Not concluded	13339—402

## No. 38—Tuesday, 13th September, 1955.

Member sworn	13403
Papers laid on the Table—	
Annual report of Coir Board for period ending 31-3-55	13403
Reports of Tariff Commission on continuance of protection to Electric Motor Industry and Diesel Fuel Injection Equipment Industry etc.	
and Government Resolutions thereon	13403-04
Statement on Flood situation in Orissa	13407-08
Business Advisory Committee—	
Twenty-fifth Report—Presented	13404-05
Calling attention to Matter of Urgent Public Importance—	
Floods in Orissa	13405—07
Personal explanation by a Member	13408
Statement re. Accident at Hirakud Dam	13408-09
Motions re. Displaced Persons Compensation and Rehabilitation Rules—	
Not concluded.	13409—635
Message from Rajya Sabha	13635-36

## No. 3—Wednesday, 14th September, 1955.

## Papers laid on the Table—

All India Services' (Leave) Rules	13637
All India Services (Provident Fund) Rules	13637
Business Advisory Committee—	
Twenty-fifth Report—Adopted	13638-39
Committee on Private Members' Bills and Resolutions—	
Thirty-seventh Report—Presented.	13639
Motion re. Displaced Persons Compensation and Rehabilitation Rules—	
Concluded.	13639—885
Motion re Reports of Commissioner for Scheduled Castes and Scheduled Tribes for 1953 and 1954—Not concluded.	13885—906

## No. 40—Thursday, 15th September, 1955.

Public Accounts Committee—	
Fifteenth Report—Presented . . . . .	13907
Young Persons (Harmful publications) Bill—	
Introduced . . . . .	13907
Motions <i>re</i> Reports of Commissioner for Scheduled Castes and Scheduled Tribes for 1953 and 1954—Not concluded . . . . .	13907—14040
Pondicherry Assembly . . . . .	14040—52

## No. 41—Friday, 16th September, 1955.

Message from Rajya Sabha . . . . .	14053—59
Papers laid on the Table—	
Notifications under Industries (Development and Regulation) Act . . . . .	14060
Fruit Products Order . . . . .	14060
Business of the House . . . . .	14060—62, 14131—92

Motions <i>re</i> Reports of Commissioner for Scheduled Castes and Scheduled Tribes for 1953 and 1954—Not concluded . . . . .	13063—130, 14132
---	------------------

Committee on Private Members' Bills and Resolutions—	
Thirty-seventh Report—Adopted . . . . .	14130
Motor Vehicles (Amendment) Bill—Introduced . . . . .	14130—31 ✓
Indian Registration (Amendment) Bill—Introduced . . . . .	14131

## No. 42—Saturday, 17th September, 1955.

Motion <i>re</i> International Situation—Adopted as amended . . . . .	14193—367 ✓
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## No. 43—Monday, 19th September, 1955.

President's Assent to Bills . . . . .	14377
Message from Rajya Sabha . . . . .	14377—78
Hindu Succession Bill—	
Report of Joint Committee—laid on the Table . . . . .	14379
Calling attention to matter of urgent public importance—	
Starvation in flood-stricken districts of U. P. . . . .	14379—81
Motions <i>re</i> Reports of Commissioner for Scheduled Castes and Scheduled Tribes for 1953 and 1954—Concluded . . . . .	14381—445
Motion <i>re</i> White Paper on G. A. T. T.—Not concluded . . . . .	14445—520

## No. 44—Tuesday, 20th September, 1955.

Motion <i>re</i> White Paper on GATT—Adopted as amended . . . . .	14521—86
Representation of the People (Amendment) Bill and Representation of the People (Second Amendment) Bill—	
Motions to refer to Select Committee—Not concluded . . . . .	14586—656 ✓

## No. 45—Wednesday, 21st September, 1955.

Business Advisory Committee—	
Twenty-sixth Report—Presented . . . . .	14657
Committee on Private Members' Bills and Resolutions—	
Thirty-eighth Report—Presented . . . . .	14657
Estimates Committee—	
Fourteenth Report—Presented . . . . .	14657
All-India Institute of Medical Sciences Bill—Introduced . . . . .	14658
Industrial Dispute (Amendment and Miscellaneous Provisions) Bill—	
Introduced . . . . .	14658
Industrial Disputes (Banking Companies) Decision Bill—Introduced . . . . .	14659
Representation of the People (Amendment) Bill and Representation of the People (Second Amendment) Bill—	
Motions to refer to Select Committee—Not concluded . . . . .	14659—773 ✓
Machine Tool Prototype Factory, Ambarnath . . . . .	14773—88
Index . . . . .	1—27

# LOK SABHA DEBATES

## (Part II—Proceedings other than Questions and Answers)

13099

13100

### LOK SABHA

Saturday, 10th September, 1955

*The Lok Sabha met at Eleven of the Clock.*

[MR. SPEAKER in the Chair]

### QUESTIONS AND ANSWERS

(No Questions: Part I not published)

11-02 A.M.

### MESSAGES FROM RAJYA SABHA

**Secretary:** Sir, I have to report the following two messages received from the Secretary of Rajya Sabha:

(1) I am directed to inform the Lok Sabha that the Rajya Sabha, at its sitting held on Thursday, the 8th September, 1955, passed the enclosed motion concurring in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill to provide for the acquisition and termination of Indian citizenship. The names of the members nominated by the Rajya Sabha to serve on the said Joint Committee are set out in the motion.

#### *Motion*

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill to provide for the acquisition and termination of Indian citizenship, and resolves that the following members of the Rajya Sabha be nominated to

330 L.S.D.

serve on the said Joint Committee:

1. Shri K. Madhava Menon.
2. Shri Jaspat Roy Kapoor.
3. Shri Akbar Ali Khan.
4. Shri Sri Narayan Mahtha.
5. Shri B. P. Agarwal.
6. Diwan Chaman Lall.
7. Dr. R. P. Dube.
8. Shri P. T. Leuva.
9. Shri Trilochan Dutta.
10. Dr. H. N. Kunzru.
11. Shri B. C. Ghose.
12. Shri J. V. K. Vallabharao.
13. Shri M. P. N. Sinha.
14. Shri Amolakh Chand.
15. Shri Govind Ballabh Pant."

(2) I am directed to inform the Lok Sabha that the Rajya Sabha, at its sitting held on the 9th September, 1955, has passed the following motion extending the time for presentation of the Report of the Joint Committee of the Houses on the Hindu Succession Bill, 1954:

#### *Motion*

"That the time appointed for the presentation of the Report of the Joint Committee of the Houses on the Bill to amend and codify the law relating to intestate succession among Hindus be extended up to Monday, the 19th September, 1955."

### COMPANIES BILL—Contd.

#### Schedules I to XII and clause 1

**Mr. Speaker:** The House will now resume further consideration of Sche-

[Mr. Speaker]

dules I to XII and clause 1 of the Companies Bill. Out of the 4 hours allocated for this group, about half an hour has already been availed of yesterday and a balance of 3½ hours now remains.

The list of selected amendments to this group has already been circulated to Members. The following are the amendments that hon. Members have indicated to be moved subject to their being otherwise admissible. The list is as follows:

#### *Amendments Nos.*

Schedule I.—1078 (Govt.), 1079 (Govt.), 1200, 1175, 1176, 1152, 1153, 1177, 1178, 1179, 1180, 1181, 1080 (Govt.), 1182, 1081 (Govt.), 1183.

Schedule II.—1184, 1185, 1186, 1187.

Schedule III.—1082 (Govt.), 1083 (Govt.), 1084 (Govt.), 1085 (Govt.), 1086 (Govt.), 1087 (Govt.), 1088 (Govt.).

Schedule IV.—1089 (Govt.), 1090 (Govt.), 1091 (Govt.), 1092 (Govt.), 1093 (Govt.), 1094 (Govt.), 1095 (Govt.).

Schedule VI.—1188, 1189, 1154, 1203 (same as 1154).

Schedule IX.—1096 (Govt.), 1097 (Govt.), 1098 (Govt.).

Schedule XII.—1099 (Govt.).

Schedule XIII.—440.  
(New)

Clause 1.—62,320.

#### **Schedule I**

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to move:

(1) Page 295, line 3—  
omit "13".

(2) Pages 303 and 304—

omit lines 38 to 43 and 1 to 3 respectively.

**Shri Barman (North Bengal—Reserved—Sch. Castes):** I beg to move:

Page 304—

for lines 4 and 5, substitute:

"50. (1) At the annual general meeting the Chairman of the ~~meeting~~ shall be elected from the shareholders present, and for the ~~purpose of such election~~, the Chairman, if any, of the Board or in his absence, any other person nominated by the Board shall preside.

(2) The Chairman, if any, of the Board shall preside as chairman at every other general meeting of the company."

**Shri K. K. Basu (Diamond Harbour):** I beg to move:

(1) Page 304—

after line 32, insert:

"55A. List of business to be transacted which shall include the charities made during the year along with the organisation and their character thereto."

(2) Page 308, lines 21 and 22—

for "the amount recommended by the Board", substitute:

"eight per cent. unless sanctioned by the Central Government".

**Shri K. P. Tripathi (Darrang):** I beg to move:

(1) Page 308—

after line 22, insert:

"85A. The company in a general meeting of the Board may declare bonus to workers. This may be wholly in cash, or partly in cash, and partly in bonus shares of the company."

(2) Page 308, line 31—

for "meeting contingencies or for equalising dividends" substitute:

"meeting contingencies like compensation for lay off and retrenchment or for equalising dividends, wages and bonus".

**Shri K. K. Basu:** I beg to move:

(1) Page 309, line 45—

after "the company" insert:

"including those of the branches if any".

(2) Page 310—

for Regulation 96, substitute:

"96. The company shall not capitalise the reserves or any portion thereof except for adding to block capital".

(3) Page 310—

for Regulation 96, substitute:

"96. The company shall not capitalise the reserves or any portion thereof unless a bonus is paid out of the reserves to the workers and employees equal to three months' wages for each year during which the reserves accumulated".

(4) Page 310—

for Regulation 96, substitute:

"96. The company shall not capitalise the reserves or any portion thereof unless fifty per cent. of the reserves is distributed as bonus to the workers".

(5) Page 311, line 43—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

**Shri C. D. Deshmukh:** I beg to move:

Page 312, line 11—

after "addresses" insert "descriptions."

**Shri K. K. Basu:** I beg to move:

Page 312, line 37—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

**Shri C. D. Deshmukh:** I beg to move:

Page 313, line 4—

after "address" insert "descriptions".

**Shri K. K. Basu:** I beg to move:

Page 318, line 2—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

#### Schedule II

**Shri K. K. Basu:** I beg to move:

(1) Page 319, line 23—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

(2) Page 323, line 18—

after "opening" insert "and closing".

(3) Page 324—

for Regulation 11, substitute:

"11. When any issue of shares or debentures is underwritten, the names and addresses of underwriters and where the underwriters are a firm or a company, the names and addresses of the partners of the firm or of the directors of the company, as the case may be, the class of shares underwritten and the number of shares of each such class, the time allowed for fulfilling the underwriting obligations and the name of the bank which has given a guarantee for the due fulfilment of the contract; and the opinion of the directors that the resources of the underwriters are sufficient to discharge their obligations".

(4) Page 326, line 41—

after "liabilities" insert:

"including that of branches specially, when the main operation of the company are in such branches".

#### Schedule III

**Shri C. D. Deshmukh:** I beg to move:

(1) Page 333, lines 16 and 17—

for "three years" substitute "five years."

[Shri C. D. Deshmukh]

(2) Page 333, line 21—

for "three years" substitute  
"five years".

(3) Page 333, line 23—

after "respect of" insert  
"four years, three years".

(4) Page 333, line 25—

after "references to" insert  
"four years, three years".

(5) Page 333, line 28—

for "three years" substitute  
"five years".

(6) Page 333, line 35—

after "references to" insert  
"five years, four years".

(7) Page 333, line 40—

after "less than" insert  
"five years, four years".

#### Schedule IV

Shri C. D. Deshmukh: I beg to move:

(1) Page 339, line 43—

for "three years" substitute  
"five years".

(2) Page 339, line 46—

for "three years" substitute  
"five years".

(3) Page 339, line 48—

after "in respect of" insert  
"four years, three years".

(4) Page 339, line 51—

after "to" insert "four years,  
three years".

(5) Page 340, line 2—

for "three years" substitute  
"five years".

(6) Page 340, line 9—

after "to" insert "five years,  
four years".

(7) Page 340, line 13—

after "not less than" insert  
"five years, three years".

#### Schedule VI

Shri K. K. Basu: I beg to move:

(1) Page 361—

after line 2, insert:

"(In the case of branch offices  
a separate account to be submit-  
ted)".

(2) Page 361—

after line 2, insert:

"(In case of a branch office  
where main part of the manu-  
facturing is done, a separate  
account is to be submitted)".

Shri K. P. Tripathi: I beg to move:

Page 364—

omit lines 13 to 21.

Shri K. K. Basu: I beg to move:

Page 364—

omit lines 13 to 21.

#### Schedule X

Shri C. D. Deshmukh: I beg to move:

(1) Page 370—

after line 4, insert "General  
Form".

(2) Page 370—

after line 19, insert:

"Form for affording members  
an opportunity of voting for  
or against a resolution".

(3) Page 370—

omit lines 36 to 39.

#### Schedule XII

Shri C. D. Deshmukh: I beg to move:

Page 376, lines 4 to 14—

omit column 4 headed "extent  
of repeal" and all the entries in  
it.

## New Schedule XIII

**Shri Kamath:** (Hoshangabad): I beg to move:

Page 376—

after line 14, add:

"Where such net profits do not exceed Rs. 20 lakhs  
11 per cent.

Where such net profits exceed Rs. 10 lakhs but do not exceed Rs. 30 lakhs  
9½ per cent.

Where such net profits exceed Rs. 30 lakhs but do not exceed Rs. 40 lakhs  
8 per cent.

Where such net profits exceed Rs. 40 lakhs but do not exceed Rs. 50 lakhs  
6½ per cent.

Where such net profit exceeds Rs. 50 lakhs  
5 per cent."

Clause I—(Short Title etc.)

**Shri Rane:** I beg to move:

Page 1—

for lines 7 and 8, substitute:

"(2) It shall come into force on the first day of April, 1956".

**Shri K. K. Basu:** I beg to move:

Page 1, lines 7 and 8—

for "such date as the Central Government may, by notification in the Official Gazette, appoint." substitute "January 1, 1956".

**Mr. Speaker:** All these amendments are now before the House for discussion.

**Shri K. P. Tripathi:** Yesterday, I was discussing my second amendment No. 1153. The clause reads as follows: ".....meeting contingencies or for equalising dividends....." I have proposed that this phrase be substituted

by "meeting contingencies like compensation for lay off and retrenchment or for equalising dividends, wages and bonus". Obviously, in the existing structure of society, somehow it seems that when the question of allocation of profits, etc., are discussed and considered, the only persons who are in the view of the Finance Minister or generally of the people who deal with companies are the shareholders and the management. But, after the changed pattern of society which we have adopted, namely socialistic pattern, workers have become shareholders in industries. Therefore, it is very necessary that they should not be forgotten. How shall they appear in this distribution of profits? That is the question. The clause as it exists says: "meeting contingencies or for equalising dividends". Dividends are not the only things distributed out of profits today. I was arguing yesterday and I argue still that one of the ways in which profits are distributed today is by way of bonus. In India, in almost all industries, workers are getting less than a living wage and therefore the tribunals have ruled that they are entitled to bonus out of profits. Bonus is regarded as deferred wage. In that case, obviously, when we consider the distribution of profits, the question of distribution of bonus arises as a result of the system which we have adopted as our ideal for distribution of profits. That has to be provided somewhere in this Bill. I do not find that it has been provided in the existing clause.

From an analysis of the reserves, I find that the employers or the shareholders or the management are creating a very large number of them. Apart from the general reserve, they have also created a dividend equalisation reserve, taxation reserve, machinery replacement reserve, depreciation reserve, reserve for passage back home, etc. When Europeans are concerned, they have to go back home after every two years. There is a special reserve created for that purpose. There are the pension reserve, the provident fund reserve, etc. In this way, a large number of reserves

[Shri K. P. Tripathi]

are created out of the profits. These are liabilities and therefore for each liability a special reserve is created. But, what about the statutory liability which industries have to pay as a result of the laws passed in this country by this Parliament. I draw the attention of the House to the following laws which have been passed. Compensation for lay off and retrenchment: we have passed a law making it obligatory on employers that compensation shall have to be paid for lay off and retrenchment for a certain number of days. But, no reserve has been created for this purpose. Unless and until there is a reserve provided for this contingency, how shall a company pay this particular liability when loss occurs? I draw the attention of the hon. Minister to the cases that occurred in 1952 when, due to a large-scale crisis, a large number of tea gardens closed. Government said that there was the minimum wage law. Minimum wage means wage which cannot be reduced. There was no reserve from which minimum wages could be guaranteed or paid. Therefore, the Finance Minister himself suggested that wages should be scaled down. How can minimum wage be scaled down, I do not know. If it is scaled down, it ceases to be minimum wage. That was the device which the Finance Minister suggested and ultimately, the country had to agree to that. I find that there is no corresponding reserve created for equalising the wages or paying minimum wages or guaranteeing minimum wages. I find six days work has been guaranteed in certain industries. But, there is no special reserve created. How can there be a guarantee if there is no reserve? Obviously, as soon as a contingency arises, there will be a lock out or a closure and the company will say, we cannot pay and the provision in that law will be nugatory. After all, it is the duty of Parliament to see that when it creates an obligation on an industry, there must be some channel or machinery or reserve created whereby that obligation can

be fulfilled. I humbly beg to submit that no such demand has been made. Merely an obligation has been laid. The industries have not provided any reserves for these obligations that are statutory ultimately. No such reserve has been created. Similarly, there is a statutory obligation to provide maternity benefits. There is the statutory obligation in respect of provident funds, Employees State Insurance, minimum wages, etc. For all these, no special reserves are created. I therefore humbly beg to submit that it is necessary that these reserves should be created. Therefore, I have said:

for "meeting contingencies or for equalising dividends" substitute:

"meeting contingencies like compensation for lay off and retrenchment or for equalising dividends, wages and bonus".

The only thing mentioned in the Bill is "equalising dividends". I am adding wages and bonus. For that also an equalisation reserve should be created.

I know that simply by providing this in the Bill I am not creating the reserve, because after all it says that it can be created, but whether this will be created nobody knows. This reserve will not be created until and unless the industry desires to create it. This will be an indication to the industry that it is desirable that this should be created, but I am sure most of the industrialists would not come forward to create it, and possibly some sort of compulsory legislation shall have to be undertaken so that this reserve may be created alongside the dividend equalisation reserve. I do not know whether the Government will at any time, now or in the future think in terms of compelling the industry to create such a reserve, but it is my duty to point out that it is necessary, and it is for this reason that I am



putting it in a permissive way. I do not think it will be difficult for the Finance Minister to accept because this will not by itself create any reserves and it is only an indication to the industrialists to follow.

The third amendment which I have moved seeks to omit lines 13 to 21 in page 364. These lines give power to the Government to say that a company shall not be obliged to show the amount set aside for provisions other than those relating to depreciation, renewal or diminution in the value of assets. I feel that the data which should be available and which are available in other countries of the world with regard to industries are not available in this country. Yet, it is very necessary to know how a company runs, what are the reserves it creates, how it spends its funds, how it distributes its profits etc. These should be open and above board. These are not private things, that is what I beg to argue. The affairs of a company are not private. The affairs of a company are public, and therefore the data which are necessary for the country to know in order to find out whether the industrial structure is healthy or unhealthy, is very necessary, and if this clause is there in the way in which it exists today, so that the Government may permit industries and concerns not to divulge this data, I would say that the country would be poorer in that case. After all, we are in the planning stage and plan means that on the basis of existing knowledge we plan for the future. If we provide this power to the Government in the body of this Bill to permit industrial units to hide facts from the country and public, to that extent neither the Government nor the public will be in a position to know them, and not knowing them it will not be in a position to appreciate the plan, whether the plan is properly framed, whether the country is running properly. That difficulty would be there. Therefore, I think the Government should not have these powers. After all, all companies should be put on

the same footing, and all companies should be obliged under the existing law of the land to give certain facts.

It might be said that the Central Government is satisfied that the information should not be disclosed in the public interest or that it would prejudice the company. These are the two cases in which this power has been taken by the Government. I humbly submit that in these cases also the facts should be divulged. I humbly beg to submit that the divulgence of the facts does not go against the public interest, does not go against the interests of the company. It is necessary that these facts are known, and if these are not published, we will be in a difficult position, because we the workers have to negotiate for our rights, for our bonus, for our wages, and since in India trade unionism has come to stay on the basis of negotiation, we negotiate with the employers for our bonus and wages. These negotiations can proceed only on the basis of knowledge. If the facts are not divulged, how shall we deal with these companies? We can deal with them only if we know the facts. In other countries, I submit, all these facts are known, and the industry as well as the workers are on an equal footing when they negotiate for their demands, but in our country we find that we do not know most of the facts and the industry has an added advantage based on our ignorance, and so whenever we go on the basis of negotiation we fail. On the basis of strike also we fail because there is a tug-of-war and our fighting capacity is low. Therefore, if it be the policy of the State to replace progressively strikes by negotiation, in that case it would be necessary that all these facts are made available to the trade unions and to the country, so that on the basis of equal knowledge trade unions and the employers might negotiate. Therefore, I would request the Government not to have any powers which may prevent knowledge from coming to the fore, and I would request the Government still to consider that this power may not be

[Shri K. P. Tripathi]

taken by them. I argued similarly with regard to another proviso earlier, but the Government did not find it possible to accede to my request. I hope that Government may find it possible to agree to accept my request at least in this case, that the powers which hide facts from the nation should not be taken by the Government.

**Shri K. K. Basu:** Several amendments have already been moved yesterday by my friend Shri N. B. Chowdhury. I also want to move an amendment standing in the name of myself and Shri V. P. Nayar.

By our amendment No. 1175 we have added one clause to Schedule No. 1 in page 304. The addition reads:

"55A. List of business to be transacted which shall include the charities made during the year along with the organisation and their character thereto."

We have tried on previous occasions through several amendments to disqualify any charities made to organisations with which political organisations or parties are connected, and we have said that these should be made illegal under the statute. But, unfortunately, that on the whole has not been accepted and the Finance Minister in reply has said that a list of these charities is given in the general meeting and naturally the shareholders have a knowledge as to what is done. In my amendment I want only to provide a statutory obligation that this should form a part of the list of business. It might be, but I do not know if there is a practice of circulating a list of the charities before the general meeting, but if it forms part of the list of business, the general body can express its views as to the particular type of institution to which the contribution has been made.

As I have said earlier, sometimes we have been told by these businessmen that they had to contribute funds

because request is made either by a Minister, or some other very important personage in the political life of that part of the country. Naturally, these businessmen dare not go against the indirect pressure, if I may say so, of the Minister or the other important personages. I would like to say, therefore, that we have still doubts in regard to this matter. We feel that the time has not come when we can say that Government will not put some sort of indirect pressure on the business world to contribute to their funds. If these funds are funds started in the hallowed memory of Gandhiji or Kastur Ba, for instance, then certainly we would have no objection to contributions being made to those funds. You know very well that when the national funds were raised in the year 1905 or 1920, as for instance, the Tilak Fund, etc., the contributions were made mostly by people with small means. I have been told that even recently, a major portion of the funds contributed for the Kastur Ba Fund came mostly from the villagers or persons with small means. So, if contributions are made to such funds, we have no objection. But today, we find that the business world is contributing funds for other purposes also. They say, the Minister is asking for funds, naturally we cannot help contributing, and therefore we have got to accede to his request.

We have seen also recently how for reception of a big personage—Minister or possibly the president of a local Congress Committee or somebody else, —on the occasion of his birthday, a big purse was raised. Of late, we find that this business of birthday purse has gone rather too far in our country. Formerly, we used to celebrate birthdays of persons like Rabindranath Tagore or Mahatmaji only. But today we find that every other day in connection with birthday presents for Ministers or other important persons, purses are being raised. In one year, it is raised in connection with the seventieth birthday,

and in the next year it is raised for the seventy-first birthday and so on. Thus, we find that these purses are increasing in geometric progression every time. I know fully well that on one occasion for some important person out of a purse of Rs. 1 lakh or Rs. 70,000 or so was paid just by one or two individuals connected with business; and not even 10 per cent of that amount was from the common man in recognition of the services of that particular gentleman or out of love and affection for him.

I have no objection if the shareholders themselves decide that the contribution might be made for the reception of a big personage or a Minister or for some special fund with which a Minister might be connected. But under the statute as at present framed, power has been given to the board to contribute funds, and we have accepted an amendment in that regard also—on the plea that otherwise charity will be affected,—and increased the amount to Rs 25,000. I therefore urge that here when we are enacting a sort of model for the articles of association which a company should adopt, we should see that a specific statutory provision is made there to the effect that in all cases these contributions will form the subject-matter of the list of business of the annual general meeting of the shareholders, where the shareholders, will be given full opportunity to express their opinion as to whether the board of directors were justified in making such contributions. This is what I have sought to provide through my amendment No. 1175.

I now come to my next amendment, viz. amendment No. 1176, which reads:

Page 308, lines 21 and 22—

for 'the amount recommended by the Board', substitute:

'eight per cent unless sanctioned by the Central Government'.

'It is true that we have at present the private sector, and it is quite powerful too. But we should also

remember at the same time that Parliament and the nation have accepted the objective principles of planning. We have had one Five Year Plan already, and we are now embarking on a Second Five Year Plan, wherein we are going to have bigger targets in order that the condition of the common man may improve. I would therefore suggest that it is absolutely necessary that the resources of the private sector also should be properly canalised and allowed to be distributed in a particular way. That is why I have provided in this amendment that, normally speaking, the dividend should be limited to eight per cent; it may be increased in special circumstances if the Central Government so think fit and give the necessary approval for the same.

The reason why we have provided for eight per cent. is this. We feel that normally speaking, eight per cent. will be sufficient return on any particular investment. In the case of loans we have provided only for six per cent under the general law of the land, and in the Civil Procedure Code also we have provided only for six per cent as the rate of interest. Here we have provided for two per cent more. We think that that would be adequate. We know that there are tea gardens which have given dividends of the order of 100 per cent or more. But when a crisis occurs in the international tea market, they come to Government and say, unless you give us loans, and unless you arrange for accommodation, we shall have to close down our concerns or we shall have to reduce the amenities—whatever meagre sub-human amenities may be there—provided for the employees. By my amendment I seek to provide that they will not fritter away their resources by giving huge dividends. And for this purpose, power is vested in Government to see that normally eight per cent will be the maximum dividend that any company may pay, but in special cases, or in particular types of companies which have embarked on a new industrial venture in our

[Shri K. K. Basu]

country, Government may give permission for the payment of a higher rate of dividend, in view of the fact that the risk involved was greater. In ordinary cases, we should see that the company does not fritter away its resources by paying huge dividends when it has earned enormous profits. We should see that the resources of the private sector are properly utilised and utilised in the best interests of the nation's industrial expansion programme. Especially when we are having a planned economy, it is absolutely necessary that the private sector too should work within the framework of the Plan, and within the ideology that we have accepted under the Plan.

The third amendmet which I have got in my name is amendment No. 1181, whereby I seek to provide that the objects for which a company may be established should not be more than six, and those six also should all be connected ones. The other day, when we were discussing the chapters relating to memorandum and articles of association, it was clearly stated that the Bhabha Committee were fully aware of the danger of inter-locking which is now prevalent in the country's economic life. This inter-locking is not in many cases to the benefit of the country. But my hon. friend Shri G. D. Somani has said that if a businessman has money with him, he should be allowed to invest it in whatever enterprise he likes. Here I join issue with him. It is true that the private sector should be allowed to work with a certain amount of freedom, but it should work within a certain framework. At present, what happens that if there is a cotton mill which has got accumulated profits worth about Rs. 30 to Rs. 40 lakhs spread over a period of five or six years, all of a sudden, it takes it into its head to invest that money in a jute mill or cement factory because it finds that that is giving a greater return, or in some other venture which is likely to give quicker returns. We know from

experience how in the past ten or twelve years, in many instances, the business world has gone and invested its money in ventures which give quicker or greater returns, but which may not be necessary from the point of view of the industrial development of the Nation. What I would urge therefore is that we should not allow them to invest their money in any manner they like, by having objects in their memorandum from A to Z which may not all be connected with each other. I know, for instance, of a publishing house which has as one of its objects the manufacture of aeroplanes or aircrafts. In this way, they go on keeping everything within their scope, so that they may go in for whatever they choose. I submit that we have to consider here the question of interlocking that is likely to result thereby, and also the possibility of the business world behaving in a fashion which may not be in the best interests of the country. We have to see that the private sector works within the framework that we have laid down in our Plan, and within the social objectives of the Plan.

Therefore, we cannot allow these people to invest their surplus money in some factory or in some concern which at a particular moment may not be necessary for our Nation and may be in the best interests of the country. We have our limited resources. It is the duty of Government to see that there is the maximum utilisation of our available resources in objects which would be to the common benefit of the citizens of India. Therefore, we have suggested a limitation on dividend and a limitation on the objects of a company. This is based on the theory that the private sector should be allowed to work within the framework of the social objectives of our plan, and there should be some sort of limitation as to the mode in which they can go on expanding. There are certainly industries which it may be necessary for our country to establish. We shall save the accumulated reserves of the private industry for that. If

our countrymen are satisfied with 18 yards per capita for the movement, and if we utilise the surplus funds for building up the heavy chemical industry or the heavy electrical industry, for which money is needed, certainly our countrymen, who have sacrificed and suffered so much for the freedom movement, will continue to do so for the building of the future of the country which we all hope for and expect.

My amendment No. 1178 deals with the provision regarding capitalisation of reserves. In this connection, I also support the amendment moved by my friend Shri K. P. Tripathi, regarding reserves and issue of bonus shares. On this issue, when we were dealing the clause relating to bonus shares, it was pointed out that if a company had reserves and wanted to issue bonus shares, they should be so utilised only against increase of the block capital. We have known many of these companies; they made huge and enormous profits during the last ten or twelve years, during the war, during the post-war period and also during the Korean boom. They had distributed certain money and the rest of it was kept as reserve which was escaping taxation. Our State was deprived of the taxes due from these profits earned by these people, and then these reserves were capitalised. In the same period, we find that there has been over-capitalisation of the whole establishment, and payment of a lot of dividend; but we have not seen that that reserve has been actually used to increase the capital assets of a particular concern. Therefore one of my amendment says that a company shall not capitalise the reserves or any portion thereof except for adding to block capital. I have also said in another amendment that there shall be no capitalisation of reserves unless a bonus is paid out of the reserves to the workers and employees equal to three months' wages for each year during which the reserves accumulated. Why I say this is this. As Shri K. P. Tripathi, who is an eminent labour leader, has said, bonus is a deferred wage. We know full well

how these reserves have come to be accumulated, namely, through the contribution of workers. Often we are told, when a company has to build up reserves, that the wages of workers have to be kept at a particular standard, which standard in most cases—in 99 cases out of 100—is still a sub-human standard. Therefore, whenever a company is allowed to issue bonus shares or capitalise reserves, it should be made a statutory obligation on it to see that the workers are paid either in the shape of bonus shares or of even cash bonuses—preferably the latter—an amount equal to fifty per cent of the reserves. As one hon. Member suggested, if the Government so choose, they can say that instead of paying cash bonuses, when a capitalisation of reserves takes place in a company, the workers should also be given a certain number of shares against the capital assets. Because, as I have said, we must keep in view the social objectives adumbrated in the directive principles of our Constitution under which we are working. Therefore in the case of reserves, all these factors have to be taken into consideration. The workers' share should be ensured when there is capitalisation of reserves, and capitalisation of reserves should take place only against increase of block capital.

Then we have an amendment regarding audit of the branches of companies. In this connection, we had moved a similar amendment to the clause dealing with audit under the company law. In reply, the Minister stated that there was a shortage of auditors and therefore, they could not make a statutory provision for audit of the branches of a company. I do not know wherefrom he got figures to conclude that there is a dearth of auditor. So far as I know, at least in that part of the country from which I come, we have many good, young auditors who are not yet full up and their services can be utilised. If we insist that the audit should be done only by the three or four top firms in the profession, then, of course, it may not be possible to

[Shri K. K. Basu]

have audit of all the branches of companies. I say that branch audit is absolutely important. The main work and operation of companies are in the branches. You know fully well that we have head offices of many companies in Calcutta, big managing agency houses, under foreigners; their main operations are in branches situated 200 miles away in the coal regions of Dhanbad and Asansol, or in tea gardens in north Bengal, Darjeeling, Jalpaiguri and so on. Then again, there are many manganese mines operated in Madhya Pradesh; the head offices of all these firms are in Calcutta. Under the present system, what do they do? So far as these branches are concerned, only the certificate of the manager or the important person connected with the branch is taken in respect of accounts. A manager certifies that he has purchased Rs. 500 worth of furniture. So far as the head office is concerned, it is satisfied with that certificate, so long as the certificate is given by a person who is authorised to spend the amount. But they do not go and check up whether the articles have actually been purchased. I can say with authority that there are cases when many managers in tea gardens or engineers in coal mines behave in a way that they actually defalcate—or do not purchase the articles or spend the money for which they give certificate. I know in many cases that this has happened. The auditors themselves have told me. But as junior auditors, they know that if they bring it to the notice of the authorities, they would not get appointed next year. All this is done by a coterie of persons who are running and are in control of companies. The head office is supplied with an account in a summary form so far as the accounts of the branches are concerned. This happens in the branches where actually 90 per cent of the work of a company goes on. The auditors at the head office do not go and check up all these things. They only audit the books in the head office on the basis of the summarised

return or certificate given by the internal cashier or the accountant or manager at the branch office, whoever he may be. Therefore, I would request Government to take this state of affairs seriously into consideration. I know from my experience in Calcutta that the real financial state of affairs in regard to most of these mines or tea gardens are not reflected in the books of account kept in the head offices. Therefore, this matter should be taken seriously into consideration. If necessary—there was a suggestion made by some hon. Member—that some other accountants should be qualified under the statute and allowed to go and audit the books of account in the branches. I say this because the amounts involved are large. We feel strongly on this. Also many foreign firms are involved in this, and our country and our nation loses a great deal of money because of this lacuna that we still find in the Bill that we are going to pass today. Therefore, I have said that there should be a compulsory provision in the articles of association regarding branch audit. The accounts must really state the detailed position of the branches and they must be clear especially in those cases when the main operations are in the branches and they should form part of the accounts submitted to the general body meeting of the shareholders. I hope the Government will take into consideration all these factors. Otherwise the certificate of the auditors is of no value. In Calcutta there are 400 or 500 commerce graduates who have had some higher accountancy course. They should be given licences to go and work under certified auditors or Chartered Accountants and provided for. I would, therefore, ask the Government to consider this fully and not to be carried away by the cry that there is a dearth of auditors and so we cannot amend the law.

I have given another amendment regarding the date of closing. In the prospectus wherein notice is given for the subscription there should be cer-

tain facts mentioned. I say this that there should be a statutory obligation cast on the company to show in the prospectus issued the date of opening as well as the date of closing of the subscriptions. Now, we are having only a provision that the date of the opening of the subscription should be given and there is no provision as to the date of closure.

In the evidence given before the Bhabha Committee, the Bombay Shareholders' Association and some other people—even the Registrar, Bombay—who are connected with a very important section of the industrial world of our country, had categorically stated that some of the people connected with the allotment of shares do not behave properly because the closing date is not fixed. Genuine investors who apply earlier are not allotted the shares. Those people who are connected with the organisation or the promotion of the company keep out people whom they do not want and give shares to those persons in whom they are interested; they try to get people to contribute and then allot the shares; they keep the subscription lists open so long. If they find people who are to their advantage then they begin to allot shares. Therefore, provision should be made that in the prospectus both the dates for the opening and the closing of the subscription should be mentioned. We can say that whenever a company is floated, say within 3 months or 6 months, it should close the receipt of subscriptions. If a particular date is given for closing the subscriptions, then immediately after that date the allotments must be made. Allegations have been made that at least in 25 per cent of cases it has so happened that as the date is not mentioned the persons in whom the promoters are interested have been asked to contribute and then shares allotted. Therefore, I have moved an amendment to this paragraph of the First Schedule that the closing date should be given.

Then, I have another amendment regarding Regulation 11 in Schedule

II which relates to underwriting. We know fully well that so long as the private sector is there the principle of underwriting shares will also be there. The Bombay Shareholders' Association has suggested that the underwriter should give a guarantee that they should themselves contribute or get contributed a certain percentage of shares and that there should be a penalty clause in case of default. Therefore, I have moved for substituting the provision by the following:

"When any issue of shares or debentures is underwritten, the names and addresses of underwriters and where the underwriters are a firm or a company, the names and addresses of the partners of the firm or of the directors of the company as the case may be, the class of shares underwritten and the number of shares of each such class, the time allowed for fulfilling the underwriting obligations and the name of the bank which has given a guarantee for the due fulfilment of the contract; and the opinion of the directors that the resources of the underwriters are sufficient to discharge their obligations."

This should form part of the prospectus. Why do I put in this provision? I find that the Millin Commission which examined the question of underwriting in South Africa has made, more or less, a similar recommendation.

"If the whole or portion of the share capital or debenture of a company being offered for subscription has been or is being underwritten these shall be lodged by the company with the Registrar not less than fourteen days before the date of the proposed offer of shares or debenture a copy of the underwriting contract and a sworn declaration by the person named as underwriter or if such person is a company, by each of two directors of such company, that to the best of the deponent's knowledge and belief

[Shri K. K. Basu]

the underwriter is and will be in a position to carry out his obligations even if such a person is a company, by each of two directors of such company, that to the best of the deponent's knowledge and belief the underwriter is and will be in a position to carry out his obligations even if no shares or debentures, as the case may be, are applied for."

We know that in South Africa the trade is controlled by Europeans who have settled there and who must have been nurtured in the traditions of the English business. Even there the expert committee had come to the conclusion that there should be a certain obligation cast on the underwriters which must be there—in whatever form it may be—along with the prospectus, that they are able to fulfil the obligation. We have known cases in which the companies had to suffer as a result of getting into contracts with underwriters who are not able to fulfil their obligations and ultimately the shareholders or genuine investors had to suffer. Therefore I am providing that in the prospectus it should be provided that the underwriters are worthy persons and they have the capacity to fulfil their obligations.

The last of my amendments is more or less on the same lines as the amendment Shri Tripathi has moved. I need not deal with it at great length or cover the points which my hon. friend Shri Tripathi has already covered, regarding the obligations the companies are expected to discharge under the various provisions which have been passed. But, unfortunately, the Finance Minister has an attitude which goes even counter to the principles which the Bhabha Committee have accepted in the course of their recommendations, as a principle which should guide the working of these bodies corporate. The Finance Minister seems to say that this company law is there only to guide the relationship amongst the shareholders.

The Bhabha Committee have accepted the recommendation of the Planning Commission which runs as follows:

"Briefly, the Directive Principles visualize an economic and social order based on equality of opportunity, social justice, the right to work, the right to an adequate wage and a measure of social security for all citizens. They do not prescribe any rigid economic or social framework, but provide the guiding lines of State policy."

This is so far as private enterprise goes. Then they say that it does not imply that one must expect private enterprise to be the mainspring of economic activity in this country, or much less approve of all that passes for private enterprise in this or other countries. They continue:—

"All that it means is that one should recognise the limitations of an enquiry such as ours, which is concerned primarily with the mechanics of company management and not with the basic economic logic underlying it.

Even the Cohen Committee said that. I need not quote from that Committee's report. The policy of any company law is more or less to reflect the economic policy of the nation and the Government are bound to work upon it. Therefore, we should not work from this angle that Government has nothing to do, workers have nothing to do, the public have nothing to do and the consuming public has nothing to do; it is only the shareholders. That should not be the guiding principle for this Company Law. Therefore, I completely disagree with the attitude adopted unfortunately by the Finance Minister and reflected in his speeches that it is only for the shareholders to determine in what way the company should be run. As I said earlier, we have allowed the private sector to work within the framework of our Plan,—mixed economy or whatever it



may be. The labourers and employees connected with a body corporate are the persons who contribute largely for the building up or creation of the wealth of the company, and thus the national wealth. There are also the consuming public and others connected with them. As Shri Tripathi said, the profit and loss account should clearly reflect the position of the body corporate in its relation with all the sections of people with which it comes across. He has given a list of statutory obligations which under the law of the land these companies are expected to fulfil, for instance, maternity benefits, provident fund, insurance in some areas, health insurance and certain safety measures in mines. Some other statutory obligations are cast but the details have not been given. The profit and loss account should give what amount has been spent or provided for such contingencies. We have lumped them all together. I do not want to go into further details. But what I say is that this account should clearly reflect the conditions of the company and it should be open to every citizen of India or any person connected with it to know what the financial position of the company is.

Here power is given to the Government to exempt certain companies from certain obligations under this particular schedule of the Bill. As I said the other day, when dealing with foreign companies, there are certain foreign companies who behave in a way which is against the interests of our country. Of course, the Finance Minister may conveniently reply to my argument by the arguments of Shri Chatterjee who has become smart champion of foreign vested interest. He will say that there are certain international conventions and it is on the basis of reciprocity that these things are allowed; our companies in the foreign countries have the same facilities and so on. I do not know whether the laws of all the countries are the same. It has been said that even in the countries like the USA, it is obligatory for every

foreign company to have a national on the board of directors. We do not have that provision in our country. That theory of mutuality is not invoked in this case. Even over those people who fought against the foreign exploitation, some change has come since 1947. I do not know why they come forward as great defenders of the foreign concerns.

We made certain allegations against some of them. There are big concerns like the ICI, certain export import firms in Madras and in Calcutta. As yet no reply has come from the Government. By malpractices those concerns are depriving the Government of customs duties; they are also depriving the Indian citizens who are working in those concerns of the bonuses that they would have got. Their books could not have been looked into by Industrial Courts.

Under the provisions of this Bill, we have made it obligatory that the profit and loss accounts of companies should be disclosed and filed with the Registrar. But under section 5, the Central Government, in the interests of the public, may allow these companies certain concessions. There is a certain modification of the conditions of schedule I which says that the profit and loss account should be kept and should be filed. The only statutory obligation cast on the foreign companies is the filing of the profit and loss account. We have already made an allegation and I repeat it. I would like the Government to come forward and reply to the allegations we have made. We have written letters about several cases of companies and we pointed out specific cases but the Government has not yet replied whether they have made any enquiry. Only a letter of acknowledgement was received that they had received these complaints. These companies have benami agents in different areas. The goods which they get at £60 in England will be sold by them for £120 because they go through four or five agencies.

[Shri K. K. Basu]

Yesterday, in the other House, our Communications Minister has made a complaint. We have got to run our airlines in a loss because the aviation petrol is sold at the highest price in our country. It is supplied to India, Burma, Australia or any other country from the same source. Then why is it that India has to pay the highest price? When we were discussing the nationalisation of these airlines some-time back, it was openly alleged in the House that we have to pay a higher price even from Australia. So whatever small percentage it may be, India gets oil from the Assam oil fields. Therefore, we must see to what extent the foreign companies exploit the situation here to the detriment of the country's interests. I strongly oppose this particular provision. It says that the Government will have power to exempt foreign companies. I cannot understand what national interest is there, which prevents even the filing of the profit and loss account of the foreign companies.

**Shri Tulsidas (Mehsana West):** Is it for foreign companies alone?

**Shri K. K. Basu:** I say that the only statutory obligation cast on the foreign companies is the filing of the profit and loss account. I say that it should reflect the true position.

My hon. friend has provoked me to deal with national industrialists. Shri Bansal yesterday asked why the secret reserve should be disclosed. We have no knowledge of those reserves. But we know to what extent during the last war many of our industrial houses had accumulated reserves. I want the Government to enquire as to what the reserve was in 1939 and what that was in 1947 and how, by what law of compulsion, they could amass these assets. Let an enquiry be made. We have made definite allegations.

I do not say that our national industrialists, all of them, behave in a wrong way. Certainly there are persons who have contributed to the

growth of industries in the country. But there are persons who could not have amassed that huge wealth unless they had gone in for shady or under-hand means. I do not want names to be mentioned; names are not permitted to be used in this Chamber. Therefore, it is wrong to say that the secret reserves should not be disclosed. I hope the Government will not accept the suggestion of Shri Bansal.

The Joint Committee came to this conclusion after a long consideration. I do not know for what purpose this provision has been made. Government should give us a guarantee or give us national considerations that impelled them to do this. So far as our common sense and experience go, the Government has been very soft to those companies. We do not want to use whatever limited power we are taking under this Bill in the case of foreign companies. We should know exactly what is their business; how much profit they had earned or how much loss they had incurred. It may be said that the Government will naturally reflect the views of the Parliament. Naturally every detail of these things is not and cannot be discussed in the Parliament. It will all depend largely on the persons who would be composing the Advisory Commission and their interests in this. Therefore, their attitude should always reflect the attitude of the Parliament regarding economic policy. These exemptions will not come before the Parliament and the Members will have no opportunity to say that to this extent it reflects our opinion and to this extent it goes against our interests. Therefore, there should be no exemption. I repeat that the Government should not press for this particular sub-clause.

12 NOON.

I feel that this limited power which we have of probing into the affairs of a foreign company should not be whittled down as envisaged in this sub-clause. It allows the Government to exempt the operation of the clause

regarding submission of profit and loss account and so on. I am also opposed to the suggestion that secret reserves should not be disclosed. Why should not the secret reserves be disclosed, I do not understand. Our industrialists should realise that they along with the workers are the builders of future India. If they have that feeling in them then what secrets can they have from the other citizens of India and which, it is considered in the national interest, should not be disclosed. Therefore, I urge upon the Government to consider this question and see that in view of the social objectives that we have adopted and in view of our Five-Year Plans—we have already had one Plan and another Plan we are going to frame—the private sector works within that social objective. We should see that the private sector is the adumbration of our Plan and to that extent we should also see that the economic objectives and the economic system which the Parliament thinks that our Nation should adopt and which it asks the Government to carry forward should also be reflected through the legislation that is passed by this House.

**Shri Morarka** (Ganganagar—Jhunjhunu): I only want to speak on Schedule VI of this Bill. I have heard very carefully the detailed speech made by the hon. Member who just preceded me. His speech mostly dealt with the policies which the Government should follow rather than what the Schedules should contain. I do not know how far that speech was proper at this stage. So far as I am concerned I only want to say something about Schedule VI which, in my opinion, should be altered slightly to make the points more clear.

The whole idea of Schedule VI is to give detailed instructions to the auditors and to the company to bring out the balance-sheet and profit and loss account in such a way that the shareholders—even the average shareholders—may know what is the financial position and what is the accounting position of the company. Here I

want to make one point and that is with regard to the note (o) on page 360. Note (o) says: that if any debt remains unrealised for a period of three months then it would be treated as a loan advanced to the person. For example, if a company supplies goods to the Government and if the payment is not made by the Government within three months, then after three months that would cease to be a debt but it would become a loan as if the company had advanced that amount by way of loan to the Government. My submission is that this would unnecessarily confuse the shareholders. Instead of telling them clearly that this is the money in respect of goods supplied to the Government which still remains unpaid, if you show it as loan advanced, it would create an impression as if that is a loan advanced by the company to the Government. I think the Finance Minister would give his consideration to this aspect and may make suitable alterations. I must confess that I have not moved any formal amendment because under clause 632 the Government has power to alter the schedules from time to time whenever they like to do so. Therefore, it has not been necessary for me to move any formal amendments to this Schedule.

There are two or three other small points in this connection. One is with regard to page 353. There, on the liability side, it is said, the balance-sheet is supposed to indicate what call on shares made by the company which has not been paid by the directors or managing agents. It is also provided that if the managing agents happen to be a firm, then what are the calls not paid by the partners of the firm and if they happen to be a private company, then what are the calls not paid by the directors and members of the company. But, it does not provide anything at all as to what will be the position if the managing agency is a public company. Therefore, it should be provided that if the managing agency happens to be

[Shri Morarka]

a public company, the balance-sheet should show the calls not paid by the directors of that managing agency company.

Similarly, there is another point and that is about the contingent liability. We say here on page 358, under heading VI, contingent liability amounts not provided for. Instead of providing for that amount under heading VI we have provided for it under heading V which deals with "current liabilities and provisions". I think it is a mistake because contingent liability is that liability which is not determined and which is contingent on certain things which may or may not happen. Therefore, "contingent liabilities must be suitably provided under the proper heading "contingent liability".

There is only one more point which I would like to mention because a list of these points has already been given to the Government and the Government is going to consider them. If they think fit, they are going to incorporate them also. The one point which I want to refer is that we have shown on the asset side "sundry debtors less reserve". "Less reserve" means whatever amount the directors think is doubtful for which they make a reserve. Now, what may happen is, if the provision of reserve is more than the amount which is doubtful to be realised then, actually, in effect what it would mean is, we have deflated the assets of the company unnecessarily. Therefore, this point also requires re-examination by the Government. If they think that there is something in what I say, I am sure they would accept my suggestion and show debtors and reserve separately.

Lastly, before I sit down, I want to say something about the criticism which the previous speaker made about the hon. Finance Minister. He said the whole Company Law scheme according to the Finance Minister consists only in regulating the conduct between directors and shareholders and that the Finance Minister has not taken into consideration the recom-

mendations of the Bhabha Committee. He said that the Finance Minister has not given any attention to what the Bhabha Committee had to say about the wider aspect of the economic policy. I must say that my hon. friend has not read the report of the Bhabha Committee very carefully. The Bhabha Committee has in terms said that the questions of economic policy like monopoly, trust and so on are outside the scope of Company Law and that the Company Law is meant only to guide and regulate the affairs of companies not only vis-a-vis shareholders and directors but also vis-a-vis creditors, labourers, and others. But, the wider issues of economic policy—whether there should be socialism or socialistic pattern and such like things—are entirely outside the scope of the Company Law. Therefore, the criticism which the hon. Member was trying to make with regard to the attitude of the Finance Minister, with great respect, I submit, was unfair and uncalled for.

Shri N. C. Chatterjee (Hooghly): I have been listening to the very interesting speech of Shri K. K. Basu, but I am afraid that even if this Parliament in its wisdom accepts his suggestions they will be wholly negatory and people will be laughing at us that at this stage we are passing something which is absolutely absurd. Take for instance his amendment No. 1176 which seeks to amend regulation No. 85 which is on page 308. If you will kindly look at page 308 you will find that this regulation 85 in Table A deals with "Dividends and Reserve". It says:

"The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board."

Now, Shri K. K. Basu says that you modify this so as to read:

"The company in general meeting may declare dividends but no dividend shall exceed eight per cent unless sanctioned by the Central Government."

That is, he wants to put a ceiling from tomorrow that no company shall ever declare dividends exceeding 8 per cent. Assuming, Sir, that inspite of the 500 restrictions which you have put upon the companies and the directors of the managing agents this House puts that ceiling, then what will happen? Would you kindly look at page 295? It says, Table A is with regard to regulations for management of a company limited by shares. Here that has been put in consonance with clause 27 on page 19. Clause 27 deals with "Adoption and application of Table A in the case of companies limited by shares". Clause 27 deals with optional adoption and application of Table A in the case of companies limited by shares. The articles of 3 company limited by shares may adopt all or any of the regulations contained in Table A in Schedule I. That is, these are only some forms which we are prescribing, which a company may accept or may reject, or it may partially accept or partially reject or it may reject it wholly or cast it to the winds. What is the good of legislating like this? Does he really believe that even if such a thing is there, the companies will have still the operation of clause 85, as amended, by our friend? These are not compulsory regulations. What the Cohen Committee in England has done is the proper thing. In England, section 8 of the Companies Act of 1948 reads as follows:

"The articles of association may adopt all or any of the regulations contained in Table A".

Therefore, these are simply some kind of forms which this Parliament has given as models to the private sector. The companies can accept or reject them or they can modify or can pick and choose and adopt anything they like. Therefore, it is absolutely futile now to have this kind of compulsory ceiling. You say that no dividend can be declared exceeding eight per cent. Are you really trying to play with the private sector or are you doing serious business? Already, we have put in so many restrictions on the private sector.

There are hundreds of restrictions, which we have put in in order to tighten the loop-holes. Then we have put in clause 197 which fixes the maximum overall managerial remuneration. We have said that the overall managerial remuneration shall be only 11 per cent, and only in certain specified contingencies, Government can exceed that limit and allow anyone to go beyond that maximum. I think it would not be fair or proper to put in so many restrictions, when you have put in all these controls and you have vested the Government with wide authority and especially when you have fixed the overall maximum managerial remuneration. On the top of that, you say that in no case can a company ever declare more than 8 per cent as dividend. It is a very, very peculiar position. Look at the unfairness of this regulation. Supposing a company has started operations with borrowed capital mostly, and it does not make any profits for the first ten years, and at the end of the ten years, or, say, during the ninth or the tenth year, it wants to declare 11 or 12 per cent dividend, are you going to preclude that company from declaring a dividend of 11 or 12 per cent although it is in a position to do it? There is no fairness or reasonableness in this kind of restriction.

Then I come to amendment No. 1178. My hon. friend Shri Basu wants that a company shall not capitalise the reserves or any portion thereof except for adding to block capital. Again, he wants to say that no company shall capitalise the reserves or any portion thereof unless a bonus is paid out of the reserves to the workers and employees. This is all becoming useless, unnecessary, impracticable, because it is not compulsory. A company may accept or may not accept it; may reject partially or wholly. I do not know of any company which will accept this kind of regulation as a compulsory article for carrying on its business. Similar amendments have been made to this regulation and they extend up to amendment No. 1180.

[Shri N. C. Chatterjee]

I was appointed—it was a great honour—done to me—the Chairman of a Sub-Committee to go through the Schedules. There were in all 11 Members of the Joint Committee who were associated with me in this Sub-Committee, and I can assure the House that we examined the question thoroughly. If you look through the Bill which contains the minutes of some of the meetings, you will find that we went through all the clauses very carefully. We then considered all the suggestions. At the Sub-Committee, all sections of interests were represented; not merely the capitalist interests but also the interests which were very critical of the private sector, very critical of the managing agency system, very critical of large dividends being paid. We all studied the question carefully. Therefore, it is not fair to say that any Member of this House wants to stimulate the interests of foreign sectors or foreign companies. It is an unfair charge, and I am sorry that Shri Basu cast that aspersion on me and coupled my name with that of the Finance Minister. The Finance Minister's shoulders are broad enough. If he had been present in the House he would have repelled this unfair and unjustified charge. I am repelling it. What I said the other day was: be frank, be straightforward. If you want to weed out foreign capitalists, have a Bill and drive them out. We can understand that, but do not, in the process of having a company legislation, by a side-wind, make laws which would be thoroughly detrimental to the national economy of India. There is a great deal in what the Finance Minister has said. Indian concerns are functioning in England. Indian companies are functioning in Switzerland and in different countries in the Continent. So, if you have this kind of extraordinary regulation on them, if you subject those companies operating here to all those things, naturally, our companies will be subjected to the same kind of treatment. And would it be fair to allow the reciprocity to be breached or international

courtesies or international conventions to be broken only for the purpose of teaching this foreign sector a lesson? I would have certainly supported Shri Basu if he had brought forward a Bill or an amendment following the Swiss pattern. I was in Switzerland the other day. I found that even today there is a law like this there. No company can be floated or incorporated or registered in Switzerland unless one of the directors shall be a Swiss national. Have you brought in any such provision? If you have brought forward such a provision, I would have welcomed that. Then, one can spurn at a foreign company for any discrimination, or raise a voice of protest. You have not yet done that. So, it is not fair to say that all these powers are taken simply to wreck our own national interests and to stimulate or foster foreign interests. That is not a fair charge and that is not proper.

Now, I shall come to the reserves. Shri Bansal was a member of the Sub-Committee. I wish he had brought that up and if he had done so, myself and my colleagues on the Sub-Committee would have got a chance of discussing it. I do not think the situation is so serious. Shri Bansal has drawn attention to page 354, line 15, where you want the companies to disclose (1) capital reserves not available for dividend, (2) capital redemption reserve fund, and (3) other reserves specifying the nature of each reserve and the amount in respect thereof. Shri Bansal never made it a point that it will be impossible for the private sector to comply with these things. I think he was present at the meeting of the Sub-Committee when it discussed this very question. At page 393, you will find that a meeting of the Sub-Committee was held on Thursday, the 10th February, 1955. You will find that Shri Bansal's name has been put in first in the list of Members present. So far as I remember, he never raised that point; neither Shri Shriyans Prasad Jain, who is one of the big capitalists in

this country nor any other gentleman ever made this point that it would be impossible to work this provision. What we are simply asking is that capital reserves not available for dividend should be let known. There is no difficulty about it. Regarding capital redemption reserve fund also, there is no difficulty. Thirdly, in regard to other reserves (specifying the nature of each reserve and the amounts in respect thereof) Shri Bansal says that there may be difficulties. I do not think the private sector ever wants to keep back anything which they have kept in secret—may be in the coffers of some bank or anything of the kind. So far as I can make out, they did not raise that point at all. The only difficulty is, supposing the real value of a house which belongs to a company is Rs. 5 lakhs and the book value is Rs. 2 lakhs, would the company have to show the figure in that list? I do not think that is the contemplation of this article or this clause. We only say that the reserves must be mentioned specifying the nature of each reserve. If you keep some reserve for house property, then say that; or if you keep some reserve in any other form say that. Don't keep them back. That is all what we want. In England where they have adopted this procedure, there has been no difficulty. Mr. Bansal was talking about some instructions given by the Board of Directors; but in the English Act the section is almost like this, and no difficulty has been created or experienced by the companies functioning under the English Companies Act. There, they have gone a little further. In regulation 27 of Schedule VIII of the English Companies Act, 1948, it is said:

"(b) the expression "reserve" shall not include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability.

(c) the expression "capital reserve" shall not include any

amount regarded as free for distribution through the profit and loss account and the expression "revenue reserve" shall mean any reserve other than a capital reserve."

I think the construction of the section in our Act is the same as the English section. And, because in England there has been no difficulty in this regard, there should be no difficulty so far as our statute or regulation is concerned.

As regards the point which Mr. Morarka emphasised, that is a small detail and I hope the Finance Minister will take it up and modify it, if he thinks it necessary, because wide powers have been given to Government to alter or amend the Schedule.

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah):** I am thankful to my friend Mr. Chatterjee who was also there in the sub-committee and who has now explained some of the points raised by my friend Mr. Basu. He has thus lightened my task and I will not take much of the time of the House in going through all the points that have been raised.

The points that were raised by Mr. Basu were raised at one time or other when he spoke on the clauses of the Bill. Regarding amendment No. 1175 about charities, that was explained by the Finance Minister when clause 292 was being discussed. It was then stated by Mr. Jhunjhunwala, and it was correct,—that all these amounts are always mentioned in the report of the directors submitted to the shareholders. At the same time, the shareholders have a right to ask about these things in the General Meeting. So it is not necessary to have this amendment at all.

As regards the payment of dividends, that point has already been replied to by Mr. Chatterjee that it can be done only by a separate statute. Whenever Government finds that it is necessary to limit the dividends, then that can be done by a separate legislation as was done in

[Shri M. C. Shah]

the year 1948. I have explained this point in detail when it was raised by my friend, Mr. Asoka Mehta, and I think I need not repeat the same thing over and over again.

About the capitalisation of reserves and bonus shares, I do not think there too the stand taken by my friends Mr. Basu and Tripathi is correct. Their approach is not the correct one. If their suggestion is accepted, it would act as a disincentive and we do not want to injure the interests of the private sector. We do not want to deprive the shareholders of their rights. As a matter of fact, the shareholders are already foregoing a part of their dividends and these are treated as undistributed profits and reserves. These reserves really speaking belong to the shareholders. Legal opinion also is in that way, namely, that labour are not entitled to have a share in these undistributed profits. Therefore, I do not think we should accept that amendment.

I now come to amendment No. 1154 and amendment No. 1203 of my friends Mr. Tripathi and Mr. Basu. These amendments want to provide that

"Page 364, omit lines 13 to 21."

This paragraph follows closely the phrasing of paragraph 12(2) of eighth Schedule to the English Companies Act relating to the profit and loss account of a company. Under Part II of the sixth Schedule of this Bill, companies are required to disclose the items which are charges against their profits and the items which have to be thus disclosed are set out at length. An exception is made in the case of amounts set aside out of the profits to provisions other than those relating to depreciation, renewal or diminution in the value of the assets where in the opinion of the Central Government it would not be in the public interest to disclose the amounts thus set aside out of profits.

Apart from banking, insurance and electricity companies which may be governed by the forms of accounts

[SHRIMATI SUSHAMA SEN in the Chair]

laid down in the special Acts relating to such companies there may be other companies e.g. shipping companies, where the disclosure of amounts set aside to provisions out of profits, might not be in the public interest. Since the profit and loss account of a company is expected to give a true and fair view of the working results of a company in any financial year unless this power is exercised in favour of company it would be obliged to disclose all amounts set aside to provisions other than depreciation, renewal, etc., irrespective of whether such disclosure is or is not opposed to public interest. Paragraph 5 removes this rigidity in the existing provisions of the Bill relating to profit and loss account. It should, however, be noted that where such exemption is granted, this fact should be brought out in the appropriate heading in the profit and loss account. Incidentally, it should be mentioned that the provisions in the English Act follows the recommendations of the Cohen Committee on the subject of hidden reserves in paragraph 101 of its report. Therefore, I do not think we can accept either the amendment of Mr. Tripathi or that of Mr. Basu.

I now come to amendment No. 1178 of Mr. Basu. There he says that the company shall not capitalise the reserves or any portion thereof except for adding to block capital. The intention of this amendment is to prohibit the issue of bonus shares. Such prohibition will act as a discouragement to prospective investors. Capitalisation may be justified even if there is no addition to block capital as is the case when the paid-up capital of the company is less than the genuine value of its block.

I have already spoken about the provision regarding the list of charities made during the year. Mr. Basu has also said that no dividend should exceed 8 per cent; I have already replied to that point and Mr. Chatterjee has also dealt with it.



I now come to Mr. Tripathi's amendment No. 1153, about lay-off and retrenchment. The amendment is misconceived. Compensation for lay-off and retrenchment is a legal liability for which there must be a provision in the accounts of a company. The suggestion for equalising wages and bonus is also misconceived. Wages in most industries are now regulated by negotiation between the management and the unions concerned and any reduction in wages will only be the result of negotiations between the two parties. The same consideration applies to bonus. The equalisation of dividends stands in a different footing. Here the owners of a company refrain from appropriating profits in a good year in order to meet any shortfall in a lean year. If they do not make provisions for adjustment, the negotiability of the shares in that company and the prospects of new investment will be affected. Therefore, this amendment cannot be accepted.

Amendment No. 1177 of Mr. Basu reads as follows:

"Page 309, line 45—

after "the company" insert  
"including those of the branches  
if any".

The object of the amendment is to make the directors notify to the shareholders where and how books of the company may be inspected. Provision for the maintenance of proper books by a company is made in clause 208 which also deals with books of account of a branch-office. Any action that may be taken by directors under Regulation 95 will therefore naturally cover the accounts, etc. of branch offices. Therefore that amendment is not necessary.

He moved amendment No. 1178 also, suggesting that companies shall not capitalise the reserves. In regard to that also, I have already stated that we cannot accept the position that when there are undistributed profits accumulated, the company shall not

issue bonus shares. About taxability and other things, it can be considered at a later stage, as explained by the Finance Minister on bonus shares.

Those were the main amendments, and I think that the amendments moved cannot be accepted.

With regard to Shri Bansal's point which has already been explained by Shri Chatterjee, this is just like what has been provided in the English Companies Act; we have made a provision of the same type. And we know that sub-clauses (3) and (4) of clause 210 confer adequate powers on the Central Government to modify the requirements of the Sixth Schedule of the Bill relating to the accounts of a company where the disclosure would be either against the national interests or would cause undue hardship to a particular company. Therefore, no power to the Central Government would seem to be necessary, and there should be no misgivings on that account.

About the points raised by Shri Morarka, we have taken note of those things. As he has himself explained, he has not moved any amendments because Government has powers to amend the regulations under clause 632. Therefore, all those points will be considered by Government, and if Government are satisfied that those modifications are necessary, those modifications can be made by a notification.

I have nothing further to add.

Shri K. K. Basu: What about amendment No. 320?

Shri M. C. Shah: That is about clause 1. I have discussed the Schedules.

Shri K. K. Basu: We are discussing also clause 1.

Shri M. C. Shah: The hon. Member wants by this amendment that for the words "such date as the Central Government may, by notification in the Official Gazette, appoint" we should substitute the words "the

[Shri M. C. Shah]

January, 1956". That is, he wants this Act to come into force from 1st January, 1956. We cannot give any exact date as to when the Act will begin to apply after it is passed. We have to make rules and all those preparations. We are very anxious to apply the Act as early as possible, but we cannot give an exact date, whether it will be January 1st, or February 1st, or March 1st. The Finance Minister has already indicated that it will not be possible to have it earlier than the 1st April, 1956. I will be too glad if we can just make all arrangements and frame all the rules which are necessary to be framed under the Act and to apply it as early as possible. The intentions of the Government are very clear, to apply it as early as possible. But without making all those arrangements it will not be possible to apply it, so that we cannot accept the amendment "1st January, 1956".

**Shri K. K. Basu:** What is that "as early as possible"; will it be within the life-time of this Parliament or.....?

**Shri M. C. Shah:** I cannot commit the Government to any fixed date. But I can assure the House that it will not be later than 1st April, 1956.

**Shri N. C. Chatterjee:** Do not make it 1st April.

**Shri M. C. Shah:** I will have it on 31st March, if you like it that way. I am anxious, Government are anxious, that it should be applied as early as possible and not later than that date, that is not later than 1st April, 1956.

**Shri Jhunjhunwala** (Bhagalpur Central): Why 1st April again!

**Shri M. C. Shah:** Is there any other amendment?

**Shri K. K. Basu:** Not at the moment.

**Mr. Chairman:** I will now put the Schedules to the vote of the House. Schedule I...

**Shri K. K. Basu:** We have moved amendments to Schedule I.

**Mr. Chairman:** Yes, there are. I shall put them.

I shall first put Government amendments, Nos. 1078, 1079, 1080 and 1081 to the vote of the House.

The question is:

Page 295, line 3—

omit "13".

*The motion was adopted.*

**Mr. Chairman:** The question is:

Pages 303 and 304—

omit lines 38 to 43 and 1 to 3 respectively.

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 312, line 11—

after "addresses" insert "descriptions".

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 313, line 4—

after "addresses" insert "descriptions".

*The motion was adopted.*

**Mr. Chairman:** I shall put the other amendments now. They are Nos. 1200, 1175, 1176, 1152, 1153, 1177, 1178, 1179, 1180, 1181, 1182, 1183.

**Mr. Chairman:** The question is:

Page 304,—

for lines 4 and 5, substitute—

"50. (1) At the annual general meeting the Chairman of the meeting shall be elected from the shareholders present, and for the purpose of such election, the Chairman, if any, of the Board or in his absence, any other person nominated by the Board shall preside.

(2) The Chairman, if any, of the Board shall preside as chairman at every other general meeting of the company."

*The motion was negatived.*

[Mr. Chairman]  
The question is:

Page 304,—

after line 32, insert:

"55A. List of business to be transacted which shall include the charities made during the year along with the organisation and their character thereto."

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 308, lines 21 and 22—

for "the amount recommended by the Board", substitute:

"eight per cent unless sanctioned by the Central Government".

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 309, line 45—

after "the company" insert:

"including those of the branches if any".

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 310—

for Regulation 96, substitute:

"96. The company shall not capitalise the reserves or any portion thereof except for adding to block capital"

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 310—

for Regulation 96, substitute:

"96. The company shall not capitalise the reserves or any portion thereof unless a bonus is paid out of the reserves to the workers and employees equal to three months' wages for each year during which the reserves accumulated."

*The motion was negatived.*

Mr. Chairman: The question is:

Page 310—

for Regulation 96, substitute:

"96. The company shall not capitalise the reserves or any portion thereof unless fifty per cent of the reserves is distributed as bonus to the workers."

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 311, line 43—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 312, line 37—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

*The motion was negatived.*

Mr. Chairman: The question is:  
Page 318, line 2—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)".

*The motion was negatived.*

Shri K. K. Basu: On a point of order. How can the Minister, Shri M. C. Shah, vote? He is not a Member of this House. He has said "No"—unless he denies it and says he did not shout.

Shri N. C. Chatterjee: Last time the Minister alone shouted!

Shri M. C. Shah: I did not vote.

Mr. Chairman: I did not hear him shout. So these amendments are negatived.

[Mr. Chairman]

I shall now put the other amendments to vote.

The question is:

Page 308—

after line 22, insert:

"85A. The company in a general meeting or the Board may declare bonus to workers. This may be wholly in cash, or partly in cash, and partly in bonus shares of the company."

*The motion was negatived.*

Mr. Chairman: The question is:

Page 308, line 31—

for "meeting contingencies or for equalising dividends" substitute:

"meeting contingencies like compensation for lay off and retrenchment or for equalising dividends, wages and bonus"

*The motion was negatived.*

Mr. Chairman: The question is:

"That Schedule I, as amended, stand part of the Bill".

*The motion was adopted.*

Schedule I, as amended, was added to the Bill.

Mr. Chairman: To Schedule II there are four amendments.

The question is:

Page 319, line 23—

add at the end:

"(objects should not be more than six which are all connected and ancillary to one another)"

*The motion was negatived.*

Mr. Chairman: The question is:

Page 323, line 18—

after "opening" insert "and closing".

*The motion was negatived.*

Mr. Chairman: The question is:

Page 324—

for Regulation 11, substitute:

"11. When any issue of shares or debentures is underwritten, the names and addresses of underwriters and where the underwriters are a firm or a company, the names and addresses of the partners of the firm or of the directors of the company as the case may be, the class of shares underwritten and the number of shares of each such class, the time allowed for fulfilling the underwriting obligations and the name of the bank which has given a guarantee for the due fulfilment of the contract; and the opinion of the directors that the resources of the underwriters are sufficient to discharge their obligations".

*The motion was negatived.*

Mr. Chairman: The question is:

Page 326, line 41—

after "liabilities" insert:

"including that of branches specially, when the main operation of the company are in such branches"

*The motion was negatived.*

Mr. Chairman: The question is:

"That Schedule II stand part of the Bill".

*The motion was adopted.*

Schedule II was added to the Bill

Mr. Chairman: To Schedule III there are certain Government amendments. They are Nos. 1082, 1083, 1084, 1085, 1086, 1087 and 1088. I shall put them to vote.

The question is:

Page 333, lines 16 and 17—

for "three years" substitute "five years."

*The motion was adopted.*

Mr. Chairman: The question is:

Page 333, line 21—

for "three years" substitute "five years".

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 333, line 23—

after "respect of" insert "four years, three years".

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 333, line 25—

after "references to" insert "four years, three years"

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 333, line 28—

for "three years" substitute "five years"

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 333, line 35—

after "references to" insert "five years, four years."

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 333, line 40—

after "less than" insert "five years, four years".

*The motion was adopted.*

**Mr. Chairman:** The question is:

"That Schedule III, as amended, stand part of the Bill."

*The motion was adopted.*

*Schedule III, as amended, was added to the Bill.*

**Mr. Chairman:** Schedule IV. The question is:

Page 339, line 43—

for "three years" substitute "five years."

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 339, line 46—

for "three years" substitute "five years".

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 339, line 48—

after "in respect of" insert "four years, three years"

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 339, line 51—

after "to" insert "four years, three years".

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 340, line 2—

for "three years" substitute "five years"

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 340, line 9—

after "to" insert "five years, four years"

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 340, line 13—

after "not less than" insert "five years, three years"

*The motion was adopted.*

**Mr. Chairman:** The question is:

"That Schedule IV, as amended stand part of the Bill."

*The motion was adopted.*

*Schedule IV, as amended was added to the Bill.*

**Mr. Chairman:** Schedule V. There is no amendment.

The question is:

"That Schedule V stand part of the Bill"

*The motion was adopted.*

*Schedule V was added to the Bill.*

**Mr. Chairman:** Schedule VI. There are no Government amendments. I shall put the other amendments to the vote of the House.

The question is:

Page 361—

after line 2, insert:

“(In the case of branch offices, a separate account to be submitted)”

*The motion was negatived.*

**Mr. Chairman:** The question is:

Page 361—

after line 2, insert:

“(In case of a branch office where main part of the manufacturing is done, a separate account is to be submitted)”

*The motion was negatived.*

**Mr. Chairman:** The question is:

Page 364—

omit lines 13 to 21.

*The motion was negatived.*

**Mr. Chairman:** Amendment No. 1203 is the same as No. 1154. It is barred.

The question is:

“That Schedule VI stand part of the Bill.”

*The motion was adopted.*

*Schedule VI was added to the Bill.*

**Mr. Chairman:** There are no amendments to Schedule VII and VIII.

The question is:

“That Schedules VII and VIII stand part of the Bill.”

*The motion was adopted.*

*Schedules\* VII and VIII were added to the Bill.*

**Mr. Chairman:** Schedule IX. There are Government amendments 1096, 1097, 1098.

The question is:

Page 370—

after line 4, insert “General Form”

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 370—

after line 19 insert:

“Form for affording members an opportunity of voting for or against a resolution”

*The motion was adopted.*

**Mr. Chairman:** The question is:

Page 370—

omit lines 36 to 39.       ‡

*The motion was adopted.*

**Mr. Chairman:** The question is:

“That Schedule IX, as amended, stand part of the Bill.”

*The motion was adopted.*

*Schedule IX, as amended, was added to the Bill.*

**Mr. Charman** Schedules X and XI: no amendments.

The question is:

“That Schedules X and XI stand part of the Bill.”

*The motion was adopted.*

*Schedules X and XI were added to the Bill.*

**Mr. Chairman:** Schedule XII. Amendment 1099—Government amendment.

The question is:

Page 376, lines 4 to 14—

omit column 4 headed “Extent of repeal” and all the entries in it.

*The motion was adopted.*

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\*In Schedule VII, line 15, the word “of”, was inserted before the words “any remuneration”, as patent error under the direction of the Speaker.

**Mr. Chairman:** The question is:

"That Schedule XII, as amended, stand part of the Bill."

*The motion was adopted.*

**Schedule XII, as amended was added to the Bill.**

**Mr. Chairman:** There is a new Schedule, Schedule XIII. Amendment No. 440. It is not a Government amendment.

The question is:

Page 376—

after line 14, add:

"Where such net profits do not exceed Rs. 20 lakhs

11 per cent.

Where such net profits exceed Rs. 10 lakhs but do not exceed Rs. 30 lakhs

9½ per cent.

Where such net profits exceed Rs. 30 lakhs but do not exceed Rs. 40 lakhs

8 per cent.

Where such net profits exceed Rs. 40 lakhs but do not exceed Rs. 50 lakhs

6½ per cent.

Where such net profits exceeds Rs. 50 lakhs

5 per cent.

*The motion was negatived.*

**Mr. Chairman:** Clause 1. There are two amendments, 62 and 320.

**Shri K. K. Basu:** I beg to leave to withdraw my amendment No. 320 in view of the assurance of the Minister.

*The amendment was, by leave withdrawn.*

**Shri Rane:** I beg to leave to withdraw my amendment No. 62.

*The amendment was, by leave withdrawn.*

**Mr. Chairman:** The question is:

"That clause I stand part of the Bill."

*The motion was adopted.*

Clause 1 was added to the Bill.

*The Enacting Formula and the Title were added to the Bill.*

**Mr. Chairman:** Now, all the clauses are disposed of. I now call upon the Minister to move the third reading.

**Shri M. C. Shah:** I beg to move:

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

I have some amendments. They are consequential amendments. They have been circulated.

I beg to move:

(1) Page 24, lines 42 to 44—

omit "which is required to be stated therein under the provisions of Schedule II or IV, as the case may be".

(2) Page 38, lines 39 to 40—

omit "which is required to be stated or set out therein under the provisions of Schedule III".

(3) Page 102—

for lines 31 to 33 substitute:

"Provided that any such reappointment, re-employment or extension shall not be sanctioned earlier than two years from the date on which it is to come into force."

(4) In new sub-clause (4), printed as No. 317 and adopted by the House—

after "Broad's report" insert "and any addendum thereto"

(5) Page 146—

(i) line 9, omit "or any firm in which he is a partner"; and

(ii) line 11, for "or the firm" substitute "whether alone or jointly with others".

[Shri M. C. Shah.]

(6) Page 147—

after line 6 insert:

"Provided further that nothing contained in this sub-section shall apply where the company has availed itself of the option given to it under section 264 to appoint not less than two-thirds of the total number of directors according to the principle of proportional representation."

(7) Page 149, line 15—

for "such of them" substitute "such of the directors as are then in India"

(8) Page 184—

for lines 16 and 17, substitute:

"Provided that no renewal shall take place earlier than one year from the date on which it is to come into force."

(9) (a) Page 27—

(i) line 41, for "A notice" substitute "A document";

(ii) line 42, for "given by the company to any member" substitute "served by a company on any member thereof";

(ii) line 46, for "notice" substitute "document";

(iv) line 47, for "service of the notice" substitute "service thereof"; and

(v) line 49, for "notice" substitute "document";

(b) In the amendment, printed as No. 442 and adopted by the House:

(i) for "notices" substitute "documents"; and

(ii) for "notice" substitute "document";

(c) Page 28—

(i) for "notices" substitute "documents"; and

(ii) line 10, for "given" substitute "served";

(iii) line 14, for "notice may be given" substitute "document may be served";

(iv) line 14, for "to the joint-holders" substitute "on the joint-holders";

(v) line 15, for "giving the notice to" substitute "serving it on";

(vi) line 17, for "notice" substitute "document";

(vii) line 17, for "given" substitute "served".

(viii) line 17, for "to the persons" substitute "on the persons";

(ix) line 24, for "giving the notice" substitute "serving the document"; and

(x) line 24, for "given" substitute "served".

(10) Page 166—

for lines 20 to 22, substitute:

"Provided that any such re-appointment, re-employment or extension shall not be sanctioned earlier than two years from the date on which it is to come into force."

(11) Page 137, line 13—

omit "memorandum and".

(12) In new part (f) of sub-clause (1), printed as No. 892 and adopted by the House—

for "employee" substitute "offices or employee"

(13) Page 284, line 3—

after "any Registrar" insert "Additional, Joint, Deputy, or"

(14) Page 24, line 10—

after "any Registrar" insert "Additional, Joint, Deputy, or"



**Mr. Chairman:** Motion moved:

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

All the consequential amendments moved by the Minister are also before the House for discussion.

**Shri K. K. Basu:** I wish to know whether this is the last list. They have been coming in dribblets. Have all the consequences come to an end or not?

**Shri M. C. Shah:** These are the last.

**Shri Jhunjunwala** (Bhagalpur-Central): There was my amendment.

**Shri M. C. Shah:** They have all come in. I have no objection to accept them if the hon. Member moves.

**Shri Jhunjunwala:** I have to explain even if I am not moving.

**Mr. Chairman:** So you are not moving?

**Shri Jhunjunwala:** I am going to explain. These amendments are covered by the Government amendments. Therefore, they are not necessary. Yesterday, I put forward the same amendment but they did not accept.

**Mr. Chairman:** If you want to move them, you must say now.

**Shri Jhunjunwala:** I am not moving.

**Shri Bansal** (Jhajjar-Rewari): I think all of us can now heave a sigh of relief that this monumental Bill has been shaped in the form in which it is now before us. I must congratulate the House and along with the House our Finance Minister and his able colleague for piloting the Bill so ably in this House. His patience in meeting every criticism, going through all the amendments was really commendable. It is to a large measure due to his great patience and industry that we have seen the end of our labours today. I must congratulate and be thankful to

the Chairman of the Joint Committee, Shri Pataskar. Those who have worked on the Joint Committee will bear it out that he worked with exemplary zeal and patience to listen to all the view points in the Committee and got an almost unanimous report out of that very heterogeneous body.

As you know, Madam, the subject of the Bill has been highly controversial. The Bill as it came before the House had for its precursor the Bill that was drafted after the report of the Company Law Committee. Before that as early as in 1949 we had the Government memorandum, and from many points of view it could be said that this Bill which is the largest that has come before this House, indeed before any House of the world, has also had the longest period of incubation during which per all types and varieties of opinions have had ample opportunity of expression. While on one hand the business community has been expressing the fear that the various provisions of the Bill will create a lot of hardship in the way of the proper functioning of companies and private enterprise, the leftist section has been demanding more radicalisation of the Bill. I think the House can take legitimate satisfaction and pride in the fact that they have been able to steer a middle course and succeed in putting on the statute-book a piece of legislation which can be said to have the imprimature of all sections of this House.

The Bill is really unique in many respects. It has been said again and again that it is a mammoth piece of legislation on the subject the like of which perhaps does not exist in any country. Its scope and content are obviously different from the company law which we have today. Apart from the special provisions intended to deal with the system of managing agency, it has adopted many new features of company law borrowed from the laws of some other countries. The provisions of the United Kingdom Act have of course been copiously adopted. A new principle or system of proportional representation for election to the board

[Shri Bansal ]

of directors which, so far as is known, exists only in some State in the United States of America, has also been adopted under certain special circumstances. One prominent feature which runs through the entire Bill is undoubtedly the vesting of enormous powers in Government. In no other country have such large powers been given to Government, so much so that during the course of the debate some have expressed the view that it may lead to unbridled exercise of bureaucratic power, corruption and nepotism. The purpose of company law reform is to ensure those conditions which would stimulate joint stock enterprise. Though in the Bill it is provided that some of its provisions will be applicable also to public enterprises which are registered as companies under the Companies Act, the company law is essentially an instrument to regulate private enterprise, and it deals mainly with the operation of companies in the private sector. The private sector has admittedly an honourable role in our planned economy, and it is therefore necessary that where private enterprise is allowed to function it should be given ample freedom for its operation. It is important to bear this in mind.

In this respect I must refer particularly to two features of the Bill. One, as I have already expressed, is the vesting of large powers in Government, and the other is about its massive size and complexity. I am anxious that neither should come in the way of flotation and development of companies or the free play of initiative and enterprise in the private sector. My appeal to the business interests will be to make an honest and sincere effort to accept the law and try to work it successfully.

It has been said that businessmen are in a way under probation and that they will be on trial for the next few years. It is for them to show that they can rise to the occasion and help the country in the advancement of its social objectives. But it is possible

that in the actual promotion and administration of companies, the provisions of the law may act as a check and hindrance. Such fears have been expressed and it is likely that in a Bill of this nature they may come true. Very much will therefore depend upon the way the department entrusted with the administration of the Act handles its work. Many unforeseen difficulties may arise. The Finance Minister has himself said that such a Bill in its actual working may disclose flaws and defects which may require amendments sooner or later. It may be that those defects and flaws may be either because that certain provisions are too stringent and come in the way of the promotion and successful administration of companies, or that certain provisions require to be modified so as to plug the loopholes which might still have been left uncovered. However, if as a result of this legislation, there is a break in new promotion of companies or expansion of existing ones with consequent disastrous effects on the industrialisation of the country, the charge against the Bill by the business community will be justified. Therefore, it is that as much responsibility rests on Government as on the business community to see that this company law is worked in a way that will ensure to the country's industrial advancement. Government will therefore be equally under trial to see to its successful working. Government are unfortunately known for their red-tape and inordinate delays. The success of private enterprise has been claimed to be based, among other things, on its ability to take quick decisions and efficient action thereon. In company matters it is necessary that decision should be taken with despatch and speed and executed promptly. For instance, the making of investments, securing of loans, purchase of raw materials, sale of its products, appointment of top management etc., all need to be done expeditiously. In many such matters it is now required to secure the prior approval and sanction of Government. Now, there is a two-tier arrangement

in this respect sometimes. Whenever approval is required, Government has in certain matters to ask the opinion of the advisory commission also. It is therefore likely that in this process inordinate delays will result which will not be in the interests of the companies. That way also it is likely that the proper functioning of private enterprise will be defeated.

It has been said that the advisory commission is already in existence and there have not been complaints against Government in the disposal of many applications which even now come to it for approval. But the position that exists today is something different from what it will be hereafter. Not only the number of cases for which sanction of Government will be required is considerably enlarged, but there is also likely to be a large increase in the number of companies applying for sanction in respect of one matter or the other. It is, therefore, likely that unless the department is fully and adequately strengthened to cope with the enormous work that will come to it, the traditional complaints against red-tape and inordinate delay will still persist.

I have already said that in the working of the Bill several defects might be disclosed. It is necessary that Government should, even within the existing framework of the law, show in its actions flexibility and resilience in its approach to the many problems and difficulties which business might be confronted with. Too legalistic and strict an interpretation of the provisions of the law will not do. Indeed, it would be advisable for senior officers in charge of the administration of the department to constantly meet representatives of business, so that they may understand and appreciate their difficulties and hardships and try to help them in the best manner possible, for it is important to see that the law does not come in the way of successful working of companies or interfere with production and industrial expansion. It is in these respects also that Government's responsibility

is great, and that is why I say that Government is equally on trial along with business to see that they make a success of this law.

The other feature of the Bill I referred to was about its complexity. Undoubtedly the size of the Bill is in itself such as to discourage any person to make a comprehensive study of its provisions, but anyone who has to deal with company promotion and company management has necessarily to be conversant with its provisions generally, though not in detail. Even that may not be possible for so many. I appreciate the view that a law on a subject of this nature is bound to be complicated and elaborate. It has to take into account the varieties of circumstances and conditions in which it is applied, and also of the refined distinctions that have to be drafted on to it to meet new conditions and circumstances. Many of the adjustments and new provisions would therefore constitute only an addition of another set of new complications. In spite of best efforts to see that the law is as simple and intelligible, there is always a possibility of its drifting out of sight of these two necessary principles. We have instances of such complexity of some of the provisions of the Bill. One clear example is the definition of 'associates'. It contemplates several stipulations and circumstances. And I for one am not able to understand its meaning and implications even by reading it over and over again. Anything could at all be understood only when applied to a given set of conditions and circumstances.

1 P.M.

But I want to be clearly understood as saying that the complicated nature of its provisions should not deter any small entrepreneur wanting to promote a company. Undoubtedly, he has to know his obligations in promoting a company, and after its promotion, the requirements to be complied with in its day to day administration. Any default or negligence on his part will attract the penal provisions, and it

[Shri Bansal]

has to be remembered that in this Bill the number of offences has been considerably enlarged, and penalties have also been enhanced.

It is likely that a small *entrepreneur* will not ordinarily be able to understand the complicated provisions of the law. It may be that big industrial concerns with an elaborate set-up for obtaining legal advice will be able at some cost to themselves to understand, and comply with the law. But this will not be the case for small *entrepreneurs* or for medium-sized companies. The country has an ambitious industrial programme. In it there is a large place assigned for development of medium-size and small-scale industries. In fact, this sector will increase. Those engaged in such industries will be largely small *entrepreneurs* of ordinary means. Even in those industries, advancement must take place only through the medium of corporate bodies and the floatation of a large number of companies. It is therefore necessary that the small companies and persons of ordinary means with a flair for engaging in productive enterprise should not be deterred by a complex company law. In order to help them in the promotion of companies, advice and guidance should be made available regarding the requirements to be complied with and the formalities to be gone through at the time of starting a company.

My suggestion is that the offices of the Registrar of companies, wherever they are situated, should be staffed with experienced persons who can guide intending promoters and also help them in the preparation of applications and the filling up of forms, if necessary at a nominal fee. Any advice or clarification of the provisions sought, pertaining to matters of day to day administration of companies, should be promptly attended to, and necessary advice given. Any defaults or contraventions of the provisions of the law which are not wilful and which are due to an imperfect understanding and knowledge of the provisions should

be condoned. The emphasis should be rather to guide and show the way than to find fault and punish.

I suggest that a handbook or guide elucidating the law in a simple manner intelligible to the layman should be published. A list of do's and don'ts, matters to be complied with and those which are prohibited to be done by a company from the time it is proposed to be formed, should be made available. These, in my opinion, will to a great extent help small *entrepreneurs* in the floatation of companies and in their healthy administration.

I have referred so far to the necessity for working the Companies Act successfully both by Government and by the business community, and I appeal to them to give it a fair trial. However, there is one important aspect which requires to be stressed, and that is about the shareholders.

It cannot be denied that many of the restrictions that are to be imposed under the Bill and many other provisions are all intended as being desirable in the interests of the shareholders as well as of sound company management. It would not be too much to say that Government have in a sense taken upon themselves the duties of the shareholders, to see to it that companies are worked and managed successfully. But ultimately nothing will avail unless the shareholders take an intelligent and sustained interest in the affairs of the companies in which they have made their investments. All the undesirable developments,—or at least most of them,—in company management will not have come to pass, nor will company law amendments have taken the course they have actually taken if only the shareholders in the past had taken interest in their companies. Unfortunately, their attendance at annual general meetings has been very poor. They have been content if they have received their dividends. Nothing else seems to matter for them. Let me hope that the shareholders from now on at least

will take interest not only to see that the company management is conducted as it should be, but also to see that Government do not exceed their limits in exercising the numerous powers that have been entrusted to them, for it is possible that any abuse or misuse of their powers or misdirection in their policies will equally affect their interests as bad management by those in charge of management of companies. My appeal is therefore not only to Government and to the business community to strive for a successful working of the law but also to the larger investing public to take an intelligent, informed and sustained interest in the affairs of the companies.

**Shri N. C. Chatterjee:** If I may take a leaf out of what Shri Bansal has spoken, I should start by paying a tribute to the adroit manner in which the Finance Minister has piloted this very comprehensive Bill. It is the most comprehensive and complicated company Bill which has ever been placed before any Parliament, and which is now going to be made a legislative measure. I remember that standing here in this very place from where I am addressing this House today, one of the greatest parliamentarians that India has produced, Dr. Syama Prasad Mookerjee, once paid a tribute to Shri C. D. Deshmukh, the Finance Minister, when he said that one of the greatest assets of India was the sober optimism of the Finance Minister. I was a bit perturbed when I heard and read in the papers that the Finance Minister was not going to pilot the Bill after a certain stage. He was subjected to too many stresses and strains due to conflicting ideologies and conflicting groups and interests. I am happy that he could come back and he did pilot the Bill, and pilot it successfully.

I am sure this Bill as it has emerged is better than the Bill which was introduced originally. Shri T. N. Singh and also several Members spoke on that occasion and said that this Bill was rather disappointing from the

point of view of the ordinary investor and the ordinary shareholder. I am quite sure that we have introduced provisions and measures of control which will be conducive to the welfare of the investing sector. I hope they will be happy that this Parliament has done its best to vitalise the investing democracy. If they did not take any interest, as Shri Bansal was saying, in the affairs of the companies, did not attend the meetings and did not take a vigilant interest, it was because they realised that it was no good doing so, and therefore they were dormant. But now we have put them on the map. We have made provisions for them, and we have given them guarantees and assurances in case of any oppression or in the case of any unfair dealing. I know 'oppression' is a vague term, but still that was the best expression that we could put in.

I was on the Joint Committee, and I did my best to help the Finance Minister with some constructive suggestions; other members also did it. Only if you had been a Member on the Joint Committee you could realise how helpful the attitude of the Finance Minister was in dealing with the suggestions made and the amendments moved. He did not make any particular stereotyped or dogmatic approach, but he kept an open mind. And that was very helpful.

I must also pay a compliment to Shri Pataskar. I must say that he discharged his duties as chairman of the Joint Committee on this very difficult Bill in a capable manner. We took about a year or more in dealing with this Bill, because it was a very difficult Bill. You know that even the English law has got only about four hundred sections, but here we have got more than six hundred clauses. So, we have gone beyond all legislative precedents.

I am quite sure we have disappointed the communist comrades. They will not be happy. I am also sure that our capitalist colleagues also will be disappointed.

[Shri N. C. Chatterjee]

Possibly, that shows that we are on the right track, that we are not on the wrong track. But my only difficulty is that in our anxiety to improve the private sector, possibly we have put too many restrictions, too many controls and too many conditions which may paralyse initiative. I hope the Finance Minister will make it clear in this Parliament and will make it clear to the private sector that there is no question of paralysing initiative. We want company formation; we know that an under-developed country like India has no future unless there is more and more of company formation, and it is not to our interest to put any impediment in the way of legitimate company formation. But we cannot be blind to what a very competent Committee reported. The Company Law Committee was working under certain restrictions—we are attempting to have a legal framework for the corporate form of business management; but we cannot deal with ends, we can only deal with the means. The operation of private enterprise must be subject to certain essential conditions. The private sector must today realise and must accept certain broad social objectives which are binding on everybody, and if they recognise that and try to behave in consonance with them, I am quite sure Government and Parliament would do their best to help them, because we want their co-operation.

Now, there is a feeling in the private sector that too much attention has been paid to legal formulae, too many conditions, restrictive in character, have been imposed. Practically every company will have to have something like a small attorney's office attached to it to comply with all these regulations laid down, formalities prescribed and so on, and that will be difficult. But we do not want to strike really at those healthy and salutary practices and conventions which are inherent in every honest business administration. We have taken note of the fact that here is a unanimous

recommendation of a very capable Committee representatives of business men, capitalists, shareholders as well as lawyers, all men interested in the formation and development of companies in this country. They have unanimously recommended that there have been many malpractices which must be weeded out. This judgement is not merely against the private sector. This judgement is also against the Government, because Government did not do their duty. Government did not set-up any proper machinery. Government had really no department to administer the Companies Act. Government failed to provide that particular organisation which will keep the private sector under continuous and vigilant care and watch. We can pass this company law of 612 clauses and all the schedules.....

**An Hon. Member:** Forty-nine.

**Shri N. C. Chatterjee:** Forty-nine is a bad thing in Bengal. Anyhow, 649 clauses.

**Shri Morarka:** Actually, there will be 653 clauses or so because some clauses have been added during the Second Reading.

**Shri N. C. Chatterjee:** There have been some additions. But all this will be futile unless and until we take steps to provide a really efficient machinery, a properly staffed department, to administer this Act. As the Bhabha Committee pointed out, there was nothing inherently wrong in the Act piloted by Shri N. N. Sircar. You know, Madam, he was a lawyer of great experience. He was certainly the best company law lawyer in his time in India and he had the biggest practice in the biggest company court in India. With all his experience and knowledge, he initiated that measure and it was accepted by the Central legislature. But what has happened. It remained a dead letter. Why? Because the machinery was not there. The Bhabha Committee has pointed out that you can have any amount of legislation; over-legislation will not

solve the problem. It may deaden, it may affect, it may paralyse, initiative. It may paralyse enterprise, but will not help unless you have a department properly equipped and properly staffed to administer this Act. I hope the hon. Finance Minister will assure the House that he is going to set up a department.....

**Shri K. K. Basu:** Under Shri M. C. Shah!

**Shri N. C. Chatterjee:** I am not thinking of any particular person. My friend says, 'under Shri M. C. Shah'. I know that a very responsible and experience member of the civil service had been associated with the working of that department. He had been helping us in the Joint Committee, and we know that he is a capable person. We hope he will have ample power and assistance and co-operation from the Government, and also from the private sector, to work it in the proper spirit. We want the private sector to play a vital role. We want in our national economy that the private sector should develop and should contribute to steady industrial development. But they must change their outlook and must realise their responsibilities. The department should be adequately staffed and act with vigilance, honesty and promptitude.

Now, the greatest diffidence that I felt was this. You are vesting too much power in the hands of the executive, and it might be that there might be a tendency towards over-bureaucratisation. I hope that this too much power given in the hands of the executive will not be abused, and that the concentration of executive power will not be exercised to paralyse industry. In that event, it will be a bigger danger than the malpractices we want to weed out from the private sector.

Now, at this stage, contrasting this Bill with the one that was originally introduced, I ought to point that we have taken four or five steps which to a large extent must constitute a definite improvement on the original

Bill. Firstly, we have introduced a new section, section 197, which puts an overall ceiling on all remuneration at 11 per cent. The hon. Minister pointed out yesterday, interrupting me when I was talking on one matter, that section 197 has got some qualifications. But the qualifications are exceptions and the qualifications will be subject to certain very strong limitations. But that ceiling is a very desirable thing which we have introduced. Secondly, we have got section 293, which says that no sole selling agent shall be appointed by any company except at a general meeting. I maintain that this section is a definite advance and a real improvement. We know from our experience that a good deal of malpractices takes place, especially in that part of the country which I have the privilege to represent here. We know that the sole selling agency appointment power given to boards of directors have been abused and, therefore, it is very necessary that this power should be placed in the hands of the general meeting. Thirdly, we have put a ceiling on the number of companies which a managing agency can maintain and manage. I think that is also desirable. We are told that in some cases where a firm was formerly managing one company, it now manages about a hundred companies. That will be ridiculous. Therefore, in section 331 we have put a maximum. That is desirable. Now, the greatest improvement which we have effected, in my humble submission, is in sections 343 and 344. We have declared that this Parliament discourages the heritability of managing agents. The theory that every big industrialist's son, grandson and great grandson must inherit all his business acumen, integrity and capacity is a myth. We have said that there shall not be this heritability, this bequeathability and all that. We remember that when the regular general discussion took place, Member after Member was criticising this kind of thing that pockets are created, coteries are created and a certain amount of concentration of economic power of an undesirable

[Shri N. C. Chatterjee]

character also took place because of this heritability and this method of devising and bequeathing the managing agency.

The private sector should appreciate that our attitude has not been merely critical; it has not been merely destructive; it has not been merely censorious. We have tried to give them some alternative and I think that it is no use saying that what the Finance Minister has done in section 378 and others is wrong. You remember my hon. friends have said that the new scheme we have provided, namely secretaries and treasurers, is a very convenient *benamidar* of the managing agency system. In this system, we have also subjected them to certain safeguards and restrictions and I would appeal to the private sector to develop some kind of alternative or substitute, whereby we will not provoke the Government or the Parliament to wipe out completely the managing agency system in some sector or some industries, which would function properly and satisfactorily. Then there is no point in Government exercising their extraordinary powers.

We have also given power to Government in the case of oppression to appoint two directors and we have also added one thing, that is, proportional representation. I think that is also a clause which is commendable. We have provided that there can be provision for proportional representation. But supposing a company does not have any proportional representation and yet the minority feel that they are not being treated properly and fairly, they can come up to Government and after taking the advice of the advisory commission the Government can say, 'you must take recourse to proportional representation compulsorily and alter your scheme and articles'. That will be a good thing.

I must end by expressing my regret that the fundamental recommendation of the Bhabha Committee has not been accepted by the Government. It was that there should be a statutory

quasi-independent commission. It is my regret that it did not appeal to the Finance Minister. I can understand the Birlas, the Dalmias and the others saying, 'we shall have no hitch with the Ministers because we can manage them better'. That is why I do not want to have this kind of provision (*Interruption*). What I am saying is that this is the reason why the Bhabha Committee recommended that there should be an independent statutory commission. Why? Not because they have no faith in the honesty or integrity of the Government or of the Minister concerned. They said it is humanly impossible for him to deal with 29,000 companies when you have got so many provisions for control, regulation and supervision. Thousands of applications will come up to the Government. How can you expect the Minister or the Deputy Minister to deal with them? Therefore, I take it, it will mean either a Superintendent or the Assistant Secretary or the Deputy Secretary or the other categories of Secretaries will have to deal with them and there may be many undesirable things happening. Therefore, they said that if you want your administration to inspire confidence you must have some kind of statutory quasi-independent commission. That will not only inspire confidence but will keep you above all charges of nepotism, partiality, bribery and others. That has not been accepted. I have got to bow down to the wisdom of the Parliament in the matter with regret. But, I only hope that this advisory commission, will be properly constituted, its composition and functions will be such and that the Government will behave in a manner that it will be acting really more or less as an independent body; it would develop conventions and the conventions will be that it shall act in accordance with the economic policy of the Government but in matters of detail it shall be quite free and independent, and it shall bring its own independent judgment to bear on technical matters. I was glad that the Finance



Minister said that there may be .005 per cent. of difference and possibly less. I hope there will be no occasion for difference unless there is some cogent ground and wish that their advice will be ordinarily accepted as the Government's decision.

I hope that after the passage of this Bill, as was done in the case of the Estate Duty Bill there would be published a booklet explaining the implications of this Bill. You remember, Madam, after the Estate Duty Bill was passed—it was a very complicated measure—I think, the Chairman or the Senior member of the Board of Revenue brought out a booklet explaining the implications of the more important provisions and the duties and functions that people have got to discharge. I hope something like that would be brought out which will be helpful. There should be no legalistic approach. There should be a co-operative approach so that the sector may behave under Government's co-operation and that our industrial development may not be impeded or hampered in any way.

**Shri C. C. Shah (Gohilwad-Sorath):** Madam Chairman, now that we are at the end of our journey, it remains for us to review briefly, but more calmly and dispassionately, the result, and I respectfully submit that the result of our labours is an achievement of which this House can be legitimately proud. That journey has been a long and arduous one but the result is worthy of all the efforts that we have put in in this Bill. This massive piece of legislation which we are shortly going to put on the statute-book is important not only because of its magnitude but also because of its far-reaching consequences in our economic and also partly in our social life.

Law, after all, reflects and ought to reflect the relations which exist or ought to exist between man and man in any society. And, with changed conditions and with social and economic changes, the law, if it is to remain dynamic and helpful, must change.

A major revision of the company law was undoubtedly called for, for the last major revision was in 1936 and the world has changed and India has changed greatly after the war. This piece of legislation which has aroused so much controversy, particularly in a section of our community, I wish to remind the hon. House, is based mainly and principally upon the recommendations of the expert committee which was representative of all interests and which could not, by any means, be said to be partial to any interest. And, I wish to say that except for a few changes which the Joint Committee made—and they were important ones at that—the Bill is mainly based upon the recommendations of the expert committee, which expert committee also took as its basis the English Act of 1948.

The Joint Committee made important changes in the Bill and it is good that the Bill, as it now finally emerges from the House, is substantially the same as recommended by the Joint Committee, the changes being only of a minor character; and, therefore, we can rightly say that the labours and the attention which the Joint Committee devoted to this important Bill have had the approval of the House almost in its entirety.

A company law has really two main objectives; firstly to protect the interests of the shareholders and investors and the public and to maintain their confidence in joint-stock enterprise and, secondly, to provide, honest, efficient and healthy administration of joint-stock enterprises. I submit that this Bill will largely fulfil both these objectives. And, I would say, that even those, either on the right or on the left, who are dissatisfied with some of the provisions of this Bill concede that both the Joint Committee and this House were guided mainly by these two considerations and with a view to realise these two objectives. It is my further submission that this Bill is consistent with the policy which this House and this country has adopted in economic and social matters and this Bill is

[Shri C. C. Shah]

intended to be a step in the direction of the implementation of that economic policy which we have adopted after great debate and also for the realisation and fulfilment of those social objectives which we have unanimously set before ourselves. While it may be true that the companies Bill is not concerned directly with the economic policy or the shaping of any economic policy, it cannot but reflect that economic policy and it must so shape itself that that economic policy is furthered and strengthened. For, after all, the Company Law provides the framework within which the private sector must function and, as we know means are as important as ends. The end cannot be justified unless the means are pure and intended to achieve that end. It is my submission that the instrument which we are now providing by this Bill for the activity of the private sector is consistent with our social and economic objectives.

Fears have been expressed by a section of the community that this Bill is too rigid and too complex and gives very wide powers to the Government which may prove a hindrance either in the economic development of the country or in capital formation or in trade, commerce or industry. This is not the occasion nor is it my purpose at this stage to review the detailed provisions of this Bill. But I would respectfully submit that after all the strain and stress of the controversy had died down and we give thought to this Bill more dispassionately, it will be realised that the so-called rigidity and complexity of this Bill are not intended in any way to hinder the development of this country but on the contrary to help in furthering it. The powers that have been given to the Government are undoubtedly wide. If I could have seen or if the House could have seen any other way of achieving the objects which we had in mind and if any hon. Member had been able to suggest any other way of achieving those objectives besides giving these powers to the Govern-

ment, we would have certainly explored those ways. But in the circumstances in which we are I could see no other alternative but to give these powers to the Government and unlike a few Members of the Opposition I have full faith and confidence in the Government. It is not merely because it is my Government but because it is the Government in which the country has confidence that these powers will be wisely exercised and will be for the benefit of the community as a whole.

It is true that when we have given these powers, if we fail in achieving the objective which we have set before ourselves, no small part of the blame will lie at the door of the Government and therefore it is a truism to say that the Government undertakes a very great responsibility in having agreed to take these powers. No man should take powers unless he is sure of being able to exercise them wisely and justly. I believe and the Finance Minister has assured us that the Government is fully alive to the responsibility which it has undertaken and I submit that there should be no fear or apprehension on the part of the business community that it will have any difficulty.

**Shri N. C. Chatterjee:** Is it the Minister talking?

**Shri S. S. More (Sholapur):** Minister in the making.

**Shri C. C. Shah:** I have heard this remark often during the course of this debate.

**Shri S. S. More:** Our predictions will come true.

**Shri C. C. Shah:** With all humility I would say that I am unconcerned with it. But I must say that I had a little share in the shaping of this Bill and if I express my thoughts for the last occasion as to what I consider this Bill to be.....

**Shri S. S. More:** What do you mean by last occasion?

**Shri C. C. Shah:** For the last time so far as this Bill is concerned. These wide powers given to the Government had to be given because the shareholders, though they have a theoretical control over the company.....

**Shri A. M. Thomas (Ernakulam):** That is only professional jealousy.

**Shri C. C. Shah:** I do not think it is jealousy; it is goodwill. Those powers had to be given because the shareholders are unable to exercise the amount of control which they should. Theoretically it may be right to say that if the shareholders are vigilant and wide awake it is unnecessary for the Government to interfere in the matter. But it is not only in India but also in other countries of the world, in England also, the shareholders are unable to do that. I am glad that, speaking very recently,—a few days back,—the Vice-President of the Bombay Shareholders Association who is also the Chairman of the Bombay Stock Exchange, welcomed this Bill and said,—I think rightly,—that this Bill was for the benefit of the shareholders and investors. An appeal has been made by Shri Bansal,—and I think he was justified in doing so,—to the business community to co-operate fully in the implementation of this Bill. No Act can succeed unless it has the co-operation, willing co-operation, of the majority of those for whom it is meant. I have no doubt that the businessmen will ultimately agree that, while some of the powers which have been given to the Government in this Bill may be irksome at times or the restrictions placed by this Bill may prove to be too many, particularly for small men, on the whole they are wholesome and in any event, in the conditions in which we live today, they are inevitable and necessary.

**Shri N. C. Chatterjee** expressed his regret that the Government did not accept, or this House did not accept, what he called the main recommendations of the Bhabha Committee. I submit it is not right to say that the House has not accepted the main

recommendations of the Bhabha Committee. The main recommendation of the Bhabha Committee was for the establishment of a Central authority and that recommendation has been fully implemented in this Bill. The form which that Central authority should take, namely, whether it should be like a Board of Trade as in England being a department of the Government or an autonomous and independent statutory body was a matter of controversy and the Bhabha Committee rightly stated that much can be said on both sides. If we have adopted this form as an experimental measure it is because considering that it is a new experiment all we can do is to try the experiment particularly because it is so closely connected with the economic policy of the Government and it would have been wrong to entrust it to an independent statutory authority which would not be connected with the economic policy of the Government or its implementation.

It only remains for me to join my previous speakers in the tribute which they have paid to the hon. Finance Minister and his able colleague. It was a great pleasure to have worked with him in the Joint Committee and while at times he could not accept all that was suggested on both sides, I am quite sure that the paramount consideration with him was the national interest, and the objectives which we have set before ourselves, namely, the Plan and its implementation. I am glad to say that he went a very great way in meeting the views of both sections of the Joint Committee and the House; he has refused—rightly,—to be pushed this way or that and stood firm upon his own convictions and bound by what he thought to be the national interest. I would only like to add a word also for his able colleague, Shri M. C. Shah for his untiring energy.

**Shri Asoka Mehta (Bhandara):**  
Also Shri C. C. Shah: we will do that.

**Shri C. C. Shah:** I have done.

**Shri S. S. More:** Sir, I spoke during the first reading and since then I could not make any contribution as far as this particular measure is concerned. I am really very happy that we are at the end of our journey.

✓ The present measure is really a colossal, complicated and controversial measure.

✓ **Shri N. C. Chatterjee:** And, comprehensive.

**Shri S. S. More:** These three adjectives that I have used begin with the letter 'c'. So many persons participated in the debate and they had the privilege to participate because they carried the letter 'c' somewhere in their names—**Shri C. D. Deshmukh**, **Shri N. C. Chatterjee**, **Shri M. C. Shah** and **Shri C. C. Shah**. I am not possessing the letter 'c' in my name and I desisted from that.

✗ I would call this Bill, if you permit me Madam, as a "Lawyers' Paradise Act of 1955" because in this colossal measure.....

**Shri Asoka Mehta:** That is why you kept away so that the paradise may be better.

**Shri S. S. More:** I wanted to give ample berth to my hon. friend **Shri Asoka Mehta** so that he could give to the House a list of the books he has read on the subject.

**Shri N. C. Chatterjee:** American books.

**Shri S. S. More:** Both English and American and also Ethiopian and I do not know from what other countries.

I say that this will be a "Lawyers' Paradise Act" because so many offences have now been created. It is quite natural that when the Government was concerned with law and order and was not a welfare State the Indian Penal Code was found to be enough. But, when we ventured on social reconstruction persons who came in its way had to be ruthlessly suppressed and a new category of social offences had to be created. Therefore, offences, also accompanied

with penalties, would make it difficult for many small companies—as has been said during the course of the debate—to keep their head above water and I am inclined to believe that this Bill will result automatically in the elimination of small companies which have not got sufficient funds to engage proper lawyers, with the result that all our industries will be concentrated more and more in the hands of the big capitalists—and this is a natural development. Under the stress of capitalistic development the small fish has to adjust itself somewhere in the capacious stomach of the big fish—that will be the inevitable result.

But, in this Bill so many contradictory or warring interests have to be reconciled. I know, I called this Bill a very controversial one, not on particulars or details, but even from the point of ideology. Some of our friends here were fighting for a socialistic world and **Shri C. D. Deshmukh** and some of his colleagues were fighting for a 'gradualism'—I do not know leading where to. They were not actually fighting for the status quo. They were prepared to go some steps further. But in what direction? Possibly, in the direction of the socialistic pattern of society. But, with all this, when we are not proceeding by the method of revolution and when we have to evolve a particular system in certain phases of our economy, different rival interests have to be reconciled and peaceful co-existence—it is not only for nations, but within the womb of a nation—will be a rule for the different conflicting interests.

Take, for instance, the interest of the shareholder. He is the man who really saves some money, invests it in some venture and looks upon this investment as a sort of insurance or security for his old age. When I spoke during the first reading I quoted **Mr. Gokhale** and I cannot resist the temptation of quoting him again. He said:

"Whoever, again, contributes capital to be applied to the indus-

trial development of the country must be regarded as a benefactor of the country."

And, that is perfectly true. Though we are talking about a welfare State, we have not yet developed old age pension scheme. We have not yet pension scheme, developed widow's aid schemes. We have not yet developed some scheme for looking after the orphans. Therefore, persons who are interested in such persons naturally try to invest whatever little savings they have in the shares of companies. As the custodian of the interests of the people in the country, particularly of the weaker section, the State must act as protector of the interests of this particular section. If we develop old age pension schemes and if we develop a scheme for giving some allowance for widows, it is possible that all such persons who are interested will be willing to divert all their savings to the Government which will be the distributing authority.

It was also complained during the course of the debate that as we have not yet got a well-organised capital market developed in this country and the managing agents are the only persons who attract capital and put capital into business, the managing agency has to survive for some time the knife of the Government. But, if we develop really all these welfare schemes, then possibly, Government itself will be the greatest organised investing agency as far as this country is concerned because the small people will rather trust their Government and part with their funds in favour of Shri C. D. Deshmukh, possibly with a letter or without a letter which he frequently quotes at the time of the Budget Session. Unless we develop that sort of a system, the private person has to look to some company which will give him some return on the paltry saving which he has. In this respect, Madam, the interests of Maharashtra have suffered tremendously.

**Shri A. M. Thomas:** It is going to suffer also.

**Shri S. S. More:** In my part there are certain companies which welcome

desposits, but there is no control by Government. I would go to the length of saying, if it is permissible at this stage, that the Government should also scrutinise the economic health of the companies which advertise for deposits and see that the depositor are not allowed to come to grief.

Then I would say that next to the shareholders the interest of the labour ought to get precedence. Very strong voices were raised not only from the Opposition Benches but even from the Congress Benches that labour must have some share in management. It is not the capital that produce manufactured articles; it is the magic of labour which converts raw material into finished goods which are necessary for consumption in the country and this magician is kept half starved. We only go after the interest of those who invest capital, but what about those who bestow the magic of their labour on the crude raw material, which we produce in this country or import and turn it into finished goods all the time going without proper food or proper shelter? I feel that it is time for the Government to look after the material and moral well-being of the labour class. It was said, in England at the end of the 18th century, that due to the expansive growth of industries, labour was much in demand, with the result that labour became independent and in a position to dictate. In this country unemployment is growing. People are being attracted from villages to urban areas. They are swelling the labour market with the result that capitalists can use their whip for the purpose of cutting down wages and other benefits. I would make a request that all labour must be properly organised, must be trained to look after their own interests, so that they will not be taken away from the right path by political parties who prescribe any sort of remedy for their good. Not only they must organise, but they must be made more and more to stand on their own legs as far as management is concerned, I am not prepared to accept the views of Shri Tulsidas and Shri

[Shri S. S. More]

Somani though I have got the greatest respect for the business capacity of those friends. They are only the decorated pieces seen from outside, but their labour who sit and who stand by the different wheels in the machine, in the factory are the real producers. Government have greater solicitude for those who employ this labour.

**Shri K. K. Basu:** There are so many decorations like Bharat Ratna, etc.

**Shri S. S. More:** Even my friend Shri Basu is a decoration to the communist party. A controversy was raised here about managing agents. I say, whether managing agents are kept or not kept is but a theoretical proposition, because as long as business has to be managed, industries have to be run—and the first Five Year Plan has said that we have kept 42 industries for being run in the private sector—there must be someone who can function, who can discharge the responsibilities of the manager. You may call him by any name. He may be managing agent; he may be secretary of treasurer or he may be the chairman of the board of directors if the company is a director-controlled company. But there must be some person who can be the kingpin, so to say, to take up the whole venture from one stage of prosperity to another stage of prosperity. Shri Asoka Mehta was unnecessarily obsessed by the idea of immediate slaughter of managing agents. It is quite possible, in the stage of infancy of industrial development in this country that if we hastily use our knife like the axe used by Washington.....

**Shri Asoka Mehta:** Why not use the knife against the decorations?

**Shri S. S. More:** Knives are used for lambs and not for decorations. Being a vegetarian, he does not know to what use the knife is put. My submission is, I am not much concerned as to whether you keep managing agents or not or give them some other name. It is not the name of the office-holder that really matters.

✓ You may call him anything. But it is the responsibility of Government, I would say, to see that these managing agents, for whatever time they are kept, do not misbehave. There are dacoits in this country; there are murderers in this country, and the legal apparatus is used for keeping down their number or for keeping down their monstrosities. In the same way, Government will have to use the apparatus which they are now evolving by this Bill. Take the case of a snake-charmer. The snake-charmer can carry so many snakes on his body—snakes with poisonous teeth—but he takes particular care to see that the poisonous teeth are removed. I would make a request to Government that they should use their powers for removing the poisonous teeth of the managing agents if there are any.

I have got my own apprehensions ✓ regarding another matter. I do not agree with my friend Shri N. C. Chatterjee that there should be a statutory body for the purpose of controlling the business. My experience of statutory bodies is not very ✓ happy. They become the citadel of powers themselves, and they are not ✓ pervious to our criticisms. Shri C. D. Deshmukh is there. He will be responsible for all the good things and the bad things which the department set up by him may be guilty of and I can criticise him but Statutory Body will be beyond the shafts of our criticism. Hence I support the departmental ✓ set up. But I have got my own misgivings. I know the existence of corruption in this country. I know from Government documents themselves, from the reports of the Public Accounts Committee of which my friend Shri B. Das was a very efficient and ruthless Chairman for a long time and from the reports of the Estimates Committee of the prevalence of corruption. Those reports and so many other public documents have thrown a lurid light on corruption, nepotism and favouritism prevailing in some of the Government depart-

ments. I have got apprehensions that by leaving all these powers,—so wide are the powers—to the hands of Government departments, it is quite possible that instead of nationalising the private sector, we shall be nationalising corruption; we shall be nationalising nepotism; we shall be nationalising favouritism. There is a grave danger of doing so. But I feel that as we make progress, as Members of Parliament become more and more vigilant about their responsibilities, as the general shareholders show a greater awareness and vigilance about their own rights and responsibilities, I am quite sure that things will take a good turn. It is no use being pessimistic. If one becomes a pessimist, he goes from facts to fads, if I can say so. Therefore, I say that with all these power of a giant that we have endowed you with, you will have to realise that you will have to behave like a giant and shoulder all the responsibilities that you will have to carry by taking all these powers.

Shri Deshmukh has assured us on many occasions that he will personally look into many matters which will be coming to his department for so many purposes. I have the greatest respect for his capacity to work, but all the same,—I hope he will not be irritated if I say—he is also a human being and he has his limits to his capacity. When I was practising in law courts, I had once an occasion to go to a Collector. He was a European. He asked: "Well, Mr. More, why have you come here?" I said: "This is a revenue appeal and I have to argue it before you." I had taken along with me a big bundle of books. He asked why I had brought all those books. I said I wanted to convince him about the legality of the points that I had to make. He said: "Are you going to take so much of my time? If you want to convince me, you go to my sheristadar and convince him. If he is convinced, I shall sign along the dotted line." He was thus a very frank Collector. Nobody would give such an admission on the floor of this House. But that does not mean that such a thing will not happen. If cer-

tain things are left to the employees who are on a lower level, then corruption will creep in, because it is easy to hook a small fish than to hook a big whale. Managing agents at least know that aspect of management by which they can practise corruption on a systematic scale. Fortunately in this country nobody has started openly a company for the purpose of practising corruption, nepotism and favouritism at all ranks.

I am sorry that certain provisions like clauses 611 to 614 exclude Government companies from the operation of this Bill. I do not welcome those particular clauses. Government, if they are going to impose control on others, should be the first to impose those controls on themselves. They should practise what they preach. If they exclude all these controls from the purview of Government servants, that means Government departments are a category by themselves and that others who are running private concerns or private industries in a private manner are something else. This sort of differentiation is not desirable in our country. If we are trying to proceed on the basis of equality, if Government is trying to assume the role of employers, let the Government be subject to all the rules by which the employers are governed. If Government are going to be supreme landlords of the country, let them be controlled by all the rules by which they want to eradicate the selfish sectarian class of landlords who thrive on the blood of the tenants. If Government are going to be the controllers of private companies, let them accept the same rod for themselves and adopt those principles which they say are very salutary for the private sector.

I have one more suggestion. I request that the Government should be pleased to supply to this House annually a correct record of what they have done with regard to the company law. I think there was an amendment to that effect—I do not know exactly what it was—and I do not know whether it was accepted or

[Shri S. S. More]

rejected. I am not very particular about having a special clause in the Bill to that effect, but it is quite open to the Government to start a practice or a convention. We are supposed to be the supreme persons who have placed this instrument in their hands and it is the responsibility of the Government to give to us every year, a proper account of what they have done in this regard. These are some of my suggestions. I am not at this particular period in a mood to shower encomiums on the Finance Minister, though I am prepared to say.....

2 P.M.

Shri A. M. Thomas: Naturally you are morose!

Shri S. S. More: .... that Mr. C. C. Shah, Mr. Morarka, Mr. Nathwani and other friends have done their best to make the Bill as useful to the country as possible. Though on occasions, I was frequently interrupting Mr. C. C. Shah and giving him something, as regards the future, I can assure you, Madam, that I have the greatest hopes.

As regards Mr. Deshmukh, he is a seasoned politician to expect any encomiums at this stage.

Shri C. D. Deshmukh: I am no politician.

Shri S. S. More: He is a politician without knowing that he is a politician. My submission is that this is a new venture, a very colossal venture, and some days will have to pass; we have to watch how it works in actual practice before we proceed to shower our encomiums. Some of our friends here are in the habit of paying some compliments to a person after drawing blood from him, say, as some sort of soothing ointment. I think Mr. Chatterjee can start a factory for manufacturing this ointment.

An Hon. Member: To be 'limited'.

Shri S. S. More: Of course. The shoe is fresh from the cobbler; friends like Mr. Somani and Tulsidas have to

put on the shoe and find out where it pinches. If they find that it does not pinch, then possibly it will be time for us to come to this House and say that Mr. Deshmukh did something which was in the interests of the country.

Shri H. N. Mukerjee (Calcutta North-East): Except at a very early stage of the proceedings on the Companies Bill, I have not had the privilege of really participating in the construction of this massive piece of legislation. But to the relief of the House, and particularly I expect of the Finance Minister and his colleagues, we are nearing the end of our tasks in this regard, and I am impelled to make a few observations.

I wish I could congratulate the Finance Minister. Personally speaking, it is a pleasant enough job for me; but I fear I cannot do so without drastic qualifications. If driven to the alternative of taking this Bill or leaving it, of course, I will take it mainly on account of the small mercies vouchsafed to our economy by this Bill. But I am convinced that the manner in which this Bill has been piloted in this House suggests very clearly that a very resourceful rearguard action is being fought against the entire concept of the so-called socialistic pattern of society. Company law with even a near socialist orientation would certainly have posed objects which were more fundamental than the minimisation of abuses. I remember the Finance Minister said at one stage that one of the main objects, if not the main object, was "the maintenance of a minimum standard of good behaviour in company promotion and management." That is all very good as far as it goes, but it does not go far enough. A company law that we can really welcome would have made a beginning in transforming our industrial structure and ushering in a workers' democracy. Even a company law with a good strong bias for economic development would perhaps have provided for a



ceiling on dividends in the interests of capital formation and the pooling of the various reserves of the companies to be dispensed according to a national development plan. Our main grouse against the Bill is that company law has not been geared to the Plan; it has not even been made an arm of the Plan.

There has been over this Bill a certain atmosphere of expectation of big change even in the ranks of the Government party. It has sometimes made the Finance Minister appear in this House to be somewhat seedy and he has also thought aloud somewhere else as to who were his masters. He has succeeded, however, in scotching all radical expectations and to that extent he retains the whip-hand of our economy in the direction that he desires.

The Finance Minister does not see any reason why the managing agency system should go out of existence. He is a very humane and cultured person and he is opposed to what he calls 'slaughter'. I may put in caveat that in our country with its stupendous misery, the Finance Minister "pities the plumage, but not the dying bird." Now I recall what the late Prof. K. T. Shah said in his Preface to the National Planning Committee's report on industrial finance. He said:

"The managing agency system is rotten, root and branch, leaf and bark and blossom, and must be abolished at the first opportunity."

I recall also the Directive Principles of State Policy which have been quoted over and over again. It should be a good enough reason for the elimination of that concentration of wealth which the managing agency system represents. On account of my accidental propinquity to the records of the Legislative Assembly Debates in 1936—they happen to be here—I have dipped into many of these volumes and I find that the Congress Party in the Legislative Assembly in 1936 was expressing itself on the managing agency system

and it wanted to go much farther than the Government of the day. The Government of the day in 1936 was ready to give some 20 years' time to managing agency to behave itself or to shut up shop. On that occasion the Congress Party was moderate and reasonable. I have seen the contributions made by our present Home Minister, for example, and the discussion was conducted with perhaps a little more good humour than in this present House, because I found that unlike in this House, nobody objected when the Leader of the European Group, Sir Leslie Hudson, referred to our Deputy-Speaker as "a substitute director in the Congress Party's managing agency company in the temporary absence of Mr. Satyamurthy." In the 1936 discussions, at one stage Sir Homi Mody said in the debate that no epithet seemed to have been too severe for managing agents; they were held up as a sort of criminal tribe. I hope our friends here will not object to some very demure expressions which have been used about managing agents in this House! Sir Homi Mody had said, "you have killed the managing agent, body and soul." And then, Shri Nripendranath Sircar, who was the Law Member in charge of the Bill, had rejoined "I do not admit he has any soul; but we are after his body." This was in 1936. On this occasion, I think some of my friends like Shri Tulsidas and Shri Somani, perhaps have been for a time a little nervous; but I am sure they soon recovered their equipoise. I find them extremely jubilating at this present moment. I have a feeling that perhaps their sentiments may be summed up in a Lewis Carroll rhyme which comes back frequently to me, as I attend sessions of Parliament. This is the rhyme:

"He thought he saw an elephant  
that was practising on the fife;  
He looked again, and saw it was  
A letter from his wife;  
"At last, I relise", he said,  
"The bitterness of life."

They can afford to be more complacent about the turn things have

[Shri H. N. Mukerjee]

taken and I am happy that at least they have some happiness that the Companies Bill is going to be amended in a manner which will not drastically curtail the very pleasant upholstered position in society which they are going to have. I wish them all joy.

In the year of grace, 1955, the Finance Minister refers to the outdated theory of confidence. We cannot touch the managing agency system too drastically, because of this question of confidence. But it is known to the country that the majority of the managing agents, at least those who are typical of the system, they generally gamble with their companies' and with the shareholders' resources. And if there was a searching investigation many crude mysteries, like the mystery of Birla House, would come to be revealed. Contributing, at the outside, not more than twenty-five per cent. of capital they have made our investors shy and deprived our capital market of many essential investments, which is the reason why the public sector has to intervene very effectively. When they are engaged in interlocking of their funds and when by hook or by crook they take away the cream of the profits, it is sheer bunk to imagine that managing agents provide the technical know-how. Technical know-how comes from individual Managers and experts. From what I see of Shri Tulsidas and Shri Somani I find they are very proficient in their job. I do not know what their position in their respective establishments is, and I do not care. But the technical know-how is given by individuals who are experts or Managers or are there in any other technical capacity. And it is sheer bunk to imagine that the managing agencies, whose names are mentioned so often—which is rather unsavoury—that they are responsible for the supply of technical know-how.

The Finance Minister is very considerate of their capacity and their health. But perhaps he can as well

ask for the rapid disappearance of the managing agents in spite of the capacity of the managing agents and the state of their health. I am sure the Finance Minister reads from time to time the English weekly, the *New Statesman and Nation* which, thanks to Parliament Library, I can also dip into from time to time. And I saw in the *New Statesman and Nation* of the 16th July a quotation under the heading "This England". It said:

"The Medical Officer of Holloway prison had reported that Mrs X, who was a prisoner, was in good health at all times and in a fit state of health for execution".

[SHRI BARMAN in the Chair]

✓ I feel, Sir, that the managing agency system is in a very fit state ✓ for execution and in very good health. But there is no reason why the doctor, in this case the Finance Minister, should not report to the country that they are in a very fit state of health for execution. Before the bar of society the judgment has already gone, and that judgment ought to be executed.

I find, however, that Government has taken recourse to the substitution of managing agencies by another mechanism, and that is the mechanism of Secretaries and Treasurers. On that point Shri Asoka Mehta had a great deal to say last time, and I am sure he will point out how an alternative is now given to some people in this hierarchy to switch over to this business of taking up secretaryship and treasurerhip, in which case they can manage more than ten companies. Their operation would not be prohibited in any industry: their agreements would not terminate on 15th August, 1960. Only, their remuneration will be a little less; they will not appoint directors; they cannot be selling agents. Except for these, there is hardly any special restriction. I do not see the Finance Minister sporting a rose in his button-hole—the Prime Minister usually does

Whatever name you give it. The smell of a rose is just as sweet, and perhaps *vice versa* the contrary could be said about other kinds of things.

I find of course the House has taken this measure very seriously, and I know that very industriously the Finance Minister and his colleagues have applied themselves to his Bill and some wholesome provisions, I must concede, have certainly been incorporated. The elimination of shares with disproportionate voting rights, some kind of restriction on interlocking of funds, restriction on managing agents being buying and selling agents—these are fairly good factors which we can welcome. But on account of the concentration of economic power that is being retained, this single fact will set at nought all the wholesome provisions in the Bill.

The Finance Minister has himself admitted: "What we are dealing with here", he said, "is the ubiquitous *benamidar*. When you prohibit any thing, there are smart people who try to do that prohibited thing in the name of someone else". It is through this *benamidari* system that the managing agents will torpedo those restrictions that have been imposed. If you allow any system which represents concentration of economic power, then abuses cannot be eliminated. Of course we do not nurse the illusion that simply by abolishing managing agencies we shall eliminate concentration. So long as the law of capitalism operates, and thanks to the socialistic pattern of society the laws of capitalism have a fair lease of life in our country—so long as the law of capitalism operates, concentration will be there and there will be abuses through this or that channel and the *benamidari* apparatus. But when your goal professedly is a socialistic pattern of society, you should at least have made a gesture by doing away with the managing agency system here and now and by preventing all forms of concentration later.

I find that there were many amendments which, if the Government was

at all serious in regard to its professed intentions, Government should have accepted. Even when you have allowed the managing agency system a lot of rope, Government could have accepted our amendments that the directors nominated by the managing agents to the company must have some minimum qualifications prescribed. They must be managerial experts or technical experts. This might be the touchstone whether the managing agents play really any useful role in our present economy. When it is said on behalf of Government that the managing agents have not outlived their utility, that point has to be proved. And that is why we wanted it. But Government did not agree. We wanted that there should be some minimum technical qualification which the directors nominated by the managing agents must satisfy.

The reform of the directorates is very vital in company law, and we find that even though there is a provision that one cannot be a director of more than twenty companies, this provision can be torpedoed because managing agency houses have been allowed, and they will distribute the excess directorships among their brothers. There are so many of them. There are guinea-pig directors, as they are called. They will get hold of such people and put them in certain places. So you are purporting to do something which you are actually not achieving as a result of this Bill.

Then, I find that a very serious lacuna is that proportional representation on the board of directors has not been made compulsory. Fifty-one per cent. will swamp the board and the forty-nine per cent. can have no representation at all if the big bugs choose to take recourse to that kind of pressure.

I find a very serious objection to the Bill as it has emerged so far as that no disqualification has been imposed upon tax evaders—tax evaders whose evasion has been discovered, has been pitchforked, so to speak,

[Shri H. N. Mukerjee]

on the attention of the Finance Ministry. Even if they are not punished by the court, because of the queer ethical system of voluntary disclosures, Government knows who these very honourable gentlemen are. And the country cannot repose their trust in these people. The investors do not have any kind of confidence in these people. Now, I found lately a passage in regard to this hypocrisy which persists in governmental circles in regard to the taxation of income which I feel like reading out to the House. It says:

"The argument (about the meaning of income) has become bigger and bigger business, business worthy of the hire of the best professional arguers of the country. Under the onslaught, income has proved a flabby little word except when used to describe the simple receipt of a wage or a salary. Nor is it simply that the hind leg has been argued of a donkey. Income is not something like a donkey which can be objectively described and measured. Sit an accountant, an economist, (preferably two) and a judge (preferably an ex-judge round a table and ask them what they mean by income and your own views will be much less clear than they are now."

I find also that there is a British judgment of Lord Clyde, possibly a hell of a judge, in *Ayrshire Pullman Motor Service Vs. I.R.C.* (1920). He said:

"No man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores."

Therefore, it is a fundamental right of the citizen in a free democratic country to evade taxes and to take shelter under all kinds of legal sophistries behind the definition of

income and then, by evading the taxes, also got into the top of the economic hierarchy controlling the economy of our country. This business of tax evasion has gone very far. The Finance Minister knows so much about this kind of thing. The reports of the Income-tax Investigation Commission, whatever the technical legality of its position as a judicial arbitral body, are there for anybody to see. These reports make it clear that some of the best brains in the country are purchased by these people in order to perpetrate this kind of crime. The Finance Minister agreed that socially speaking, it was a crime. Those who perpetrate this crime are now being permitted—they could easily have been stopped—to rule the roost in our economic life.

I say also that the Government might have done one thing which the Government has not chosen to do, and that is the prohibiting of bonus shares, which is a device to defraud the Government by evasion of taxation, to defraud of the workers by giving them no bonus and to defraud the public by making it appear that the rate of dividend is low.

I find also that Government might easily have provided for branch audit. This morning, my hon. friend Shri K. K. Basu argued very lucidly and extensively as to why it is necessary to have a branch audit. The Finance Minister was not present at the moment and that is why, in spite of repetition, I refer to it. He said, —I repeat it,—that there are so many concerns, especially if we take the tea gardens, which have their head offices in Calcutta, or coal concerns which work in Dhanbad or somewhere in the west of West Bengal or in the East of Bihar and have their head offices in Calcutta. If there is no branch audit, all kinds of abuses creep into the picture. He gave instances of how, because there is no branch audit, so many things are done, so many concealments are

practised and so much money of the public is being wasted. We have been told that there is no adequate personnel. I do not understand that Commercial colleges are springing up like mushrooms all over the place. Even in the so-called backward States, they are having these big establishments, commercial colleges. I suppose, in a commercial college, accountancy is one of the primary subjects taught. We can easily get a cadre of qualified people. Go round the country. Educated unemployment is a cry which has been agitating this Parliament every time it is mentioned. You will find so many commercial graduates going without jobs. We can absorb them in a technical cadre which you can set up for audit. You can easily do it. We want more employment. You can productively employ our people. That is the best investment we can make. But, Government is not agreeable to the provision of a very simple thing, branch audit.

In the case of foreign companies,—companies incorporated abroad,—we moved amendments to the effect that Government can, on receipt of complaints that establish a *prima facie* case for investigation or remedy, appoint auditors to audit their accounts or investigate their affairs. But, Government has turned down this proposal. I know we are repeating something which will be thrown back in our faces in a clever way by the Government. But, I do not hesitate to say this. I come from a part of the country which has suffered most from this foreign capital domination. Only the other day, in Calcutta, the Imperial Chemical Industries put up an enormous building, and they say, they had spent on it Rs. 1 crore. They publicised also that they had spent Rs. 5 lakhs for furnishing the Chairman's room. I know also how the Imperial Chemical Industries treat their employees. In Kanpur, the other day, they threw out the people who joined the union, in spite of their being very technically qualified personnel. This kind of thing goes on. The other aspects of

the operation of foreign companies have been mentioned so many times that at the third reading stage I feel I am not entitled to take the time of the House. But, I feel that the Government should have taken some strong steps in regard to this affair.

Coming to some of the other loopholes in the Bill that may puncture the reforms contemplated, I find that the managing agency companies can split and each splinter agency might manage ten companies. I find that the process has already started of juice mills starting chemical factories and cloth mills starting cement factories and so on, and so forth. In this way, one company may start 100 types of business calling them only departments. Companies may amalgamate and assume huge forms following the traditions of what has happened in the U.S.A. There is a limit on the number, but there is no limit on capital. In regard to vital clauses like interlocking, buying and selling agencies, we find that these also have not been tackled with the seriousness and effectiveness which was very necessary. It has been provided that by special resolution the shareholders can have their own way. Therefore, it is a democratic reform. But, it is forgotten very conveniently that they can be evaded very easily by the big bugs who control our industry.

When you consider the net achievement of this measure, it is as somebody said: I think Shri Bansal said so—a monumental Bill. It is a monument of what? Is it a monument which you shall treasure in your march towards the socialistic pattern of society? I say, no. I do not say there is nothing in this Bill. I have said it before. If I am driven to the alternative, take it or leave it, I take it because of the small mercies the Finance Minister has vouchsafed to my country. But, I do not consider it a monument which the country will treasure in its march to a socialistic pattern of society. I am sorry I have to say it but when I find this kind of Bill coming before Parliament in the

[Shri H. N. Mukerjee]

year of grace 1955, I do have my suspicions about Congress's intentions about a socialistic pattern of society intensified a hundred fold.

**Shri Gadgil (Poona Central):** The best parliamentary traditions land down that a speech on the third reading should be as brief and, if it cannot be as sweet, it should not be bitter either. After 69 hours of battle over the **Companies Bill**, I find, though I cannot put in violent terms, my hon. friend Shri C. D. Deshmukh has won the rubber though we have won the points. It would not be out of place and it would be quite in keeping with the best **parliamentary traditions** if one were to review what one has achieved in the course of the discussions held over this Bill. Speaking for myself, I thought that it would be possible to persuade the Government and make them agree to the total abolition of the managing agency institution. For, I believed,—not entirely wrongly,—that the Government and everyone of us having committed ourselves to a particular character of future economic organisation and social organisation, all those institutions,—political, social, economic,—which would prove dangerous to the inauguration of that kind of society should not be allowed to continue or should not be created. However, it seems that the Government was not inclined to think that way, probably for very good reasons. Yet, I am very happy to see that the Finance Minister has given a number of assurances about how the future of managing agency will be looked after, and how the powers so many now with him will be exercised and how the sentiments expressed in this House will be honoured by him. I think that if what he has given expression to on the floor of the House is carried out substantially in the administration of the Company law, for some time the managing agency institution may be tolerated.

I will not at this stage refer to certain other features of this institu-

tion, though I have received a number of letters and representations from individuals and bodies asking me to put forward their view, on which they are all agreed, on the abolition of the managing agency. But we have now, after a great deal of deliberation, agreed that it should continue and as is said in *Dharma Shastra*:

गृहीत ह्य केषु मृत्युना धममाचरेत् प्राज्ञः

The managing agents or the managing agencies must observe *dharma* because they must know:

गृहीत ह्य केषु मृत्युना धममाचरेत् प्राज्ञः

The sword of **Damocles**, in the words of the Finance Minister is hanging over their head. If they survive this, then perhaps it might be possible to consider whether a new lease of life can be given to them, but from my past experience of the way in which the capitalists of this country have worked this institution, I entertain no such hope; but I do not want to prejudice the future and if the future proves nice it is all to the good.

Now there was also the question of providing alternative management and at the time when I spoke at the consideration stage, I requested the Finance Minister to accept the challenge and provide some form of alternative management. What always happens when one speaks at the consideration stage is that he entertains hopes and at the Third Reading he is apprehensive of certain fears. That is exactly the position in which I find myself. He was good enough to say that he has taken out the teeth from the managing agency; by providing secretaries and treasurers in such a way as not to give them any financial control, he says that the teeth have been taken out. I only want him to be very watchful and see that their gums are not so hardened that they digest more than they apparently seem to swallow because in between the passage of the consideration

motion and today, I received a number of letters. I also happened to meet some managing agents, I might say from Ahmedabad, and the impression they gave me was this. I am frankly placing it before the hon. House for whatever it is worth. They say: you may reduce the managing agency commission, or the secretaries' and treasurers' commission by 3 per cent, 4 per cent, or 5 per cent. All that we want is a place in the management and as long as we get it that is enough: as for making money, we have developed it into an art and nobody can beat us. They told me that you need not know how the fish drinks water, but it does drink. Similarly, they say—only let us have some place in the management. We do not worry about commission, this that and the other. Many holes have been plugged, many precautions have been taken and I do not think that they will escape with the same ease with which they have been accustomed to escape from the clutches of the Company Act, at the same time, I would very earnestly request the Finance Minister to be very vigilant and to be very careful about the doings not only of the managing agencies that will continue under the Act but also about the doings of secretaries and treasurers and other bodies corporate when they come into existence.

We have now practically come to the end and in a few days time this Bill will be on the statute-book. Once it is on the statute-book, one must not look upon it as to piece of workmanship of this party or that party, but as representing the common wisdom, so to say, the authority of this House and it goes out in the name of this House. So, it becomes our duty, not only members of this party or that party, but of everybody, to offer as much cooperation as possible to the Government in implementing the provisions of this measure.

On the whole Mr. Deshmukh, the hon. the Finance Minister, has been very responsive. It is not a case that he has given up whatever he could

not retain. No. My own impression, in fact, my own conviction, is that he has risked many a time out of the shell of official advice and it was all to his advantage and to the advantage of this country.

I submit that in this House during these 69 hours there have been many clouds, but I am glad to say just as the clouds in the shariat disappear in the sky itself, so, all these clouds have disappeared in the course of the discussion and what has emerged as a result is, I think, on the whole not bad. As I have already said, it is everybody's duty to give as much cooperation as possible and see that this measure becomes a successful instrument of policy, so far as the private sector is concerned.

At the same time let me say that although we have pledged our conduct, we have not mortgaged equity of agitation. It is still open for everybody of us to educate public opinion and unless public opinion is vigilant, is alert, anything that is not desirable may come into existence. Therefore, the measure of success of this particular piece of legislation will be the measure of vigilance and watchfulness that we not only as members of any particular party, but in our own individual capacity, show both in this House as well as in our constituencies outside.

From what we have now passed, or about to pass, is going to arise a huge department: and there are bound to be some delays. I would like to impress on the Finance Minister that big companies will not have that trouble, because they will have their agents and there are other ways in which the big people can have their things done quickly. But there are innumerable small companies and assuming that once in a year the average of references for one company is 10, just imagine how many references will be made to this department and what a huge organisation it will be. I do not grudge; on the contrary, I am prepared to vote finances for the maintenance of this, but all I desire

[Shri N. V. Gadgil]

is that smaller companies should be better looked after than the big companies in the matter of procedure and the little difficulties that are likely to arise. If that is done I have not the slightest doubt that the department will earn the gratitude of the smaller people. In every legislation we have passed, the net experience has been the big always escape and the smaller goes down. Whether it is a piece of labour legislation or whether it is a piece of social reform, the uniform experience has been that the smaller man is more burdened relatively, and the bigger man is burdened less relatively, and so far as other conveniences are concerned, one does not get much of it, the other never loses anything. I therefore submit that as the Finance Minister stated in the opening speech when he moved for the consideration, that this Bill is not conceived in a spirit of imposing fetters on the companies but in a spirit of hale and healthy limitation. I do hope that this will be observed in the administration of the Act, much more particularly in the matter of the smaller companies.

I wish to congratulate Shri Deshmukh. He has played with a straight bat, though there were occasional off cuts and leg glances, but on the whole it only added to the brilliance of his performance. I also want to congratulate Shri M. C. Shah who was less responsive but who stood the partnership by sheer stonewalling and practically exhausted many of us, although I do not say he was not entirely unresponsive, I congratulate both. There is also a pair whom I would like to congratulate, and that is the capitalist pair which fought to the last—Shri Somani and my friend Shri Tulsidas—and I hope though badly mauled, they are still not out.

**Shri Asoka Mehta:** The discussion on the Companies Bill has gone on for a long time, and I was enabled to join the discussion at a fairly late stage. Even then I feel that the Bill as it was originally introduced has

✓been improved by the Joint Committee and has been further improved during the deliberations in this House. I believe during the last few days we have plugged a few more loopholes and we have introduced in the Bill an element of flexibility which would be useful in ✓ future.

This Bill became necessary as we all know because some of our industrialists, some of our businessmen had behaved in a manner that required serious looking into and the organisation of necessary checks and controls. At least some of them were in such an anxiety to become generals of industry from being captains of industry that they did not hesitate to embark upon various shady activities. As a result of that, the company management had to be seriously looked into and we had to come forward with certain reforms and with certain alterations. But may I point that during the period another aspect of the question has come to the fore?

Some of the company promoters and some of the managers in the past may have been guilty of mischief, but many more were guilty of misdirection. Perhaps in the past we had no clear conception of the social direction in which we were going. We knew that any company management must try and carry on its activities in a manner that will be honest towards the shareholders and helpful to the community but we had generally no clear picture about the social direction. This Bill has tried to restrict very considerably the possibilities of mischief. I believe it would be possible, if this Bill after it is enacted is properly worked upon and adequately implemented, that a number of mischiefs, a number of shortcomings from which company management suffered in the past, may no longer exist. But the deeper, the more fundamental aspects of company management leading to concentration of wealth, concentration of control, interlocking of directorships the types of expansion which results in big business becoming bigger business, these aspects will not be



covered and are not to be covered by the present Bill. A lot of controversy was there because the Finance Minister was anxious to confine this Bill to eliminating some of the mischiefs and shortcomings that have disfigured company management so far. Some of us were interested in finding out in what kind of context this company law will be set. I know that the Finance Minister has sometimes offered certain *obiter dicta* about the context but we are still not sure as to the context and the perspective in which this law will be set, because the utility of this particular piece of legislation will depend to a considerable extent on the context in which it is ultimately implemented.

There are, for instance, a number of provisions in the Bill which are concerned with the proper functioning of company management, but there are others,—few in number, but significant all the same,—which are concerned with structural alterations. Now, whether these provisions for structural alterations will be used or not, whether they are to be the main levers or they are merely to be the ornaments, is a question of vital importance. Whether this Bill is a useful piece of legislation or not will be ultimately determined by the extent to which those levers that can be utilised for purposes of structural changes will be used or will not be used.

My friend Shri Mukerjee said that he was not very enthusiastic about the Bill and he said that he would accept the Bill because of the small mercies there are in it. My attitude is slightly different. I would like to suspend my judgment. I feel the Bill provides us with opportunities not only to improve company management, but also to bring about structural changes in our industrial economy. To what extent these powers will be used, of course, is an open question. I would have liked the question to be closed. My effort was to see that this question or this problem no longer remains an open

question, but the Finance Minister has thought that it is necessary and the House has agreed with him, that no kind of a final or definite answer should be given. But I do not agree with the Finance Minister when he says that we must give the managing agents one more trial. I am not interested in that trial. Maybe my friends Shri Somani and Shri Tulsidas will come out unscathed out of the trial. I have no doubt about them. I know they are probably socially as conscious about the well-being of our people and the future of our country as any one of us here. I have no doubt on that. But the point is even if they come out unscathed, is this a desirable system? Is it in harmony with the general social objectives that we have in view. It is there surely that some kind of a definite stand should have been taken. Whether we give three ✓ years or four years or five years to a particular pattern of management is a matter on which I do not want to spend much time. But we have got ✓ to make up our mind now, particularly when we are embarking upon large-scale industrial development in our country, as to what ultimately is going to be our final picture, because that will determine to a considerable extent the resources that will be forthcoming and the kind of co-operation that we will get from various sections of our people. The Finance Minister seems to be interested only in evoking and enlisting the co-operation of a certain section of the people. Important as they are, and valuable as they are, we must realise that in seeking and enlisting their co-operation we may be alienating or sterilising the interest and the enthusiasm of other sections of our people.

I would like to make an appeal to big business and suggest that it would be useful if they realise and recognise the temper of the times. Large powers have been given to Government, but there is no reason why those powers should be used if our company promoters and organisers try to steer clear of the rocks and the mischiefs from which their activities have suffered in the past. If that care is

[Shri Asoka Mehta]

taken perhaps the large powers that have been given to Government can be sterilised in action.

Recently, a distinguished American commentator, Walter Lippman, published a book called *Public Philosophy*. Therein he has said that laws are powerless and that no democracy can function unless a common philosophy is shared by the people. There has got to be a social ethos which determines the thought and actions of millions of people in a country, if democracy is not to be an oppressive system of government but some kind of community existence. Likewise, I believe, thanks to the heritage of our national movement, thanks to the teachings of the makers of modern India we have today a public philosophy which is clearer in our country than perhaps in any other country in the world.

We are convinced that accumulation of capital is bad, as Marx pointed out. But we are also convinced that accumulation of power is never good, which Marx never pointed out. That is the reason why there seems to be such a tremendous agreement in our country on the social aims, that it should be possible for us to move in that direction rapidly, if all of us recognise,—not because of the lash of law but because of a spontaneous acceptance of and allegiance to what Walter Lippman has called a public philosophy.

If that kind of a public philosophy is to be accepted, then may I suggest that Government also must try and see that small business will be helped? Eighty-five per cent of the companies have paid-up capitals of less than five lakhs of rupees. Surely, let it not be said that because of this Bill and the powers that have been given to Government, these companies would be harassed. I suggest that this department which Government are going to set up should play a positive role and not merely a kind of controlling role. It should be helpful. It should go out

of its way and be helpful. I hope in the next five years, when a large-scale industrial expansion is to take place, a large number of new entrepreneurs will come up who will need to be helped.

I quite agree with my hon. friend Shri S. S. More when he says that friends from Maharashtra have a legitimate grievance that they have not been able to play their part in industrial development in the State of Bombay, which their abilities and their intelligence entitled them to play. I am sure in the next five years, a large number.....

**Shri A. M. Thomas:** They are all born politicians.

**Shri Asoka Mehta:** .....of entrepreneurs will come forward to play their part. I would like this department to be helpful particularly to the small people. I do not know what will be the structure of the department and how it will be organised. But it would be unfortunate and unwise if the small, young and aspiring entrepreneurs are merely sent to the lawyers and solicitors and left to their tender mercies. Rather, it should be possible for them to come to this department and get the kind of assistance that they need. Of course, if anyone of them goes wrong, he has to be pulled up.

Likewise, I would like this department to help to create an informed public opinion. It is not enough to give us an annual report. I do not know whether the department can start a journal also. I know many of my friends rather scoff at it, but I am a great believer in garnering of information. After all, through books, reports and publications alone will we get the information that we need, because they provide in the world of today congealed experience. It is impossible for any man to get all kinds of experiences that are needed. But we are able to read the core and the kernel of such experiences through valuable publications. I would like

this department to help to create an informed public opinion, and an informed public opinion in the country more so as far as the shareholders are concerned. It is absolutely no use talking all the time that the shareholders must realise their responsibilities. What are we doing to make it possible for them to realise their responsibilities? What kind of assistance and co-operation can be extended to them? And what kind of help can be given to the shareholders' association or any similar bodies that might come up, so that the shareholders may find it possible to become better informed?

There is no doubt—and that question again is an open question—that workers will be given an opportunity to participate in the management. I hope that before long we will decide to give workers an opportunity to participate in management, because there again we shall have an opportunity of sharing information. The greatest safeguard against any kind of misdeeds, either of the barons of capital or of the bureaucrats in the administration, is provided by widespread sharing of information. An informed public opinion in the last analysis is the only guarantee against any kind of concentration of power.

While on the one side we have consciously permitted power to be concentrated in the hands of Government, simultaneously on the other side we hope Government will take precautions to see that that kind of an organised, informed and articulate public opinion is built up in the country. I would like to warn Government that the powers that they have taken are such as are likely to have an ineluctable tendency to become dangerous, because power by its nature corrupts, but power over big business is likely to be far more corrupting. Therefore, the Finance Minister will have to take special safeguards. As to what those safeguards will be in the organisation of his department I do not know.

But I believe that some of the soundest safeguards would be to help to create an informed public opinion, to help the shareholders as far as possible, to try and make it possible for the workers to get all the information that they need and to participate in the management, to help smaller entrepreneurs to come up, and to create a public philosophy in the country which will generally look down upon and not look up to big business trying to become bigger.

If these precautions are taken, perhaps this Bill will enable us to go much further in the direction in which we want to go.

In the end, I would also like to join others in paying my tribute to the Finance Minister for the patience, the understanding and the characteristic courtesy with which he has carried on the discussions on this Bill. There were many occasions on which I differed with him, and differed violently. But I hope that he knows, as you know, that those differences are differences of policy, perhaps differences of approaches and outlook. There was nothing personal about them. And I am glad that such a long and exhausting piece of legislation was piloted by a Minister who is known for his tact and for his courtesy.

**Shri M. S. Gurupadaswamy:** We are not exhausted.

3 P.M.

**Shri G. D. Somanj (Nagaur—Pali):** At the outset, I would like to join in the tribute that has been paid to the hon. the Finance Minister and his colleague, Shri M. C. Shah, for the very able manner in which they have piloted this huge legislation. I know the terrible strain under which the Finance Minister has had to work in reconciling the various interests, and now that we are at the end of our labours, and this mammoth legislation has taken its final shape, I hope he will feel relieved in having achieved a task to which he was allotted.

[Shri G. D. Somani]

In making a few observations at the time of third reading, I have no intention to indulge in controversies. Whatever we have felt about the repercussions which this important Bill might have on company management have been more than adequately expressed both in the stage of the Joint Committee deliberations and in the lengthy deliberations that we have had in the House at the time of general discussion as well as at the time of the discussion clause by clause. I therefore do not think any useful purpose will be served by now going again into those controversial clauses and in criticising the many obnoxious and rigid features of the Bill.

My hon. friend, Shri S. S. More, just now referred to the disappointment which we might have felt that the suggestions we put forward were not accepted by the Government. On the other hand, the learned professor H. N. Mukerjee referred to our joy and jubilation that the Bill did not emerge as rigid and as obnoxious as perhaps he would have liked the Government to shape it. I for one, as I said, do not at this stage have any intention of going into a criticism of the various clauses of the Bill. I am aware of the various speeches of the Prime Minister in which he has said that the citizens of this country at present should share the excitement which is before us in shaping and building a new India. We are at present in the midst not of normal times, but in the midst of a historic task of building a new India, and when my friends like Shri Bansal and Shri C. C. Shah, and even just now, Shri Asoka Mehta, have appealed to the business community to rise to the occasion and to adjust themselves to the altered circumstances, I need hardly assure them and also the Government that no community will be found more able to adjust themselves to the altered circumstances than the business community. Factors change rapidly in the economic sector and it

is by their nature that they try to reconcile themselves and adjust themselves to the changing circumstances of the economic system. Therefore, I have no doubt in my mind, now that I am speaking at the closing stage of the deliberations on this Bill, that whatever the handicaps and obstacles which the business community will have to face in day to day management, they will surely see that nothing will come in the way of their making their best possible contribution in industrialising the resources of the country. I am aware that the future generations will not forgive those who by any reason or any excuse will in any way feel frustrated or deterred in offering their best at a time when after a long time the country has got an opportunity of bringing about happiness and prosperity to its people. I believe firmly in the Karma Yoga theory of Shree Gita:

कर्मण्येवाधिकारस्ते मा फलेषु कदाचन ।

Shri Gadgil: Not in dividend!

Shri G. D. Somani: One should be very vigilant and do his duty to his country and one should not very much bother about or be worried over the reward for the services or for the duty which one does to one's community.

An Hon. Member: Philosophical expression is one thing; material considerations another.

Shri G. D. Somani: Therefore, while making these observations, I would like to assure Government and my friends that whatever may be the nature of the handicaps and difficulties, the business community is determined, at least in this initial stage of the country's development, to ensure that nothing will come in the way of their doing their best in the building up of a new India.

Therefore, without going now into the various controversies in regard to the clauses, I would confine my observations to a few constructive suggestions. Although the Finance Minister has not seen his way to

accept the suggestions that we made by putting forth amendments from time to time, I must express the hope that so far at least as these constructive suggestions are concerned, he and the Government will give their proper consideration so that the genuine difficulties which the business community may face in the implementation of the task which will now fall upon the Government, will not come in the way of executing the task which will be allotted to them. As has been rightly pointed out by many, it will depend mostly on how our administrative machinery functions in administering this complicated and long legislation. My friend, Shri Bansal, at the outset has already made certain suggestions. I had even in the initial stage of the debate pointed out the very complex, complicated and rigid nature of the various provisions of the Bill. It will, of course, be possible for the big industries functioning in big centres to anyhow manage on the basis of expert legal opinion to cope with the various provisions of the Bill. But what we are concerned with is a decentralised economy, and with ensuring that the small-scale industries and small businessmen will have the fullest possible scope to promote companies and ensure their smooth working. Now, if that goal is to be achieved, our administrative machinery has to play a very definite and positive role in assisting and encouraging various business centres so that the small people wishing to promote companies will be able to know about the various formalities to be complied with according to the provisions of the Bill, and later on also in complying with the various formalities which the day to day function of those companies will involve. As Shri Bansal pointed out, I would like to repeat that the Government should arrange not only in English but also in Hindi and various other regional languages, supply of explanatory booklets explaining in simple language the various features of the Bill about the promotion of companies, about their day to day working and so on so that an average businessman,

without recourse to any expert legal opinion, may be able to know how to promote a company and how to run it without getting himself involved in infringement of the various provisions of the Bill. Above all, there should be adequate staff available in all the capitals of the various States of our country as also other various important centres where anybody could just go and get the necessary elucidation and explanation from the officers concerned in order to guide him to promote and run companies. Efforts should be made as far as possible so that the small man may not have to incur any unnecessary legal expenses to arrange the promotion and running of his company. Therefore, it is of very vital importance that our administrative machinery should function in a most positive and definite manner to help and to guide the day to day functioning of companies. Any company promoter should be able to approach any officer at any important place to seek advice and guidance about the various and complicated provisions of the Bill. I therefore hope that Government from now on will take immediate steps to strengthen the administrative machinery to the extent which will ensure these results.

Coming to the various penal clauses of the Bill, I should like to make it very clear at the outset that I am not pleading for any mercy so far as any serious malpractice is concerned and however big or powerful the company might be, the Administration must come down heavily upon that company and that company should be made to realise that this time the Government really means serious business. But, having said so, I would, at the same time, like to appeal to the hon. Finance Minister to envisage the possibility of several technical breaches of this measure of a very minor character which even the big companies might commit. So far as small companies are concerned they are much more liable to commit these breaches. Therefore, I submit that it will not be really worth while for our Administration to fritter away their energy and time in exercising undue vigilance

[Shri G. D. Somani]

with regard to the day to day working of the companies simply to find out certain loopholes of a minor character. Thereby they may not be able to play the real role, on the one hand, of dealing strongly with the major malpractices and, on the other hand, of guiding company managements to be run on sound and efficient lines. I hope a healthy convention will be established whereby the administrative machinery will not bother with all the minor irregularities that might be committed in the initial period of the working of this voluminous measure—but they will concentrate more on eliminating the serious abuses, and, on the other, be guiding and encouraging the public, so that none of the complicated provisions of the measure would come in the way of the economic development of the country. This is really a very important matter and I hope it would be possible for the hon. Finance Minister to give an assurance about the strength of the administrative machinery and the role which it will play henceforward in the field of company management.

Coming to certain specific clauses, I would first of all like to draw the attention of the hon. Finance Minister to clause 197. Enough debate has taken place on the implications of this clause and Government have taken the power to grant relaxation in suitable cases. I do not want, at this stage, to argue about the number of companies which might be affected and which might come forward to get exemption from Government from this clause. But, I think that the least that I can ask for is an assurance from the hon. Finance Minister that it is not the intention of the Government in any way to come in the way of companies securing the best possible technical and administrative talent to run their companies on economic and sound lines. The limit of remuneration, especially for new companies in the initial period of development is such that there would be many cases where Government's permission would be necessary. In

view of certain conditions imposed and the power that Government have taken, I have got some doubts and fears about the difficulties which might be caused in some genuine cases of hardship. I therefore appeal to the Finance Minister to give an assurance that so far as the employment of the best possible administrative and technical talent for the efficient management of the companies is concerned, nothing that this provision contains will be allowed to come in the way of Government sanctioning the necessary exemptions.

Naturally, I would like to make a few observations about the managing agency clauses which start from clause 323. We have heard about slaughter and just now the learned professor was saying that they are just fit for being executed. I had an occasion to say the other day that so far as this execution on slaughter is concerned, the business community is not at all worried because, after all, it is not the system which has placed them in that position. They possess certain talent and experience and, whatever be the system under which our economic policy is shaped, so long as that talent and experience is offered to the nation under proper regulations and also under the policy of the Government, I see no reason why the business community should not continue to play its predominant role in the present ambitious programme of industrialisation that we have got. Therefore, I am not at all worried whether the system is kept or abolished. The only test before the country is how to get the job done in the most economic manner and in the shortest possible period. I would appeal to the Government to apply this single test of getting the job done, whenever they have occasion to take any action under the clauses which give them the power to notify certain industries where there would be no longer any need for the managing agency system. If any of these notifications would result in dislocating the smooth functioning of any particular industry or would

retard the further expansion of that industry, then, certainly, by taking such a step we will be doing something against the very fulfilment of the objective that we have in view. I have, therefore, absolutely no quarrel with the Government if they exercise the powers after satisfying themselves—after impartial and expert opinion—that no harm will be done to the industry for which they will issue the necessary notification about the abolition of the managing agency system.

We had pressed for an amendment that no such notification should be issued unless it is preceded by a systematic and comprehensive enquiry and unless the same is placed before Parliament and Parliament has had an opportunity to approve of that notification. Government, however, have not accepted that amendment. But I am glad the hon. Finance Minister did give some sort of an assurance that before any such notification will be issued, proper enquiry will be made and the matter will also be referred to the advisory commission. That is good so far as it goes.

The only thing about which I should like to seek clarification is this that the nature of the enquiry would be such where full justice will be done and the implications of the step would be properly examined. There are various factors involved and there may be 101 factors which the industry might like to bring to the notice of the Government in that connection. So, what I suggest is that whatever may be the nature of the enquiry, adequate opportunities should be given to the industry concerned to place its views and adequate facts and figures should be made available to the Government about the scope of development in that industry, about the needs of the rehabilitation programme of that industry and about the various issues involved in issuing such a drastic notification about any industry that the managing agency will be terminated after such and such a date. I hope, therefore, that the repercussion which such a notifi-

cation might have on the national economy will be properly considered and nothing will be done to jeopardise the smooth functioning of companies.

As I said, the hon. Finance Minister has already given some assurance and I do hope that this assurance will take such a shape that it will result in a proper, systematic and exhaustive enquiry being held, free from any ideological and doctrinaire approach and based on expert and scientific data that should be made available to the public when such an important decision is taken by the Government. There are many other clauses and restrictions so far as the managing agency system goes but I do not at present intend to go into those minor details. What I say is, as the hon. Finance Minister has said that the onus of justifying the continuance of the managing agency system will itself lie on the managing agents themselves and if as we hope there will be no further serious cases of abuses of company management, it will be put on sounder lines. There is no reason to take any precipitate action which may dislocate the functioning of our companies.

The next point is concentration and interlocking. My submission has always been that we have to establish our policies in the context of the present need to launch on new projects to quicken the pace of industrialisation of the country. So long as our economy does not expand and smaller people do not come forward to implement the industrial programme of the country, I see no harm or risk in the big business houses being called upon to implement the task that lies ahead. The question of doing away with the concentration of wealth looks so simple to me that any Government at any time can take such action as they choose when they realise that the need for any big concentration does no longer exist and when they have no further role to play and that there is additional talent or resource available from other sources. It is—it seems to me—an unrealistic approach

[Shri G. D. Somani]

to say that no big business houses should be allowed to enter in new business fields any longer; it is not in conformity with the huge task that we have to do. Day in and day out an attack is made on this concentration. We have known the history of other countries also. In view of the underdeveloped conditions of our country and the need to exploit our resources I think this is rather overdone and overemphasised. This will do more harm to our economy than good. As I said the other day, Government have got regulatory powers. Both the Industry Ministry and the Ministry of Finance have to give the consent before any company or any business house is allowed to launch any new project. So long as the House can trust the Government to see that before they sanction any application of the big business houses they will satisfy themselves that there is no other application from the smaller party for the same purpose. I do not see how there is any danger. Otherwise I do not know how our country's economy can be developed by leaving the job undone simply because it will add to the concentration. I, therefore, would like to draw the serious attention of the Planning Commission and the Government to the very serious implications of the policy which some members are advocating. This concentration can be dealt with effectively at any time when we reach a stage when the country will not need the services which these big houses at present are in a position to offer. The enforced idleness of these big business houses is not in the best interests of the country. I hope, therefore, that on cooler consideration our friends will realise that so far as doing away with concentration is concerned, it does not come in the way of development of our economic resources.

One word about proportional representation. Government have taken powers to force any company to provide for proportional representation.

I for one definitely feel that a lot of mischief can be done by this system. So far as the companies' interests are concerned, I see quite obviously certain consequences. If there is oppression or mismanagement, there are very vast remedies available in the Bill under various clauses which could be invoked by the party concerned and, therefore, I would appeal to the Finance Minister that this use of the discretionary power to force certain companies to adopt proportional representation should be exercised with the utmost care and restraint so that the election to the directors' posts will not be converted into political elections. We will then be encouraging mischief-mongers to arrange proxy battles by canvassing from uninformed and unintelligent shareholders to get the ten per cent. strength and approach the Government. (*Interruptions*). It is not a question of Shri Morarka or somebody else. What I am saying is how certain action took place in America and how these proxy battles were fought there and how the Senate Banking Enquiry Committee is investigating about the technique of proxy battles. It would do more harm than good; it would come in the way of healthy management. In view of the fact that various other remedies are available this should be the last remedy which the Government should enforce on any company. I for one am absolutely convinced that this system of proportional representation in the circumstances will, if enforced, be detrimental to the smooth functioning of the companies. So long as there is homogeneity it is all right but when there is serious difference of opinion at the instance of a group, it will lead to constant quarrels and make the functioning of that company very difficult.

**Mr. Chairman:** May I just interrupt the hon. Member? Third reading is not the proper stage or time for going into the detailed provisions of the Bill. Hon. Member had already taken half an hour.



**Shri A. M. Thomas:** When are you going to call the Finance Minister?

**Mr. Chairman:** At 4 P.M.

**Shri G. D. Somani:** I shall finish in a few minutes. I am placing certain views before the Finance Minister about certain important provisions under which the Government have taken powers.

**An Hon. Member:** Hoping to convince him?

**Shri G. D. Somani:** There is no question of convincing.

I welcome the constitution of the Advisory Commission. The other day the hon. Finance Minister was, without any commitment, giving certain views on which his mind was working. I am glad that he is taking representatives of the business community and labour on that Commission. He said something about retired businessmen. I could not quite follow the logic. If a member's interests come under discussion, then he may abstain as is usually done in all board meetings. An interested director does not take part in the proceedings. An active businessman who keeps himself informed about the day-to-day working can make a better contribution as a member of that Commission than somebody who has retired and is out of touch with the business world. I do not see any harm or risk in inviting any active businessman to participate on the Advisory Commission so long as those precautions are taken. An interested member will have himself to abstain from taking any part in those meetings or discussions.

**Mr. Chairman:** Shri Radha Raman: I hope the hon. Member will not take much time.

**Shri Radha Raman (Delhi City):** I will be very brief.

**Shri Tulsidas:** May I submit that we are ahead of schedule? Many hon. Members would like to speak in the third reading stage and as such the hon. Minister may kindly be asked to

reply on Monday morning; that would be better.

**Mr. Chairman:** I will have to ask the Minister of Parliamentary Affairs. He is coming.

**Shri K. K. Basu:** Let him come quickly.

**The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha):** What should I say now?

**Mr. Chairman:** Members say that they want some more time for the third reading and that the hon. Minister may reply on Monday.

**Shri Satya Narayan Sinha:** We are so hard pressed for time.....

**Shri N. C. Chatterjee:** We are ahead of the schedule.

**Shri Satya Narayan Sinha:** You want to extend the time today beyond five o'clock?

**Several Hon. Members:** No.

**Mr. Chairman:** They say that they will speak up to five o'clock and the hon. Minister may reply on Monday.

**An Hon. Member:** He can come prepared on Monday.

**Mr. Chairman:** That is the wish of the House; it is not his asking. What has the Finance Minister to say?

**Shri C. D. Deshmukh:** I do not know how much time will be required for the other business. There are some rehabilitation rules and various other matters to be discussed. I find myself in a fix to say anything. If it can be fitted in, I have myself no objection.

**Shri Satya Narayan Sinha:** On Monday, if the whole thing will be finished by one o'clock I have no objection.

**Shri M. C. Shah:** The Chartered Accountants (Amendment) Bill will not take more than half an hour.

**Shri Tulsidas:** When we were discussing this question in the Business Advisory Committee we all expected

[Shri Tulsidas]

that this Bill would be over on Monday evening and according to that, timings were fixed. Actually we are 5 hours ahead.

**Shri Satya Naryan Sinha:** I hope the whole business will be finished by 2-30 P.M. on Monday—I mean the Companies Bill as well as the Chartered Accountants (Amendment) Bill.

**Shri K. K. Basu:** No guarantee can be given. The suggestion is that today, so far as the speakers on the third reading are concerned, they will conclude and the Finance Minister can reply on Monday. If the Finance Minister takes two hours on Monday, naturally the other Bill will not be finished. We cannot, therefore, bind ourselves to anything.

**Shri Satya Naryan Sinha:** I think he will take one hour or at the most one and a half hours. The other Bill will go for one hour and thus the whole business will be over by 2.30 P.M. If the House agrees to this proposal I have no objection. There must be give-and-take on both sides.

**Mr. Chairman:** So, let us stick to this. So far as the third reading speeches by Members on this Bill is concerned they will finish today by 5-0 P.M. if that is the wish of the House. If the House wants to sit for more time.....

**Several Hon. Members:** No, no.

**Mr. Chairman:** Then the House will adjourn at five o'clock and the hon. Minister will reply on Monday.

**Shri A. M. Thomas:** You may kindly fix some time-limit for the speeches.

**Mr. Chairman:** I think 5 minutes or in any case not more than 10 minutes will be sufficient.

**Shri Tulsidas:** In a Bill like this it will not be possible to finish in 10 minutes.

**Mr. Chairman:** So far as I am concerned, I have practically given time to every group and group leaders.

Every Member cannot, possibly, be accommodated. As far as the group leaders are concerned, they have spoken till they wanted to speak. I have not stopped them. If, after all that, some Members want to speak, let them make only one or two points which they have in their minds and, for that, I think 10 minutes is quite sufficient.

**श्री राधा रमण :** आपने मुझे इस विधेयक के सम्बन्ध में अपने विचार रखने का अवसर दिया, उसके लिये मैं आपका बहुत कृतज्ञ हूँ। मैं इस विधेयक पर हुये प्रतिदिन के वाद-विवाद को ध्यानपूर्वक सुनता रहा हूँ और मेरा ऐसा विश्वास है कि सदन के सामने इस विधेयक के समान अभी तक इतना बड़ा महत्वपूर्ण, पेचीदा तथा असाधारण कोई दूसरा विधेयक प्रस्तुत नहीं किया गया है। इसके द्वारा सदन ने देश के सामने एक नये आर्थिक ढांचे की घोषणा की है और मुझे यह कहने में बड़ी प्रसन्नता हो रही है कि इस बड़े भार को हमारे वित्त मंत्री श्री सी० डी० देशमुख और उनके साथियों ने बहुत योग्यतापूर्वक और सफलतापूर्वक उठाया है। यहां मेरा यह कहना भी अनुचित नहीं होगा कि यह उनका ही काम था कि इस विधेयक के सम्बन्ध में अनेक मतों के होते हुये भी उन्होंने सब विचारों का समन्वय किया और सिलेक्ट कमेटी का लगभग एक मत प्राप्त किया।

[SHRIMATI SUSHAMA SEN in the Chair]

मैं समझता हूँ कि यह एक ऐसा कार्य उन्होंने किया है कि जिसके लिये संसद् के सभी दल और सारा देश उनको सराहेगा। ऐसे विधेयक की चर्चा हमारे देश में पिछले ६ वर्षों से होती रही है और इन पिछले दिनों में जो विधेयक सिलेक्ट कमेटी से पास होकर हमारे बीच में आया है वह असल में उन खयालों की पूर्ति ही पूर्ण रूप से नहीं करता बल्कि उसे बहुत

काफ़ी प्रगतिशील माना जायगा। इसमें जो संशोधन सिलेक्ट कमेटी ने दिये, वह निस्सन्देह बहुत ही उपयोगी हैं और यहां पर सदन के सामने भी जो कुछ संशोधन हुये हैं, उनसे इस की रूप रेखा और भी सुन्दर बन गई है। मैंने सदन में बारबार अपने बहुत से साधियों से यह सुना है कि जो अधिकार सरकार ने अपने ऊपर लिये हैं वे कम्पनी बिल को सही रूप देने के लिये या उसे चलाने के लिये, उनके प्रति बहुत सारी आशंकायें हमारे दोस्तों और हमारे भाइयों को हैं। मैं इस सम्बन्ध में यह कहना चाहता हूं कि हमारी बदकिस्मती यह है कि जब कभी कोई विधेयक सरकार की ओर से आता है और उस के बीच में एक भावना रहती है कि देश में उन्नति हो, प्रगति हो, तो उस समय बहुत सारी आशंकायें हमारे देशवासी और हमारे भाई इस सदन में प्रकट करते हैं, परन्तु वे जड़ की ओर नहीं देखते। हमने यह देखा है कि कम्पनियों के संचालन और मैनेजिंग एजेंटों के कामों से देश भर के अन्दर अनेक प्रकार की कुरीतियां देखने में आती हैं जिनके कारण इस विधेयक को इस रूप में लाना पड़ा और सरकार को ऐसे बहुत से अधिकार अपने हाथ में लेने पड़े कि जो उन कुरीतियों को दूर करने की मंशा अपने अन्दर रखते हैं। आज जो भाई यह कहते हैं कि सरकार अधिकार न ले, मैं उनसे सिर्फ यही एक प्रार्थना करना चाहता हूं कि अगर वह जड़ को पकड़ लें, यानी उन कुरीतियों को स्वयं दूर कर डालें और अपने कार्यक्रम को इस प्रकार सुन्दर रीति से और सुयोग्यता से चलायें जिसमें जनसाधारण का लाभ हो तो कोई भी विधेयक जो यहां सरकार रखेगी, उससे कोई आशंका उनको नहीं होगी। एक और वह कुरीतियों को अपनाते हैं और उनको बढ़ाते जाते हैं और दूसरी ओर वह यह चाहते हैं कि सरकार ऐसे अधिकारों को अपने हाथ में न ले। अगर कुरीतियां न हों तो फिर सरकार को कोई अधिकार मिल

भी जायें, तो उनका दुरुपयोग नहीं हो सकता। मैं समझता हूं कि कोई भी सरकार ऐसी नहीं होगी कि जो कुरीतियों के न होते हुये किसी ऐसे विधेयक के द्वारा बढ़े-बढ़े अधिकार अपने हाथों में लेने को तैयार हो। तो मेरी प्रार्थना यह है कि आज जब कि यह इतना बड़ा महत्व-शाली विधेयक हमारे देश के सामने रखा गया है और इससे हमने यह आशा की है कि जो कुरीतियां छोटी और बड़ी कम्पनियों के द्वारा या उनके संचालकों के द्वारा हमारे देश के सामने आती थीं, वह खत्म हो जायें या वह बहुत कम हो जायें, तो इस विधेयक का स्वागत हमारे उन भाइयों को करना चाहिये जो कम्पनियों का संचालन करते हैं। अगर वह अपनी नियत को साफ रख कर देश के हित में लगे तो वह तमाम कुरीतियां अपने नहीं पायेंगी और जो अधिकार आज गवर्नमेंट को लेने पड़े हैं, उन अधिकारों का इस्तेमाल नहीं होगा। मैं यह मानता हूं कि जब सरकार ऐसे अधिकार प्राप्त कर लेती है तो कुछ कठिनाइयां आ जाती हैं और व्यक्तियों के लिये उन कठिनाइयों का सामना करना कठिन भी होता है।

लेकिन साथ ही साथ मैं वह भी कहूंगा कि इसकी आवश्यकता तभी पड़ती है जब कि सरकार कोई विधेयक बनाती है और उस के मुकाबले में हमारे बहुत से भाई उसके अपवाद निकालने के लिये तैयार हो जाते हैं। कोई विधेयक बनता है तो बचाये इस के कि लोग अपने मन में इस विचार को रखें कि हम उस पर पूरी तौर से भ्रमल करेंगे, उसमें कोई बुराई नहीं निकालेंगे और नेक नियती से उस पर भ्रमल करेंगे, वह करते यह अपेक्षे हैं कि जो विधेयक बने उस के अपवाद टटोले जायें। जब ऐसा होता है तो दूसरे विधेयक की आवश्यकता पड़ जाती है और पहला विधेयक बेभर हो जाता है। आज मैं उन भाइयों से यह कहूंगा कि हिन्दुस्तान की

[श्री राधा रमन]

वर्तमान स्थिति में इस बात की आवश्यकता है कि हम अपने देश के आर्थिक ढाँचे को जल्दी से जल्दी दुरुस्त करें।

हमने यह तो मान लिया है, यह जानते हुये कि आज की परिस्थिति हमें यह इजाजत नहीं देती कि हमारे देश में मैनेजिंग एजेन्सी सिस्टम फौरन खत्म हो जाये, देश की वर्तमान परिस्थिति को ध्यान में रखते हुये हमारा यह निश्चय है कि इस विधेयक के आधार पर मैनेजिंग एजेन्सी सिस्टम होना चाहिये। हम ने यह भी कबूल कर लिया है कि आगे आने वाले जमाने में कुछ समय तक मैनेजिंग एजेन्ट्स के आय की सीमा रहे। परन्तु यह सब इसलिये है कि हमारे देशवासियों के ऐसे वर्ग को जिनका कम्पनियों से इस प्रकार का सम्बन्ध है भारी हानि भी न हो और देश प्रगति की ओर तेजी से बढ़ता भी जाय।

एक बात मैं सदन के सदस्यों के सामने और रखना चाहता हूँ। वह यह है कि चन्द बातों का सरकार पर आरोप लगाया गया है। मैं माने लेता हूँ कि वे बहुत अंश तक सही हैं, लेकिन उस का बहुत बड़ा कारण हम से ही शुरू होता है। अगर हम उस कारण को दूर कर दें तो परिणाम अच्छा निकलेगा इसमें किसी को सन्देह नहीं होना चाहिये। व्यापार क्षेत्र में यह जो बड़े बड़े कारखानों के मालिक हैं अगर वह ईमानदारी से जिस तेज रफ्तार से सरकार आगे जाना चाहती है उस में सहयोग दें तो उन के दिल में सरकार की ओर से जो यह शंका बन गई है कि सरकार मिले हुये अधिकारों का दुरुपयोग करेगी, वह स्वयं दूर हो जायेगी और उन को किसी प्रकार का नुकसान नहीं होगा।

दूसरा सुझाव जो मैं रखना चाहता हूँ वह यह है कि मुझे एक बात शंकाप्रद मालूम होती है और मेरे कुछ और मित्रों ने भी इस

ओर संकेत किया है कि सरकार जो विधेयक बनाती है वह बड़े कारखानेदारों या ऊपर के वर्ग की समझ में आते हैं और वह उन्हें किसी संकट में नहीं डालते क्योंकि उनके साधन असीमित होते हैं। परन्तु छोटे वर्गों के और कारखानेदारों को अनेक कठिनाइयों में डालते हैं और इस प्रकार उन के सामने संकट उपस्थित करने वाले होते हैं उनको बेहद मुसीबत उठानी पड़ती है और सरकार का ध्यान उस की तरफ उतना नहीं जाता जितना कि जाना चाहिये।

यह विधेयक पास हुआ जो कि बड़ा ही महत्वपूर्ण है और इस से हम एक नया नक्शा अपने मुल्क का बनाना चाहते हैं। इसमें जितने बड़े बड़े संचालकगण हैं, मैनेजिंग एजेंट्सियां या कारखानेदार हैं उन को इस कानून के पालन करने में किसी तरह की कठिनाई होगी, ऐसा मालूम नहीं होता, लेकिन मैं यह समझता हूँ कि यह ऐसा पेचीदा विधेयक है कि इस के पालन करने में छोटे छोटे जो कारखानेदार हैं या मैनेजिंग एजेंट हैं उन को कठिनाई हो सकती है। मेरे कुछ मित्रों ने इसके लिये सुझाव भी रखे हैं। मैं भी वित्त मंत्री जी का ध्यान उस ओर दिलाना चाहता हूँ और अनुरोध करता हूँ कि वह इस प्रकार के कुछ गुटके, प्रकाशन अथवा लिटरेचर प्रकाशित करें और इस प्रकार की विज्ञप्तियां समय समय पर प्रकाशित करते रहें जिस से छोटे कारखाने वालों को और मैनेजिंग एजेंटों को सुझाव मिल जायें और उन्हें इस विधेयक के अनुसार कार्य पालन करने में कम से कम कठिनाई हो। बल्कि जो मैशिनरी इस कानून को अमल कराने के लिये बने उस को इस बात की खास हिदायत हो कि जो ऐसे छोटे छोटे कारखानेदार या व्यापारी हैं उन की जितनी भी शिकायतें हों उन को जल्दी से जल्दी रफा किया करें और उन के सामने जितनी कठि-

नाइयां धायें उन को इस तरह से नहीं जिस तरह से कि सरकारी मुलाजिम जवाब दिया करते हैं, बल्कि बड़े हितचिन्तन के साथ, आराम के साथ समझाया जाये, ताकि तमाम कठिनाइयां दूर हो जायें और शिकायत न आने पाये। यही हमारा मकसद है कि बड़े और छोटे व्यापारी, कारखानेदार मिल कर जो हमारे व्यापार की प्रवृत्तियां हैं उन्हें आगे बढ़ायें जिस से हमारे देश के आम लोगों की समस्यायें हल होती जायें और हमारा आर्थिक ढांचा बेहतर होता जाये, हमारे देश के अन्दर जल्दी जल्दी से खुशहाली आ जाये।

इन शब्दों के साथ मैं अपने वित्त मंत्री जी को फिर एक बार हार्दिक बधाई देता हूँ, इस विधेयक को यहां पर लाने के लिये और इसके द्वारा देश की आर्थिक व्यवस्था को सुधारने के लिये।

**श्री मनुमनबाला :** बड़े गौरव की बात है, और यह कभी-कभी ही होता है, कि हम लोगों को श्री देशमुख सरीखे वित्त मंत्री मिल गये हैं। यह केवल ऊपर से कहने की बात नहीं है बल्कि जिस प्रकार से यहां पर आर्थिक खयालात पेश किये जाते हैं और उन को किस प्रकार से सुलझाना चाहिये, यह वह बड़ी सुन्दरता से करते हैं और वह इस के लिये बधाई के पात्र हैं। आज यह अवश्य है कि हमारी एक खास आइडियालोजी है, इसलिये भले ही हम उन की बात को न मानें, परन्तु उस आइडियालोजी के रहते हुये भी वह जो कुछ करते हैं उस का श्रेय उन को मिलना ही चाहिये।

हमारे मित्र श्री हीरेन मुर्जजी ने श्री के० टी० शाह का उदारहण दिया कि उन्होंने नेशनल प्लैनिंग कमिटी की रिपोर्ट में लिखा था कि मैनेजिंग एजेंसी को एक दम से खत्म कर दिया जाये, उस में जिस प्रकार की बुराइयां हैं उन को देखते हुये इस को एक दम से खत्म कर दिया जाये। परन्तु हम को भी

उन के साथ रहने का काफी मौका मिला है। वे बम्बई में रहते थे और बम्बई में उन को मैनेजिंग एजेंटों के साथ रहने का बहुत अवसर मिला था, इसलिये वे उन की बुराइयों से कुपित हो गये थे। मैं ने उन से पूछा कि आप को मैनेजिंग एजेंटों की बुराइयों से नफ़रत है या मैनेजिंग एजेंटों से नफ़रत है। उन्होंने कहा कि नहीं, मुझे मैनेजिंग एजेंटों से कोई नफ़रत नहीं है, सिर्फ जो उन की बुराइयां हैं उन को ही दूर कर दिया जाये तो कोई हर्ज नहीं है, योग्य आदमियों को जरूर काम करना चाहिये और वह अच्छा फल दे सकते हैं। हमारे यहां एक कहावत है कि आम खाना उचित है या पत्ते गिनना।

**पंडित के० सी० शर्मा (जिला मेरठ—दक्षिण) :** पेड़ गिनना।

**श्री मनुमनबाला :** या पेड़ गिनना उचित है। तो कुछ आदमियों को ऐसी आदत पड़ जाती है कि वे केवल यह देखते हैं कि हम को आम कैसे खाने को मिलेगा, दोष उन का नहीं है क्योंकि पेड़ तो यहां पर थोड़े से ही हैं। लेकिन यदि उन्हीं पेड़ों से काफी आम पैदा करने की हमारे वित्त मंत्री जी की चेष्टा है, और काफी आम पैदा होने लगे तो आम खाने वालों को क्यों उज्र होना चाहिये? यह तो एक बड़ी विचित्र बात है कि लोग यह चाहते हैं कि पेड़ गिने जायें, वे आम खाना नहीं चाहते हैं, वह इस ओर दृष्टि नहीं करते कि उन को क्या फल मिलेगा।

हम लोगों के सामने जो बिल आया है उस को यदि इस दृष्टि से देखा जाये कि हमारे यहां जो कुछ बुराइयां थीं वह दूर होंगी या नहीं, और जो हम चाहते हैं कि हमारे यहां प्रोडक्शन बड़े वह होगा या नहीं, हमारे देश की उन्नति होगी या नहीं, इस दृष्टि से जो आदमी इस बिल को पढ़ेगा कि जो सोशलिस्टिक पैटर्न है वह इस बिल से आयेगा या नहीं, एक आदमी

## [श्री ज़ुनज़ुनवाला]

के पास बहुत धन रहने वाला है कि नहीं, एक आदमी के पास बहुत शक्ति, बहुत पावर रहने वाली है कि नहीं तो उसकी समझ में आ जाना चाहिये, सोशललिस्टों की समझ में वह आ जाना चाहिये कि इस बिल में जो चेष्टा की गई है वह यह है कि एक आदमी के पास अधिक पावर न रहे, एक आदमी के पास अधिक धन न रहे, मैनेजिंग एजेंट की जो कमिशन है उसके लिये भी एक हद मुक़र्रर कर दी गई है और कह दिया गया है कि वह इससे न बढ़े। अब कुछ लोगों का ऐसा कहना है कि नहीं एक दम से कमिशन को कम कर दिया जाये और उन्हें एक मामूली मैनेजर की हैसियत में रखा जाये, इस चीज़ को मैं ठीक नहीं समझता हूँ। हमारे वित्त मंत्री जी और हमारी सरकार की यह राय है कि हर एक काम को बहुत जल्दी से करने से वह काम नहीं चल सकता है। आज हमारे भाई तुलसी दास जी को पांच मोटरें रखने की आदत है। आज उनकी आदत है कि सुबह उनके पास एक मोटर आवे, दोपहर को दूसरी आवे, तीसरे पहर तीसरी आवे और इसी तरह से चौथी और पांचवीं आवे और जब तक ऐसा नहीं होता है उन को अच्छा नहीं लगता है। अब कहा गया है कि नहीं भाई पांच मोटरों से नहीं, एक मोटर से ही काम करो या दो मोटरों से ही काम करो और हम समझते हैं कि इनसे आपका काम चल सकता है। लेकिन यदि हम कहें कि नहीं एक भी मोटर आप के पास नहीं रहने दी जायेगी तो मेरे ब्याल में इनका काम चलना मुश्किल हो जायेगा। इसी तरह से अगर तुलसी दास जी या सोमानी जी यह समझें कि नहीं हमारे पास पांच ही मोटरें रहनी चाहियें, और कम नहीं होनी चाहियें तो ऐसा समझना भी उनके पार्ट पर एक गलती होगी।

Mr. Chairman: No personal remarks should be passed.

Shri Jhunjunwala: I am not passing personal remarks.

मैं वह कह रहा था कि हम सब को इस बिल को इस दृष्टिकोण से देखना चाहिये कि इससे हमारे देश की कितनी उन्नति होगी। हमारे जो सोशललिस्ट भाई हैं, या कम्युनिस्ट भाई हैं या जो मैनेजिंग एजेंट हैं उन सब को भी इस बिल को इसी दृष्टिकोण से देखना चाहिये। यदि हम सब इस भावना से देखेंगे तो हमें मालूम होगा कि इससे देश की उन्नति हो सकती है। यदि जो शेयरहोल्डर है वह अपने ही दृष्टिकोण से देखेगा और जो मैनेजिंग एजेंट है वह भी अपने ही दृष्टिकोण से देखेगा तब तो कोई भी इस से खुश नहीं होगा। अगर इस बिल को सर्वसाधारण की भलाई को ध्यान में रख कर देखा जायगा तो सब को मानना पड़ेगा कि इस से ज़रूर हमारी उन्नति होने वाली है।

हमारे सोशललिस्ट भाई कंसल्टेशन आफ पावर की बात करते हैं और कहते हैं कि कंसल्टेशन आफ पावर नहीं होनी चाहिये और मैनेजिंग एजेंसी का जो सिस्टम है खत्म हो जाना चाहिये। हमारे गाडगील साहब जो इस वक्त यहां पर नहीं हैं वह भी कहते हैं कि इस सिस्टम को खत्म कर दिया जाना चाहिये। मैं उन से पूछना चाहता हूँ कि क्या जो असली चीज़ थी इन्वैरिटेस की वह दूर कर दी गई है या नहीं और यह एक बहुत बड़ी बुराई थी और यही इस बिल में आ गई है और उसको खत्म कर दिया गया है। आज तक तो यह होता था कि जो लड़का होता था वह स्वतः ही गद्दी पर बैठ जाता था लेकिन अब गवर्नमेंट की मंजूरी लेनी पड़ेगी इससे पहले कि वह ऐसा करे। इसके अलावा कितनी ही और ऐसी चीज़ें थीं जिन पर उनका अधिकार था और जिनको कि वे सालाब में आकर के अपने फायदे के लिये कर लेते थे।

वह सब चीजें, यदि आप देखेंगे तो आप को पता लगेगा कि उनको हटा दिया गया है। हमारे जो कम्युनिस्ट और सोशलिस्ट भाई यह कहते हैं कि एक चीज को एक दम से ही खत्म कर दिया जाये, एक दम से नष्ट भ्रष्ट कर दिया जाये मैं उनको बतलाना चाहता हूँ कि हमारी सरकार की यह पालिसी नहीं है इस से तो केप्रोस ही फैलेगा। हमारी सरकार की नीति तो यह है कि आहिस्ता आहिस्ता लोगों से कहा जाये कि वह अपने आप को बदल कर, अपनी आदतों को बदल कर काम करें और यदि उन्होंने ऐसा किया तो हमें पूर्ण आशा है कि इस तरह से काम चल जायेगा।

मैं इस बिल का स्वागत करता हूँ। और जैसे कि मैं ने कहा कि हमारे वित्त मंत्री जी के लिये यह एक बड़े ही गर्व की बात है कि उन्होंने इस बिल को अपने समय में पेश किया और अब उसको पास करवाने जा रहे हैं। परन्तु मैं एक बात जरूर कहता हूँ कि यह उन्हीं की हिम्मत थी कि इतनी जिम्मेदारी उन्होंने ली। अब वे बहुत भारी जिम्मेदारी अपने ऊपर और सरकार के ऊपर डालने जा रहे हैं। अब देखने वाली चीज यह है कि वे किस तरह से इस जिम्मेदारी को निभायेंगे, किस तरह से कुरीतियों को दूर करेंगे और किस तरह से नेशनल एकोनोमी को मजबूत करेंगे। इन सब चीजों की पूर्ति के लिये मैनेजिंग एजेंट्स इत्यादि पर जिम्मेदारी तो आती ही है और उन के लिये यह जरूरी भी है कि वह सरकार के साथ कोओप्रेट करें, परन्तु हमारी सरकार के ऊपर और हमारे वित्त मंत्री जी के ऊपर भी इन बातों की पूर्ति के लिये बहुत भारी जिम्मेदारी आती है और मुझे आशा है कि वे इस को अच्छी तरह से निभायेंगे।

एक बात मैं और अजब करना चाहता हूँ और वह यह है कि जैसे कि कहा जाता है

justice delayed is justice denied.

बदि कोई भी काम सरकार के सामने आये जिसमें सरकार को फैसला करना हो वह फैसला जल्दी से जल्दी कर देना चाहिये। यदि ऐसा नहीं हुआ तो वह जो लोग आप के पास आते हैं वे तंग आ जाते हैं और समझने लगते हैं कि अच्छा हो यदि सरकार न ही कह दे। इस लिये मैं चाहता हूँ कि जो भी फैसले करने हों वे जल्दी से जल्दी कर दिये जायें।

अब एक चीज, जिसका जिक्र हमारे बंसल साहब ने भी किया है मैं और कहना चाहता हूँ और वह यह है कि यह जो बिल है यह बहुत ही कम्प्लीकेटिड बिल है। इस में बहुत सी चीजें ऐसी हैं जिन के बारे में अगर डिपार्टमेंट के आदमियों से पूछा जाये तो वे भी आपको उनका उत्तर जल्दी नहीं दे सकेंगे। इसके लिये एक छोटा सा पैम्फलेट साधारण भाषा में जिस को कि एक मामूली आदमी भी समझ सके जारी किया जाना चाहिये।

अन्त में मैं वित्त मंत्री जी को और श्री सी० सी० शाह को धन्यवाद देता हूँ और भाई गाडगील साहब जी से कहता हूँ कि उन्होंने जो यह बात कही है कि गवर्नमेंट रेसपोसिब नहीं है, ठीक नहीं है। वह तो रेसपोसिब है परन्तु वह जांचना चाहती है सामने वाले को कि वह कहां तक एक बात को सोचता है और कहां तक उस पर खड़ा रहता है। इस लिये ऐसी बात नहीं है कि गवर्नमेंट रेसपोसिब न हो।

Shri Mulchand Dube (Farrukhabad Distt.—North): Madam, I join my other hon. friends in paying my tribute to the hon. Minister for the ability and skill with which he has piloted the Bill. By spiringling humour in the numerous speeches that he has made on the Bill, the Finance Minister has kept the House in good humour, in spite of the fact that he took great pleasure in reject-

[Shri Mulchand Dube]

ing the numerous amendments that were moved.

The misdeeds of some of the managing agents have roused public sentiments to an extent that many of us, who should have known better, have lost our balance and begun to demand the abolition of the system rather than the punishment of the offenders. It has to be borne in mind that fraud and chicanery can be practised only by what is known in law as *suppressio veri* or *suggestio falsi* which mean suppressing the truth or suggesting falsehood. The question is whether this Bill has made any provision for the reduction if not the elimination, of all the frauds that could be committed by the managing agents. My submission is that the Bill provides for fullest information being given at every stage at the inception of the company and also periodically. If full information can be given to the shareholders and to the public and to those interested in the official management of a company, I submit that the chances of fraud and chicanery are bound to be reduced to a minimum. It is for that reason that the Bill has grown to such length, and my submission is that that is its merit. If you do not go into details and leave the matter in a fluid or flexible state, the chances of fraud and chicanery are made greater and greater. Therefore my submission is that the length of the Bill, on the ground of which it is being criticised, is in fact its merit.

4 p. m.

My second point is that in regard to the abolition of the managing agency system I think the system could not be abolished at all. We have to have some people who have specialised in management and organisation and who may be called upon to shoulder the responsibility of running a big company or undertaking. Such people will always be in demand and you cannot really get rid of them in spite of any law to the contrary. It might be that the Constitution itself will come in your way and you will be prevented

from abolishing the system. It may be the fault of one man or some men. But sufficient provision has been made for eliminating or reducing this fraud and chicanery which certain managing agents were guilty of.

In demanding the abolition of the system, as I said, people seem to have lost their balance. My submission is that we are nearing the end of the first Five Year Plan and are on the threshold of a new one. The second one in fact envisages double the production of what was in the first Five Year Plan. And if the present system under which we have achieved the targets is, for some reason or another, scrapped it will be like changing horses in mid-stream, which is in fact a very dangerous procedure or method. Therefore the present system has to continue, and to change the system without in any way having another system to replace it would be a tragedy.

My submission therefore is that the Bill as it has been passed by the House is as perfect as human ingenuity could make it. It may be that it is still possible that certain evils may creep in. Still, whatever was possible has been done, and I think the powers of the Government are wide enough to check any misdeeds or any mismanagement.

The principal interest in a company is that of the shareholders. But experience has shown that the shareholders are not capable of looking after their own interests, and it has therefore fallen to the Government to look after their interests and to protect the shareholders and the public from the nefarious practices of the managing agents and organisers. This is all I have to say.

Shri Raghavachari (Penukonda): I have not participated in the discussions on the clause (*An Hon. Member: Better late than never*) thought I had an opportunity at the stage of the consideration to speak. I have sat here, wearily I will say, listening to the oft-repeated arguments on the same sub-



jects again in and again trotted out whenever any set of clauses dealing with them came in for consideration, and ultimately taking not once but more than once, a rebuff from the Finance Minister: what is the use of your appealing to me or asking me to reconsider? I have simply to repeat the same 'no' again. So, that is the way in which the thing has been progressing. (An Hon. Member: You have not followed). I have followed everything.

There are only three or four points on or round which all the arguments revolve, and the most important of them was whether the managing agency system should be ended or mended. All kinds of arguments were advanced. And the Finance Minister's point of view was: I will take away their teeth and make them toothless. And Shri Gadgil was afraid that the gums might become so strong that they might possibly grind much better than without the teeth. And I personally feel that he has been speaking with experience. My fear also is that in spite of all the undeserved—as I feel—criticism and abuses against the capitalists or the financiers in the country, the position is like this. Because some of them happen to be connected with managing agency and you are dissatisfied with the working of the managing agency and see the defects in that system, therefore you abuse not directly the managing agency system but against the financiers and capitalists as a whole who managed them.

By my experience I can definitely assert that the capitalists are very clever people, and they have stated so on the floor of this House: "We continue in this country; our experience continues in this country; our capacity continues in this country. You make any law; we, even under that law, find room for our own capacity". As Valmiki has said:

दर्शयन्ति शनैः शनैः

we will see that their blandishment or powers of captivating everybody will

show out slowly. They will certainly show शनैः शनैः. The Finance Minister himself was saying: wits are working already. They have wits; they engage wits too. In spite of all the precautions taken they will again restore themselves into their old position of economic concentration and power.

You do not want such concentration, and saying that you have been taking all the power to yourself. Of course, how you exercise it is another matter, again. You say: we are exercising it on behalf of the country. We shall see. After all we have seen how powers were exercised in the past. We know how powers are expected to be exercised in the future. You are there and we are here. We will have opportunities of attacking you as to how the powers have been exercised.

The main defect that was in the managing agency was the power of controlling the board by keeping more of their own members on the board. As I said last time, there this 'magic of mathematics' by which they always managed to have a majority and worked on. I am happy that we have tried to prevent that one power which they used, and we have taken precautions.

Now, Shri Somani was anxious to refer to the ignorant and illiterate shareholders and he said that ten per cent of them would somehow be persuaded by those who want to exploit in the name of oppressed people and they will ask Government for relief. It is to protect those very ignorant and illiterate shareholders that all the provisions in this whole bill has been framed. So both sides depend upon the gullibility of that percentage of people who are ignorant and illiterate. My friend Shri Asoka Mehta said that there must be some education of the shareholding public. Perhaps Government will not undertake that: it must be part of a general uplift of the country.

Therefore there is no use crying or abusing the capitalists. The powers

[Shri Raghavachari]

they used wrongly, we have taken away. Let us hope that this new regime will certainly yield some results.

Hon. Members have been paying volumes of tribute. Almost every-gentleman who gets up wants to congratulate and pay tributes to the Finance Minister. I am not taking away from the force of any of these congratulations. Sitting here, I have always found him to be level-headed calm. He does not get upset; he quietly says 'No' without offending the opponent. More than that, I wish to tell you that he is not in need of congratulations. So many have come and he has no place to keep them. I would like to congratulate those assistants of his; though they were not Deputy Ministers, they appointed themselves for the moment at any rate to assist him. They spoke as if they were the Government. One Member even had to ask from this side; are you a part of the Government?

**Shri A. M. Thomas:** Part of the Government? Yes.

**Shri Raghavachari:** You are a part of the governing party; not part of the Government. I congratulate Shri Shah, the hon. Member, not the Deputy Minister. They have received sufficient congratulations already. I also remember, during the discussion of The Estate Duty Bill, Shri Gadgil appointed himself as one such and in the case of the Food Adulteration Bill, Shri S. V. Ramaswamy practically did so. It is all very good that a Member is so very enthusiastic and helps the Government or the opposition. But, their enthusiasm must not make them appear in a role which is not there and thus look a bit intrusive and offensive in the eyes of the rest. For their enthusiasm I pay my tribute.

**Pandit Thakur Das Bhargava (Gurgaon):** These persons are not to be condemned. You may emulate the.

**Shri Raghavachari:** There is another observation that I wish to make.

They say that they have abolished concentration of economic power by imposing some restrictions on managing agencies. But, there is the managing director, there are the secretaries and treasurers. As I said at the consideration stage, these are the new clothes worn by the old people. They will do the same things and we will have the same drama. The whole thing comes in another way. Though you have pulled out their teeth, I only wish that their gums won't develop.

In the course of the discussions, it looked as if the Finance Minister was a bit upset also when man after man went on criticising that the power of contribution by these companies or managers may be misused in favour of the rules and therefore it should not be given to them. He always repelled the suggestion. Dignifiedly. I would simply brush it aside. Unfortunately, when an amendment came that it should not be a contribution to a political party, on account of some technical objection, it was ruled out. But, what I feel and what I wish to submit is this. The capitalists are gentlemen who know how to earn money: *kshanasah kanasaschaiva artham sadhayet*. In the materialistic world, they know how to earn money and value it too. They won't leave it. Every moment it will be accumulating. You have plugged the holes. It is accumulating into something. The cup must overflow. There it overflows from 3 per cent. to 5 per cent. from Rs. 10,000 to Rs. 25,000. They can certainly usefully make their contribution. Where it goes, I do not wish openly to say. But, we will wait and see where it actually does go. It is a thing which cannot be prevented from being observed by the public. Everybody can see where it flows. Into what depends these contributions will go we shall wait and see.

Then, there are the discriminatory powers between other companies and companies managed by the Government. There was a lot of discussion. Any sort of discrimination is really bad.

I am happy that some amendments of Pandit Thakur Das Bhargava and others have been accepted. Possibly the Advisory Council or the Authority may now exercise some influence and see that these powers are not used in a harmful way. I welcome this Bill. I hope that all the powers that are vested in the Government will be used, not in a way which may be characterised as abuse, but certainly in the real interests of the country.

**Pandit K. C. Sharma:** This is a great piece of legislation, massive in volume and significant in import. Many necessary and salutary changes have been made. From 1913 to 1955 there is a span of 42 years. During these 42 years, many great upheavals, many great changes have taken place. Two great wars intervened and changed many a notion of rights and duties, many a conception of rights and wrongs and many values in life and action.

श्री के० पी० त्रिपाठी : यह कविता है ।

**Pandit K. C. Sharma:** You are a worker; you do not have a mind for beauty and aesthetics; you are a dull man.

Business and industry have changed their outlook. We are having many changes in outlook. There have been many piecemeal changes in the law in 1936 and 1951. It is a very great compliment to the Finance Minister that his lucky hand has completed the great structure that is to guide and control the future of business and industry of this country. I wish there were some more changes. I believed and I still believe in proportional representation by means of the single transferrable vote. I was against and I am even now against inheritance in the matter of managing agencies. Some changes have been accepted. But, I do not think any law or any principle acceptable to good conscience would permit inheritance in business management. Though there are many controlling provisions, still, the very fact that by mere accident of birth a man should claim merit to control and to run big

business is what passes one's comprehension. I can understand some provision for compensation. I can understand certain guiding principles with regard to paying back what has been invested and what has been done. But, I cannot understand that by accident of mere birth a man is entitled to claim talent or the capacity to manage big business. There were other amendments and some of them have been accepted. But, taking the law as a whole, I have no doubt that it is a landmark in the legislative history of this country and it stands to the credit of the Finance Minister that he has completed the structure. It is his lucky hand that has given guidance to the future control and running of industry in this country.

**Shri A. M. Thomas:** Not a lucky hand; but a competent hand.

**Pandit K. C. Sharma:** If my hon. friend knows anything about evolution, as a thing goes on, some things are added, something is drawn back and finally it is always the lucky hand that completes the picture. No one man has ever claimed that he has done a thing from the beginning himself alone. This is impossible. The evolution goes on. Something was done in 1936. Some more clauses were added in 1951, and the picture as it evolved from 1913 has been completed by the present Finance Minister. It is more a lucky hand rather than what you may call exceptional brilliance. I do not believe in exceptional brilliance. I believe in ordinary intelligent, well-meaning and hard-working man, and that is the Finance Minister, more none should claim.

I am particularly happy that this Bill is about to be passed because when the Bill was first ushered in and the Joint Committee was appointed, I heard in the market place, in coffee houses, at many places, that this law will never come into existence. It was said many things would happen that will throw it somewhere from where it would not see the light of day.

**Pandit Thakur Das Bhargava:** Cold storage.

**Pandit K. C. Sharma:** Cold storage you may call it. By getting this Bill passed, the Finance Minister vindicated himself and vindicated the Government and the Parliament. We are proud that a great piece of legislation has been completed and a magnificent work has been achieved.

One thing is talked about again, and again that the modern businessman knows his business too well and will find out ways to achieve the end in view, and that end is not said to be very desirable, namely the amassing of profits. My humble submission is that the formula of the jail bird that the stronger the lock the easier to break does not always hold good. The healthy environment and the social dynamism as well as the promise of the future, I hope, will guide the modern businessmen no less than any other section of the community to work for the social good in the same spirit of a mission as we expect from those who are in charge of the administration and those who guide in other ways the destiny of the people. Therefore, I have no doubt that the future set-up of our industry will be what is expected of it and that our industrialists would be no less anxious to build up a great future than any other section of the community.

**Shri Tulsidas:** I have been listening to a number of speeches today which is the last quota of this Bill. At the outset I must join other Members here in their expressions for the piloting of this Bill by the hon. Finance Minister.

Before we finally vote this Bill it will not be out of place here to indulge for a while in retrospect. The point is, company law is not a very simple law, has never been a simple law. It is of a complicated nature and it takes quite a bit of time to prepare this law so that abuses may be checked and healthy growth and smooth functioning of the corporate sector may be encouraged.

If we judge from that point of view I do not know whether we have succeeded.

We have a peculiar system in this country. Perhaps it is a peculiarity of this country and a few of the South-east Asian countries. The system had its own merits, but listening to the entire discussion I have come to the conclusion that this system cannot remain long. In spite of its merits, it has to cease within a very short time. I cannot help feeling that there is so much bias and antagonism against the system that no matter what its merit, it cannot continue for a long time, and the law that we are enacting is going to see that it will end in a very short time. The hon. Finance Minister has been saying that this managing agency system is on probation. In my opinion, it is not on probation, it is being killed, and in the opinion of this House in a democracy we have to stoop down to the majority opinion. Therefore, if the system is to vanish, let us face it.

On the other hand, what have we done in this law? Have we tried to create something, or evolve something which is going to replace this system? After all, in the corporate sector the companies have to function, and without the companies functioning, no matter what progress we want to make in this country, it is not possible to achieve that. Unless and until we evolve some system which is going to function and which is going to deliver the goods, it is not possible. Whether it is one system or another, whichever is liked, should be encouraged. I do not find that in this Bill, because if you see this Bill, most of the restrictions and inhibitions which have been brought against the managing agency system because of bias, have not been relaxed in any way with regard to the other system.

Let us take the secretaries and treasurers. We are trying to evolve it, but all these restrictions are applicable to them. How is that going to be evolved. I for one do not think that it is possible to do so.

Of course, I do not wish to go into the discussion raised by Shri Mukerjee, because I do not understand his language, and I think most of the people do not understand the language which he uses. He comes from a school of thought which does not understand our language. That school thinks in terms of a totalitarian country and they do not believe in majority rule. They believe in a totalitarian State, and therefore any law which has got a system of democratic functioning is not liked by them. We have accepted democratic principles in this country. It is no use, after having accepted it, saying something against that.

**Shri S. S. More:** Then reply to Shri Asoka Mehta. He is a democrat.

**Shri Tulsidas:** I did not hear him. I am sorry I was not here. Otherwise, I would have certainly replied.

Several speakers have said and I have been telling from the very beginning that we want in this country more and more companies to function, more and more new-comers to come in through the entrepreneur class. We want to develop and make progress in this country. We can only make that progress more swift and at the pace at which we want, provided we have more and more people coming into the field. Do we expect under this Bill that many more people will be able to come into the sphere? If you want to have more labour class, that is a different question, because we have got the hon. Labour Minister here who of course looks after the labour point of view most of the time. However, in this particular aspect we want to work hard. We want the people to work hard and produce something in this country. After all, we can only distribute after we have something in production, some more wealth in the country. But what are we going to produce through this Bill? My fear is that this Bill is not going to create that atmosphere in the country which will encourage more and more people to come into this field to carry on business activities.

Now, let us see what we are going to achieve by this Bill. The small man will practically have no chance at all. As for the people who are already in the field and who are using their energies in production, they will have to use their energies hereafter in trying to see how far they can steer clear of this law.

We have been saying all along that a good administration is the keynote of any legislation. But what has been our experience so far? Has the administration shown any indication so far that it has kept a vigilant watch over the enforcement of any law that we are making? I feel judging from our past experience that the administration has not shown that vigilance at all so far. I feel that if the administration had exercised that vigilance, these abuses that we are seeing today would not have come to pass, for even under the present Act with the powers given to Government they could have put a stop to all these abuses.

Let me give you one instance now of how the present company law administration has been functioning since 1951. The other day the Finance Minister said that the decision has since been taken on the bonus issues. But it took nearly a year to announce their decision on the bonus issue. But what is that decision? We do not know, and nobody knows, whether the bonus issue is going to be taxed or not. Even after taking nearly a year for deciding that question still the question whether it will be taxed or not has not been decided; only sanction has been given for the bonus issue. In the absence of any decision on this point, how can any company decide to issue bonus? How can any company issue bonus without knowing exactly what the mind of the Finance Minister is? We have appointed an expert body in the Taxation Enquiry Commission and they have given their opinion on this matter. And yet we do not know where we stand in regard to bonus issues.

**Shri C. D. Deshmukh:** I shall be dismissed if I give out my mind about taxation prematurely.

**Shri Tulsidas:** If you have not decided the question of taxation, then what is the use of giving your sanction for the issue of bonus? My hon. friend the Finance Minister says that if he gives out his mind with regard to taxation, he would naturally be dismissed. I fully agree with him.

**Shri S. S. More:** You agree to his dismissal?

**Shri C. D. Deshmukh:** If I give out my mind prematurely.

**Shri Tulsidas:** My hon. friend the Finance Minister had the opportunity of deciding this issue when he presented the last budget. After all, the *Report of the Taxation Enquiry Commission* was in his hands by then, and he could have made up his mind whether to tax bonus issue or not. Even though the applications for grant of bonus issues have been pending with the Ministry for about a year, yet the question of taxation has not been decided yet. My fear is that the administration will continue to be what it is. It will take a long time to come to decisions on various matters for which under this Bill the approval of Government will be sought. And the delays of the present will continue in the future also.

As I have said earlier, even good laws will work badly if the administration is slack. We can by no means say that the law as provided in the present Bill is at all good. The damage to the working of the corporate sector on account of a bad law being badly administered can very well be imagined.

My hon. friend Shri S. S. More said in the course of his speech that the small man will find it difficult. I fully agree with him. Under this Bill the small man will find it difficult to enter into the field of business.

Before I conclude, I would like to tell Government frankly that it is my conviction that this Bill will not succeed in its objective. Instead of improving the morale of company administration, it will only worsen it. It will also retard the development, and slow down the working, of companies.

**Shri A. M. Thomas:** We thought that you are an optimist.

**Shri Tulsidas:** I am an optimist. I am not a pessimist at any time. Yet I must say frankly what my fears and what my apprehensions are, for which Government will be solely responsible. For, they have acquired blanket authority on the assumption of their omniscience and omnipotence in the matter of company affairs. But I must say that they are entitled to be excused for what looks like divinity in this matter, as they have gone beyond the advice of experts and have taken a plunge in the dark being fully innocent of the grave implications of the provisions they are about to enact now.

**Mr. Chairman:** The hon Member's time is up.

✓ **Shri Tulsidas:** I shall say only one point and I shall conclude. I had moved so many amendments, but not one of them has been accepted in spite of the constructive suggestions I had made. The only alternative for me therefore is that I oppose the Bill as ✓ a whole.

**Shri Barman:** Today we are at the end of our labours so far this huge and stupendous Bill is concerned. The different quarters of the House have congratulated the hon. Finance Minister and his colleagues. I need not repeat what they have stated, but I say that the Finance Minister may well congratulate himself on the fact that he has got the confidence of the whole Congress Party of this country, which represents India today. But at the same time I feel in my mind some concern for him. At a time when we are against managing agency, when

the Congress Party as a whole is against managing agency so far as industry and commerce are concerned, we find that from now on the Finance Minister is being given the managing agency in respect of a very difficult task. Yet, that is also a matter for congratulations for the hon. Finance Minister.

What is the position today? On the one hand, we are contemplating industrialisation of our country through the Five Year Plans. We are now on the eve of the Second Five Year Plan, wherein the private sector also has got a role to play to the extent of about Rs. 750 crores. On the other hand, there is the psychological feeling prevailing in the country that our State being a welfare State, there should be no concentration of wealth, but there should be more and more of socialisation injected into every sphere of our economic life.

Judging from the past, these two ideas seem to be contradictory. It is a very huge and onerous task for anybody with any capacity whatsoever to perform with credit. But we hope that by the end of the Second Five Year Plan period, the hon. Finance Minister and the new department that he will create for the purpose of this huge task will come off with flying colours and serve both the needs side by side.

Since my time is short, I would not like to dilate on other matters. But there is only one point on which I would like to express what is passing in my mind. I personally believe that we have done everything possible under this Bill for the proper functioning of the industrial and commercial sector of our country, and we have given to Government and also to the department the powers that they require. But yet there is one point on which I still doubt whether our desires and our aspirations will be properly fulfilled or not. That is this. In spite of the Government taking these huge powers in their hands, in one thing we have defaulted and that is in not giving due share to the shareholders in the running of companies. Proportional representation, we thought, was

one of the remedies. The other thing was that with the increase in the number of shares, voting rights would be diminished. These two remedies would have given shareholders real interest in the management of affairs of companies, and there would have been some sort of internal control exercised in this matter. I, not being an expert in the line would not be dogmatic, but this is the fear which lurks in my mind. I may just relate one short story which is prevalent in Bengal. It is this. One night an uncle and the nephew both wanted to see a fair that was one mile upstream. It was evening and the night was dark. So in their energy they plied all through the night with two oars in the hands of both. When the morning dawned, they found that they were in the same place where they were when they started. Then they found out that they had not untied the string attached to the post. So though they were trying their utmost to go upstream; the boat could not move upwards. I feel that until we give shareholders their proper right under democratic principles in the management of industrial and commercial concerns, until they are self-propelled and self-conducted, it is very difficult and dangerous also, to put them in right order from outside. That is my suspicion. I hope it will be belied and our Government will set up a department that will be capable, that will be able and judicious enough to see that both the objectives are fulfilled side by side.

**Shri Achuthan (Cranganur):** We are almost at the final stage of this important measure which has taken us more than three weeks, and if I may say so, it has taken us a number of years to come to this stage. According to me, it is one of the important pieces of legislation of this Parliament. As was usual with the Finance Minister when he was piloting the Estate Duty Bill, here also he displayed the same dexterity, level-headedness and practical perspective. All these things were seen in him. In fact, the Joint Committee has considered all the aspects of the Bill, the social objective,

[Shri Achuthan]

the economic aspect, what the country wants in the near future and so on, and even after discussion in this House after the report was submitted, many changes have not been effected. I mean to say that all aspects were taken into consideration at that stage, and we are happy that almost in that form the Bill is being passed.

Many hon. Members criticised the provisions of the Bill saying that the proper objective or perspective was not before the Committee. But it is not a fact. According to me, situated as we are today with our limited resources, this is the best that can be done with regard to the development and encouragement of industrialisation in the corporate sector. That is why I say that in the near future, within four or five or ten years, spectacular results will follow throughout the country. We are on the eve of the Second Five Year Plan and it is necessary that there must be small-scale and large-scale industries throughout the country. Where are you going to get the capital, the talent, the initiative and enterprise unless we give them some more chance? There will be abuses under any law. There were so many religions in the country thousands of years ago. Were there no abuses? So we are not afraid of these abuses. Let us hope that the managing agents, the entrepreneurs, capitalists and ordinary shareholders will take to their senses and understand what their duties and obligations by the country are. If they know what we have done by way of abridging the rights of managing agents and by way of the principles that should govern company management in respect of profits, curtailment of powers and so on, they will know that the country wants them to do. There is the private sector here. We expect them to behave properly. Many Members have been saying that there is a Democles's sword hanging over them. I do not take that view. We have given them guarantees and we have given them encouragement to play their part well. There is nothing objectionable in their

having their idea of 'pockets', within reasonable limits. If they try to fill up their pockets without consideration for others, we have got other methods to adopt so that the interests of the community do not suffer. So, on the whole, the provisions we have made with regard to managing agents, with regard to the Advisory Commission, with regard to other matters are all there, and as expressed by the major party in the country, they are in accord with the socialistic pattern. By this very Bill which is going to become law within a few days or weeks, we will be able to march forward with that object in view.

**Mr. Chairman:** The hon. Member's time is up.

**Shri Achuthan:** I have got the least quota so far. Others have got more than an abundant quota.

**Mr. Chairman:** He should conclude now.

**Shri Achuthan:** I have only to wish that the private sector will rise to the occasion, that Somaniji and Tulsidasji will rise to the occasion and see, if it is possible with the best of intentions, to deliver the goods not only for themselves but for the sake of the country.

**Mr. Chairman:** Shri Morarka. We will have to sit beyond 5 P.M. if all the members who want to speak have to speak. Is the House willing to sit till a few minutes after 5 P.M.?

**Some Hon. Members:** Yes.

**Shri K. K. Basu:** If quorum is there.

**Shri Morarka:** Many hon. Members, while speaking on the third reading, have dealt with the Government's powers and expressed apprehension as to how those will be exercised. I also want to speak on that point, and say something about the exercise of those powers.

In the first place, I take it that Government is going to set up a full-fledged separate department under the charge of a full-fledged Secretary, and



he would be given enough senior staff to dispose of all these important matters. It is very important that this department should be properly staffed with capable officers because the 30,000 and odd companies—and many more to come—are going to come to this department in connection with various matters under various sections. Unless the department is properly staffed, it would not be possible for it to dispose of the applications in time. In business, time means money, and a little delay or more delay may mean even complete ruin of the company. I therefore hope the Finance Minister would see that notwithstanding some expenditure, suitable staff is sanctioned and the department properly equipped with capable persons.

There are three powers, which are very important, which the Government must exercise with great care. The first category is of that power which gives protection to the minority. Under this power, there are various provisions including those where Government can order investigation or where Government can order re-election of directors on the proportional representation basis. I cannot understand how some hon. Members are very nervous or apprehensive about this system of proportional representation. I would only say that the manner in which it has been accepted would go a long way to improve the management of the companies. Not only this, but I do hope that the Stock Exchanges all over the country would adopt the system and would make it a condition before granting quotation facilities on the exchange to any company that that company must accept this system of proportional representation for the election of the directors.

The second set of powers is one which deals with investigation. Here again, some wide powers are given to the Government. I must say that the Government must be very cautious and very careful in the exercise of these powers because the very fact that an investigation is ordered into

the affairs of a company makes the company lose a certain amount of reputation. So, the Government must satisfy itself completely before investigation is ordered that there is a fit and proper case for investigation.

The third set of powers—and I regard them as very important—deal with the managing agency and managing directors. I am sure, these powers would be exercised with reference to the Government's economic policy whether to abolish or to keep the managing agency system—that is in the wider context.

One thing more and that is about statistics regarding companies. If there is one point that has emerged very clearly from the discussion throughout these 114 hours in this House on the Companies Bill, it is this that the position of statistics and date on which Government can rely with regard to the affairs of a company is very unsatisfactory. I hope the Government would set up a research section of this department and would try to collect data and detailed statistics which can be relied upon. In the absence of reliable statistics and data it is not possible to make policy decisions and to carry out the policy of the Government. I do hope that before Government takes any policy decision it would make full use of the provisions embodied in clause 609A which the hon. Finance Minister introduced yesterday and would organise a very complete research section under the management of a capable officer.

So far as this Bill is concerned, I am very happy to find that the popular views i.e., the views of the shareholders find a great place. Most of the complaints of the shareholders, voiced through the shareholders' Association have been fully taken notice of and provisions have been made. Madam, before I sit down, I take this opportunity to express my sincere appreciation of the great impartiality, industry and patience of the hon. Finance Minister and his colleagues and his staff in the framing of this Bill and particularly of the Finance Minis-

[Shri Morarka]

ter in the piloting of this Bill in this House.

**Shri K. P. Tripathi:** I hope I come last representing labour, as labour happens to be forgotten in this Bill. So, I come trailing behind in this debate.

**Shri K. K. Basu:** What do you expect from the hon. Finance Minister?

**Shri K. P. Tripathi:** I take this opportunity to congratulate the hon. Finance Minister and his associates.....

**Shri K. K. Basu:** Don't waste your encomiums on him.

**Shri K. P. Tripathi:**...for the ability and the patience with which they have piloted this Bill. Often, it has not been possible for me to see eye to eye with the Finance Minister on all points, but, I must take this opportunity of congratulating him on the way in which he has piloted this Bill.

I was very much interested as to how this Bill affects the industrial world, and, ever since this Bill was introduced in Parliament and particularly after clause 197 was passed, I have tried to follow the reactions in the share market—in the business world. I discovered that this Bill did not have much effect on the share market. It is supposed to be one of the most drastic Bills ever framed in this country and if it really had been so drastic, then, I have no doubt that it would have had great reactions on the share market. But, since it has had not that effect and since my hon. friend Shri Somani himself has said here that he does not care whether the managing agency remains or not, the industrial set-up of this country will carry on. I have no doubt that the effect of this Bill will not be to disorganise the industrial set-up of this country at all.

The greatest controversy in this Bill has been with regard to the managing agency system and people have said that because the managing agency system has not been totally abolished, therefore, socialism has not come. I

look at the problem from a different point of view. I believe that even if the managing agency system had been totally abolished, socialism would not have come because the industrial set-up prevalent in those countries where there is no managing agency has not brought in socialism and is still the capitalist set-up. Therefore, by merely abolishing the managing agency system no socialism would ever come. But, what is the effect? The effect is this, that by abolishing the managing agency system we reduce the concentration of wealth and we reduce the remuneration given to the management and, to that extent, it would be—and it is intended to be—a step towards socialism, and, therefore, a step in the right direction.

From that point of view I am very much interested in this measure because I think the industrial workers of this country and the consumers of this country have been very much interested in this Bill because our feeling is that the industrial set-up is top-heavy, more to-heavy than in other parts of the world. Therefore, if anything is done to reduce the cost structure at the top, I have no doubt that it would give the benefit to the consumers and, consequently, to the working classes. It is from this point of view that we have been looking at this problem. We have given sufficient powers to the Finance Minister in this Bill so that they may be exercised in that direction. Whether they would be so exercised or not, I do not know. I have every hope that they would be so exercised and if they are so exercised, then, gradually the cost structure of the industrial set-up of this country would change and change in the right direction. Therefore, the whole country is interested in the right implementation of this Bill, and not merely the working classes or the management as it is sought to be brought out. I would therefore, request the hon. Finance Minister to administer it in that spirit.

It has been said by Shri Tulsidasji that there will be great dislocation, and that we have not taken care to

produce any alternative. I humbly beg to submit that, so far as good management is concerned, they have nothing to fear, because good management need not fear the Government or its powers. It is only if the management is bad or shady that it has to fear and has to employ more staff to avoid being caught by the Government. I think the restrictive provisions in the Bill will have a very salutary effect on the industrial set-up of the country and the industrial set-up will automatically adjust itself to lower remuneration and better management and cleaner management. If they do not, then they will have to thank themselves and the law will catch them, as I think it should catch them.

Madam, I know my time is up as you are looking at the clock. There are only three minutes and I do not think anybody else remains to speak.

**Pandit Thakur Das Bhargava:** We shall continue for some time more.

**Mr. Chairman:** If the House has no objection, we shall continue to sit for a few minutes more as there are a number of Members who want to speak.

**Shri K. P. Tripathi:** I beg to differ from the Finance Minister in the interpretation that the intention of this Bill is to abolish managing agency. We have taken two steps. Firstly, we have said that no managing agent should be the managing agent of more than so many companies; and, secondly, that no new company shall have any managing agency. These are two indicators to show that the intention of the Bill is to abolish the managing agency. Therefore, the country is expecting that the Finance Minister would administer this Bill in such a way, that the managing agency system is abolished and not merely reformed. There is a feeling in this country that it should be a Bill not to reform but to change. If change is intended then certain steps would have to be taken by the Finance Minister. There are certain gaps in our credit structure and they have to be filled. We have already decided that there

shall be a socialistic pattern of society. These gaps will not be filled unless the Government sees that it uses the powers given to it in such a way that these are filled. Therefore, what attitude the Finance Minister and the Government take in this matter is a very crucial thing. If the Finance Minister and the Government take the view that it is a reformatory measure then they may not try to fill the gaps in the credit structure. It will be necessary to fill them up before a socialistic pattern of society emerges. If the Finance Minister and the Government take the view that they want to abolish the managing agency system, then they will take such steps. I beg to submit that our feeling is that the system must be abolished and a cleaner, better and a less costly one should be brought about.

5 P.M.

**An Hon. Member:** But what is that alternative system?

**Shri K. P. Tripathi:** Did he ask: what is the alternative system? This question has been asked and answered before. The alternative system, is the system of management by directors. This is a less costly system; we have got a system which is three times costly or 4 times costly or even 5 times costly, than it is in other countries. If the managing agency system goes, then the unitary cost system will be introduced in place of this very costly system. I am one with Shri Tulsidas that there should be the directors' system of management in this country. From that point of view, I request the Government and the Finance Minister to take corollary steps. They have already taken steps to float certain institutions in this country. There are other gaps and these gaps should be filled within these four or five years. Thereafter there should be no need for this managing agency system. I also hope that some steps would be taken by the Finance Minister for the purpose of abolishing this system at least industrywise, at least in industries in which the Second Five Year Plan does not contemplate any increase in production or expansion.

श्री ए० एन० विद्यालंकार (जालंधर) : मैं मुबारकबाद देता हूँ वित्त मंत्री को कि उन्होंने इस योग्यता से इस बिल को आगे चलाया है। मैं यह महसूस करता हूँ कि इस बिल से सब को पूरी संतुष्टि तो हो नहीं सकती थी। इसका कारण यह है कि हममें से कुछ तो यह चाहते थे कि मैनेजिंग एजेंटों से और जो कम्पनियों को चलाने वाले हैं उनसे तमाम ताकत छीन ली जाये, और कुछ चाहते थे कि उनकी तमाम ताकत कायम रहे। इस लिये हर एक को यह शिकायत होना स्वाभाविक था कि जो वह चाहता था वह नहीं हुआ। लेकिन मैं समझता हूँ कि वित्त मंत्री ने बड़ी योग्यता के साथ इस तमाम चीज को निभाया है और आगे बढ़ाया है और बीच का रास्ता अख्तियार किया है। यह स्वाभाविक है कि जब हम को अपने देश में आर्थिक सुधार करने हैं तो हम बीच का और समझौते का मार्ग ग्रहण करें और हर एक इंटेरेस्ट का ख्याल रखें। मैं चाहता हूँ कि इस बिल के अन्दर गवर्नमेंट ने जो अधिकार लिये हैं उनका पूरी तरह से सदुपयोग हो और उसका इस तरह पर उपयोग हो कि हम समाजवादी ढांचे की तरफ बढ़ें। हमारे मित्र श्री तुलसी दास किलाचन्द ने मैनेजिंग एजेंटों की तरफ से कहा कि वे चाहते हैं कि प्रोडक्शन बढ़े। यह ठीक है। हम भी चाहते हैं कि प्रोडक्शन बढ़े। लेकिन हम चाहते हैं कि केवल सम्पत्ति वालों के इंटेरेस्ट का ही ख्याल न रखा जाये बल्कि जो पैदावार बढ़ाते हैं उनका भी ध्यान रखा जाये, उन लोगों के इंटेरेस्ट का ही ध्यान न रखा जाये जो कि महज धन एकत्र करते हैं बल्कि उनका भी ध्यान रखा जाये जो उस धन को पैदा करते हैं। मुझे विश्वास है कि जो मैनेजिंग एजेंट या कम्पनी चलाने वाले उस धन को बढ़ाना चाहते हैं उनको इस बिल के पास होने से कोई खतरा नहीं हो सकता। किन्तु जो लोग केवल रुपया एकत्र करना चाहते

हैं और तरह तरह से मैनीपुलेशन और मैन्युवरिंग करके रुपया एकत्र करते हैं उनको इससे खतरा है। जो लोग सिर्फ मुनाफा कामने के लिये काम करते हैं और जिनको मजदूरों के हितों का कोई ख्याल नहीं है उनको इस बिल से खतरा है।

मैं चाहता हूँ कि गवर्नमेंट निरन्तर इस बात का ख्याल रखे कि इस बिल से गवर्नमेंट के ऊपर बहुत ज्यादा ज़िम्मेदारी आती है। आने वाले वर्षों में हम इस बिल का तजर्बा करेंगे और देखेंगे कि यह हमारे आर्थिक ढांचे को किधर ले जाता है। मुझे गवर्नमेंट पर पूरा भरोसा है कि इस सम्बन्ध में जो कुछ कार्यवाही होगी उसके परिणामस्वरूप हम समाजवादी समाज की ओर बढ़ेंगे।

मुझे एक बात और कहनी है और वह यह कि जहां गवर्नमेंट अपना कोई काम चलाती है वहां उस काम पर पार्लियामेंट का खास तौर पर पूरा अधिकार रहे, इस बात का ध्यान रखा जाना चाहिये। जिस कम्पनी में गवर्नमेंट का हिस्सा हो उस पर पार्लियामेंट का पूरा अधिकार होना चाहिये। ऐसा नहीं होना चाहिये कि जहां गवर्नमेंट का पैसा लगे वहां पार्लियामेंट का अधिकार न हो। मुझे भरोसा है कि पब्लिक एकाउंट्स कमेटी और एस्टीमेट्स कमेटियों ने जो इस सम्बन्ध में सिफारिशें की हैं उनका ध्यान रखा जायेगा, और इस बात का पूरा ध्यान रखा जायेगा कि जो कम्पनियां गवर्नमेंट के मातहत काम करती हैं उन पर पार्लियामेंट का पूरा कंट्रोल होगा।

इन शब्दों के साथ, सभानेत्री महोदया, जितना समय आपने मुझे दिया था उतना ही समय लेते हुये मैं वित्त मंत्री को फिर मुबारकबाद देता हूँ कि उन्होंने इस योग्यता से इस बिल को आगे बढ़ाया है।

*The Lok Sabha then adjourned till Eleven of the Clock on Monday, the 12th September, 1955.*