

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

*The motion was adopted.*

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

SHRI T. ANJIAH : I beg to move :

"That the Bill be passed."

MR. CHAIRMAN : The question is :

"That the Bill be passed."

*The motion was adopted.*

16.23 hrs.

**COMPANIES (AMENDMENT)  
BILL, 1985\***

[English]

THE MINISTER OF CHEMICALS AND FERTILIZERS AND INDUSTRY AND COMPANY AFFAIRS (SHRI VEERENDRA PATIL) : I beg to move :

"That the Bill further to amend the Companies Act, 1956, as passed by Rajya Sabha, be taken into consideration."

The Hon'ble Members will recall that the Government had made certain important policy announcements while introducing the Finance Bill on 16th March, 1985. One such announcement was that the companies should be permitted to make political contribution in order to enable the corporate sector to play a legitimate role within the defined norms in the functioning of our democracy and for this purpose necessary legislation would be undertaken. In recent years, a view has gained ground that a certain amount of openness rather than a blanket ban on political donation will really augur well for a cleaner political and economic environment. Representatives of trade and industry have been equally urging upon the Government to reconsider replacement of the existing provision of section 293A by the law which

obtained prior to 1969 and which was introduced by 1960 to permit companies to make political contributions subject only to certain ceilings. Companies often argue and rightly that they are entitled to support a political party which believes in certain amount of freedom of private business. Secondly, many companies feel that they can resist any pressure from any political party for "out of the books" donations if they are allowed to contribute, by an enabling provision of the statute, a certain sum which is within their capacity to spend. Thirdly, it is also argued, with some force, that a company itself functions on the principle of shareholders' democracy, and, therefore, a ban on political donation in a democratic society is an anachronism. Fourthly, political donation by companies is permitted, within limits, in other democratic countries of the world which have not suffered on account of permitted political donation.

Taking all these considerations in mind, it seems that the balance of advantage would lie in restricting rather than imposing a total ban on political contributions. However, to make these restrictions really meaningful, a few important features have been incorporated in the Bill. Since companies not having profits should not be encouraged to make political contributions, monetary ceiling as an alternative to a certain percentage of profits for arriving at the permissible amount of political donation has been done away with. The present Bill also provides for absolute prohibition against political donation as far as Government companies are concerned. Additionally, it is proposed in the Bill that companies which have been in existence for less than three financial years should not be permitted to make political contribution. So that there may not be any controversy in the future as to what constitutes political donation, the Bill makes it clear that any donation or subscription or payment in whatever form to a political party would amount to political donation. Even an expenditure incurred directly or indirectly or any advertisement in souvenirs, brochure, pamphlet or the like would be brought within the definition of political contribution. Of course, provision is also made in the Bill for the

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[Shri Veerendra Patil]

fullest disclosure of the amount contributed, the name of the party, individual or body, etc. In order to make these proposals more meaningful, the Bill also seeks to provide that any company making any contribution in violation of the restrictive conditions imposed therein would suffer the penalty of three times the amount contributed. The officers of the company in default would also be punished with imprisonment for infraction of this provision.

16.27 hrs.

[SHRI SOMNATH RATH *in the Chair*]

Another important announcement made by the Government in the course of introducing the Budget proposals was to the effect that the Government would introduce necessary legislation so that legitimate dues of workers rank *pari passu* with those of secured creditors in the event of closure of the company and even above the dues of the Government. The precedence which the present law accords to the secured creditors over unsecured creditors and the status of the workers as an unsecured creditor are borrowed from Anglo-Saxon law. There are, however, certain countries of the world where notable departure has been made. Thus, in Canada and in some of the States in the United States of America, the wages of the employee enjoy a preferential claim in the event of the insolvency of a corporation and in some cases, the wages for labour get precedence over mortgage and other lien of corporate property.

Keeping the interest of workers in a welfare State uppermost in mind, the present Bill has been introduced to provide that the dues of all the workers, irrespective of the amount involved, should be fully protected by creating a statutory charge on all secured assets of the companies in favour of the workers. The protection should be available only to workers who come within the definition of a workman as defined in the Industrial Disputes Act, 1947. Other employees of the company would continue to be governed by the existing law. Under the provisions of the Bill, the secured creditor would have to realise his dues only jointly with the Official Liquidator. To the extent dues of workers remain unrealised from the security of the secured creditors, the worker would be given priority over

other unsecured creditors for realisation of the balance amount due. In the interest of equity and fair play, the secured creditor who has suffered by relinquishing his security in favour of the worker would be given similar priority over other unsecured creditors, *pari passu*, with workers, limited, of course, to the extent of the loss suffered and no more.

Through this Bill, I have also taken the opportunity to introduce certain clarificatory amendments in the existing section 396 of the Companies Act. This section empowers the Central Government to order amalgamation of companies in public interest. The Committee on Subordinate Legislation (Seventh Lok Sabha) have recommended that the Company Law Board should be empowered to reassess compensation on appeal from the order of the prescribed authority assessing the compensation payable under an order of amalgamation under this section. The Committee have also recommended that the order of amalgamation itself may provide for the continuation of any pending legal proceedings by and against the transferee company on the lines of the existing provisions of section 394 of the Act under which the High Court orders amalgamation. Section 396 of the Act is proposed to be amended suitably to give effect to these recommendations.

I now move :

“That the Bill further to amend the Companies Act, 1956, as passed by Rajya Sabha, be taken into consideration.”

MR. CHAIRMAN : Motion moved :

“That the Bill further to amend the Companies Act, 1956 as passed by Rajya Sabha, be taken into consideration.”

SHRI C. MADHAV REDDI (Adilabad) :  
I rise to give my qualified support to the Bill.

This Bill seeks to amend three important sections of the Companies Act. Section 396 deals with amalgamation. I have no comments to offer on that. Amendments to section 529 and 530 dealing with treating the workers dues *pari passu* with the secured creditors are welcome. I strongly support

this. For the first time, the Government has recognised that the workers do play a role in the prosperity of the industry and that they have a share in the value of assets of the company. This is a welcome measure.

The third amendment is with regard to section 293A. I oppose this on the ground that it takes away protection which the Company Law extends to the share-holders. I am not criticising it on the ground that the contributions will be mainly going to the ruling party and the opposition parties will be denied and so on and so forth. I do not subscribe to that view. Whether it is the ruling party or a party in opposition or an individual who wants to contest as an independent, all these today are being denied legally any contribution from companies. That was a welcome step. But with this Bill this particular ban is lifted. That means you are opening the floodgates for all types of unscrupulous managements to squander the funds of the shareholders. After all, who is paying when the company pays? It means that it is the shareholder who is paying. On behalf of the shareholders this particular Bill gives powers to the Board of Directors to make the contribution. My objection is only on this account. I have no objection if the shareholders want to contribute to any political party. In India our Company Law has been framed in such a way that the shareholder has got a very little role in the running of the company. It is only once a year or once in two years that the General Body meeting is called. And we know what happens in the General Body meeting and how many shareholders attend it. Small shareholders never attend it. It is only a few people who join together and manage to pass the resolutions of the Board of Directors. Those are carried in the General Body meeting and the annual report and audited accounts are adopted.

In this Bill under section 293A which is substituted by another clause it says that the company can give contribution to the political parties to the extent of 5 per cent of its aggregate annual profits calculated on the basis of the preceding three years profit. This 'preceding three years' clause gives scope that a company would be permitted to pay contribution to the political parties in a particular year in which it suffers losses also,

because it has to be seen that in the preceding three years if the company makes profit, 5 per cent of that aggregate can be given as contribution.

As far as the shareholders are concerned, I am of the strong view that this power should be given only to the shareholders. How can we give power to the shareholders to give contributions to the political parties? The least that we can do is to say in the Bill that if a company gives donation to a political party, within three months the company should call an extraordinary General Body meeting and it should be ratified. After the end of the year when the Annual Report comes before the shareholders, people forget about it. They do not know that the company has paid any particular contribution to a particular party and nobody will be in a position to remember and to go through the figures in the profit and loss account and say anything about it. I feel that first of all, on the basis of principle I oppose this because the companies should not be permitted to give contribution to the political parties. But if, as the Minister has pointed out just now, the companies are being permitted to play a role in the democratic process just by giving donation, if the Government wants to give this power to the companies, let these companies call an extraordinary general meeting within three months of giving the donations and get the approval. That is all, Sir.

[Translation]

SHRI RAM PYARE PANIKA (Roberts-ganj): Sir, as the Hon. Minister has said while introducing this Bill, a hint was given at the time of introducing the Finance Bill that a Bill permitting donations to various political parties would be brought forward. Not only this, the Prime Minister of our country had also announced in the manifesto of our congress party at the time of elections that such a provision must be made keeping in view the political parties and also with a view to removing corruption from the country. With all these things in view, the Hon. Minister has brought forward this Bill today. Therefore, I fully support this Bill.

Sir, you just have a glimpse into the history of the last 37 or 38 years. A Bill was brought forward in 1956. Not only this, the

[Shri Ram Pyare Panika]

leaders of the political parties of that side, whether it was Prof. Madhu Dandavate or whether it was the Sachhar Committee, were of the view that donations should be banned and it was under those circumstances that Government had imposed a ban on them. But after imposing the ban, it was felt that black money was increasing rather fast and various political parties who were not in a position to collect donations either due to their own policies or due to other circumstances of their own making were not getting justice even in the elections. Keeping all these things, this Bill has been brought forward.

I was just going through the debate that took place on this Bill in Rajya Sabha. Many of the opposition Members have supported it, but at the same time, they have also alleged that the congress party has brought forward this Bill in its own interest. I went to tell Shri Madhav Reddi—you have a Government in Andhra Pradesh, the C.P.M. and left front have their Governments in West Bengal and in Karnataka, the Janata Party has its Government. Therefore, if you criticize it for the sake of criticism, it is not good ..(Interruptions.) There is no question of benefit in it. The question is how to root out corruption from politics. Today, black money poses the biggest problem before the country and all this is being done by the big capitalists, those elements who influence the economy of our country and if it is not checked, it is but natural that these elements will try to give a slip to Government under the pretext of partonising many political parties. Therefore, today is a very important day in the democracy of our country and the Bill brought forward by the Hon. Minister is a historic one which will help checking many malpractices which have crept into our polity due to the imposition of ban on donations. Not only this, I and my party colleagues are of the view that there should not be too many parties. One knows to what extent the number of parties had risen before the elections in the name of caste, in the name of religion, in the name of region and in the name of community. And when such a thing happened at the national level too, a lot of difficulties were faced, but the people of India strengthened the roots of democracy by not

electing the people belonging to such parties. What was happening before elections? Casterism and communalism were having an ugly alliance and what was to happen to this ugly alliance? We see what is happening in the world today. We are passing through very critical times and all the political parties will have to come together to tackle it. I agree that in a democracy, the question of donation arises at the time of elections and we can say that it is an unavoidable evil. But the question is how to curb this evil. I think the proposed Bill will go a long way in curbing it. I am of the opinion that there should not be too many political parties as we have in India today but instead, there should be just two or three parties based on some principles. One can be leftist and the other can be rightist and so far as our party is concerned, we have always stood for a mixed economy. In the Industrial Policy Resolution of 1956 passed during the late Jawaharlal Nehru's tenure, we encouraged the private sector while at the same time giving importance to the public sector. I am of the view that today these sectors have no importance. Now, we have the joint sector and the cooperative sector. The entire money comes from a single source, the entire money is public money and it is the money of the nationalized banks.

One thing which I want to say is that while we are legalising the donations, there are parties and candidates who should be provided with the means to contest election, as reiterated by the Election Commission also. But, certainly, it becomes more difficult to do so in a country where 337 candidates are there on a ballot paper making it pretty difficult for a voter due to the abnormally long ballot paper. Gradually, the parties based on casteism, religionalism and linguistic considerations have thinned out and have not been able to achieve success in the recent parliamentary elections. They did manage to be elected to the State Assemblies but the people of India gave a jolt to the parties and the candidates knowing narrow outlook in the parliamentary elections. But, still there is need to bring about more reform. Therefore, the time is not yet ripe to demand of Government to arrange subscription or funds for the parties. If we make such a provision, thousands of parties would come up overnight. I dare say that there are some national level parties in respect of which one

feels some hesitation in accepting them as national parties. There are parties in each pocket and each corner of the country and they claim to be national parties. They secure five per cent votes and become national parties. It is high time that serious second thought is given to it. The present Bill, I think, will help clean our political life.

So far as the question of West Bengal is concerned, I want to say that the industrialists are very happy in West Bengal. You know pretty well why an industrialist remains on happy terms with any political party. Everybody has seen how money was pumped into the last elections. The attitude in Bengal today is very lethargic. You just see their rate of growth. When planning started in 1951-52, the rate of growth in West Bengal was 14 or 15 per cent. The *per capita* income was also very high there. But, what is the *per capita* income there today? Today, West Bengal is bagging far behind. There is a lot of mismanagement there for the last 7 or 8 years.

I want to give a suggestion that with a view to bringing cleanliness in politics and checking the malpractices in politics, it is necessary for us to pass this Bill unanimously. We should also exert pressure on the big companies who run big industries lest they should earn undue profits on this score. We should ensure that they do not work against our ideal of socialistic pattern of society.

I demand that donations may be given to a common fund, as suggested by some Hon. Members. I totally agree to this. An account of the donations given should also be kept. You should see that black money does not grow in this endeavour. This should not happen.

This Amendment Bill brought forward by you will certainly help create a good climate in the country and will also help reduce the number of parties in the country.

**SHRI HARISH RAWAT:** Sir, I rise to support this Bill. This Bill seeks to make three amendments in the Act of 1956. There is no dispute so far as two of the provisions are concerned. But the opposition parties have somewhat opposed the third provision. Though this provision has also been incorporated with unanimity, yet the question

which is raised by the opposition is what the circumstances were after 1956 which had led Government to impose a ban on company donations in 1969 after 1956 and what new circumstances had since arisen so as to warrant the withdrawal of this ban again.

The political system which we have today is an open political system. In such a system every section is free to play its decisive role but the prosperous section uses its influence more. There is no denying the fact that the role of money is continuously increasing in our election system. Every political party is ever eager to accept this money in some form or the other and from one source or the other. No political party is today in a position to say that they contest elections on the money raised through their membership subscription or by the subscription collected by the workers of that party. In the situation which is developing in our country wherein at the centre there is the congress Government and in various States, Governments of different parties are being formed, it cannot be said that the raising of resources by way of donations is confined to the congress party alone and that there is a restriction on other parties and that they cannot accept money. This is not so.

Now, the question arises why a ban was imposed on it in 1969. When this ban was imposed, at that time also it was serial on the basis of the recommendations made in the reports of various committees that donations by companies were causing degradation, a sort of pollution in politics. But, after the ban imposed in 1969, a new situation emerged. The intention behind that ban was good, but that intention was not fulfilled and it was highlighted by the political parties, the intelligentsia and the newspapers that the political parties were receiving black money from the companies and the companies were polluting politics by giving black money and at the same time the political parties were giving protection to the companies generating black money by accepting donations. I am of the view that the donations that the political parties will get after legalizing donations by the companies will not be in black money. The companies will have to show their accounts to the Income Tax and other departments and the other people can also have information to this effect in one

[Shri Harish Rawat]

way or the other. I think this system is more open than the one we had earlier, because the evil which we want to remove cannot be removed by imposing a ban. Therefore, we shall have to think about the measures through which the money received through clandestine methods can be checked from influencing the political parties and I think the Hon. Minister has tried to realise this objective through this Bill. Besides, while moving the Finance Bill, the Finance Minister had also stressed that this was a part of our Prime Minister's resolve to clause politics and I think this question should not be viewed in isolation in the amendment of Article 293. This Bill should be viewed in the overall perspective, in the entire light of the way the Congress Party is functioning today, the way our Prime Minister is functioning, the way the election law was amended and the way an effort is being made to plug the various loopholes and lacunae. I think any political party can criticise it for the time being with a view to malign the Congress party for its own political ends, but so far as the facts are concerned and the basic intention is concerned, there cannot be any differences. When we have accepted this political system, this open system, I want to tell my friends in the opposition that their mud slinging and blaming others, branding the ruling party and its people as dishonest is not proper. The situation is not like that. By mud-slinging in politics, by blaming others, we try to give those people a free hand who, in fact, went to totally corrupt our politics and weaken our political setup. There should be some kind of control over the private and other companies. The control should be such that they could not earn money through dubious means. They should not be allowed to deviate from their declared policy, the policy which they put before Government. For that, we shall have to see how Government are working in that direction. I think, our Government and our party have endeavoured through law to keep under check the intentions of the millionaires and the tycoons. All these efforts should be complimented. Keeping this in view, I welcome this Bill. The Bill will provide relief to the workers and will help in checking the various malpractices in which the companies are indulging at present. With these words, I conclude.

[English]

**SHRI SURESH KURUP (Kottayam) :**  
Mr. Chairman, Sir, three things are contemplated in this Bill. One is lifting the ban on donations by the companies to the political parties. The other two are welcome provisions which deal with workers' dues and problems arising out of amalgamation of companies.

I oppose this amendment to section 293A of the Companies Act. This amendment has got a long history. In 1956 when the Companies Act was passed, it was provided in that Act that companies could give donations to political parties. After some time there were debates both inside and outside Parliament. Some Committee were appointed. And in 1969 the then Government imposed a ban amending the original 1956 Act. At that time, while introducing that Amendment Bill, the then Industries Minister, late Shri Fakhruddin Ali Ahmed, mentioned that the amendment was being introduced in order to have a healthy public life, to clean our public life. The very same argument is now being put forward by our present Industries Minister; while this Amendment Bill is put before the House; he makes the very same statement that this amendment is being introduced in order to have a healthy and cleaner public life. I cannot understand this at all. All those Committees which were appointed—B. N. Sastri Committee and Sachar Committee—were against companies giving donations to political parties. Also one unofficial Committee was there appointed by late Shri Jayaprakash Narayan, the Tarkhunde Committee. The Tarkhunde Committee was against it on moral grounds also, as Shri Madhava Reddy has pointed out. The majority of the shareholders need not hold the same political view as that of the Board of Directors, and this political will or political view of the Board of Directors is being imposed on the majority of the shareholders. That is what is going to happen. Which is the Party which is going to be benefited by this amendment? Everybody knows that it is the ruling Party which is going to be benefited. They are already benefiting; they are getting money under the table. Now, with this amendment, the ruling Party can get the money both under the table and over the table. That is what is going to happen. Peratically this is not at all going to make any healthy break in our public life. This Bill is going to legalise corruption and

legitimize black money. That is what is going to happen in our public life because the ruling party is in a position to pressurise those who can give donations.

(Interruptions)

17.00 hrs.

Sir, even a child in this country knows that the ruling party is amassing black-money. From where did they get all this money to spend in the recent elections. Do you think it came from the sky? This money was donated by the big business houses here in our country under the table. I once again want to underline that by bringing this legislation the ruling party is going to get money both over the table and under the table.

Sir, I also oppose another clause in this Bill-293A sub-clause 5 (a) which contemplates to levy fine on the companies if some donation is given against the provision of this Act. Supposing an official or Board of Directors give donation against the provisions of this Act why the majority of shareholders should suffer?

Sir, I wholeheartedly welcome the provision for workers, namely, this amendment to Section 529. This has been the long-standing demand of the workers in this country. In this case also I plead with the Minister that workers should be brought at par with the creditors because it is the workers who sweat and toil for the benefit of the company.

So, I welcome the other two amendments but I strongly oppose amendment to 293A. I once again like to go on record and say that it is going to legalise corruption and legitimize blackmoney.

**SHRI RAJ MANGAL PANDEY** (Deoria) : Mr. Chairman, Sir, I rise to support this Bill. This is such a Bill which every member should welcome. It is a happy augury that the whole House is seriously attempting to put a curb on this cancerous disease which has affected our national life. Who does not know that the generation of black-money has been mainly responsible for vitiating our political life so much so that we have had even in Parliament and outside Parliament serious complaints against us that the entire system has been corrupted by the black-

money..and the people who have been generating this black money have been helping us to win our election. In this connection I could only recite a couplet by Tennyson. It says :

The old order changeth yielding place to new;

Lest one good custom corrupt the world.

Sir, whatever might have been desirable in 1969 may be undesirable in 1985 and *vice versa*. According to the particular situation prevailing at that time we would have decided something. But now with the change in the circumstances if we reverse our earlier opinion there is nothing wrong in it. Everybody feels that even when there was no ban on political donations the generation of black money was so rampant that a serious check was necessary because the future of our children and the future of our democracy have been seriously affected. Now, Sir, the very basis of democracy is that we must have a clean public life and a cleaner political structure. We want to create a society by giving a tradition of cleaner public life about which our children may be proud of. The present situation which is prevailing is that there are serious complaints to which I referred to earlier.

Now the question is, how to curb this black money evil which is corrupting our national and public life. In this House very many times we have urged that there should be a curb on this national curse. But now I don't know why objection is being raised from the other side. When public donations have been stopped, even then, generation of black money did not stop. It has increased manifold and vitiated our political and national life. So the argument of the members of the other side does not convince us that the release of the ban on political donations will at all affect our political life and generate black money. The Election Commission says that the Representation of the people Act does not give that much of power to nullify election through corrupt methods or black money. So, if we want to have a real democracy and a clean and fair election, then, naturally, this process of generation of black money has got to be stopped because it is one potential factor which tempts the people in the conduct of the elections. One must admire the intentions of the Government which is seriously working on this issue. This is one reason why

[Shri Raj Mangal Pandey]

Rajya Sabha has endorsed this Bill and sent it to the Lok Sabha for approval. Now, Sir, the opposition from the other side has accepted two of the three amendments but they are having objection only to public donations which is not at all convincing. Could we not remember that till 1969 when public donations were allowed, the opposition raised all these cries, of political atmosphere being corrupted. The opposition has been telling us that ban on political donations is responsible for generating black money which is the cause of our winning elections. But now when we are stopping it, they raise the same old cry. I think nothing could be more admirable than the presentation of this Bill. I wholeheartedly support the Bill which will give us a cleaner political and national life and bring a sustained democracy in the country. With these words I conclude. Thank you.

SHRIMATI GEETA MUKHERJEE (Panskura) : Sir, there are different sections in this Bill. The last two sections are not controversial. But really they are tagged on to the real section 293A legalising company donations to political parties. Almost all have understood that clubbing together of all these provisions is really to white-wash the real intention of section 293A. I shall not go into other two provisions which are not objectionable. I shall only refer to 293A which I strongly oppose. The Bill that is now considered in this House is really amusing and the reasons for bringing forward this Bill are so elastic. That is what I think. The very same old reasons are given as were given when company donations were earlier banned in 1969. Let me read out the Statement of objects and Reasons of 1969 Bill which was passed in this House.

"Such contributions have a tendency to corrupt political life and to adversely affect healthy growth of democracy in the country".

Those were the objects and reasons stated in that Bill. All those objects and reasons which were given in 1969 Bill are now being advanced to proclaim company donations. The very same thing is being said again to re-introduce company donations. This is political expediency or opportunism on now-

a-days euphemistically called pragmatism. This has been followed since long and let us not forget it.

Justice M. C. Chagla who was very much respected by the people of this country, had said in 1960 in Tamil Nadu High Court while delivering judgement on a case. He said —

"If this system of company donation to political parties continue, then we will have a Government of the people by the industrialists and for the industrialists."

So, this is quintessence of this Bill. The Government it already for the industrialists but not totally of the industrialists. So, again the doors are kept open for them. Naturally, the question of clean public life arises. I am not going to quote that again. That will take time. Mr. Kurup has already said what Mr. Fakhruddin Ali Ahmed, the then Minister of Industrial Development and Company Affairs said at that time. He said and I quote —because it is very relevant.

"All kinds of suspicions and doubts were now raised. The reasons for raising them would disappear and it would be better both for Government benches and also others feel that the public life was clean and no one was influenced by any company as far as political activity or elections were concerned."

This is what the then Minister for Industrial Development and Company Affairs said in 1969. Now, what is happening today? Do you for a clean public life with all the talks about "Mr. Clear"? Do you find new images and all that? We come to know that it is direct contravention of what was said in 1969. I would like to remind this House that the period of 1969 was really much brighter period for the Congress for some time. This is the historical truth which cannot be reversed. I am sure those who are sitting on Treasury benches—some youngmen and some old persons are sitting there—are feeling shame in the heart of their hearts for this Bill. Probably they are thinking that after all the main money will be coming to the Central ruling party having the reigns of power firmly in their hands. Therefore, again for exigencies, pragmatism or opportunism they are not in a position to open their mouths. That is the



real situation. But I would call spade a spade and thoroughly oppose this Bill.

Somebody was saying that we were taking money under the table etc. Perhaps Shri Das Munshi was saying that. As far as my party is concerned, we are completely free from it. But that is not my contention.

SHRI PRIYA RANJAN DAS MUNSI :  
I have not accused your party.

SHRIMATI GEETA MUKHERJEE :  
That is very good. Shri Panika was saying that this was a historic occasion and the companies should contribute for the democratic life of the country. If you were so concerned for such contributions to political life, why did you not accept Shri Wanchoo's recommendation where he said that a fund of contributions made by companies be created and that be distributed among all political parties on *pro rata* basis according to their last election results. I myself would not even agree to that. I do not believe in company donations to the political parties. But if you were so serious in their participation, you could have very well taken Shri Wanchoo's suggestion, but then that would have defeated the purpose to a great extent. It is, therefore, very clear that this measure regarding company donations has been brought in the new turn of history that you are trying to take, where you do not think that old *ghoon-ghats* are needed any more. We call it *ghoon-ghata* in West Bengal. You do not need it any more. But say it clearly and do not try to confuse the people, because nobody is such a fool as to think that you are bringing this Bill for cleaning the public life. Therefore, I thoroughly oppose this Bill.

I definitely believe that there are people on the other side, who also feel like this, but they may not be able to speak, though they must be feeling differently. For them I really have compassion and sympathy.

They say that by this black money will be curbed. This is really a very new theory that you have projected for chasing black money. You do not have a political will, and after being a thorough failure in chasing the black money, now you have decided that the best way to chase black money and root it out is to directly take company donations. This would be a great burden on the share-

holders, because white money will have to be donated first. That because it will be on record. When permits or licences are to be issued, they would ask : "What is your record in regard to this ?" Therefore, their record for contribution to the ruling party has to be there in any case. Further, it is not only donations to political parties, the Bill says donation for any political purpose to a person is also allowed. You take the white money in the name of political parties as also any political person for any political purpose. Then take the black money under the table. The field is wide open. Therefore, any political person with any political purpose can go for company donations. What is the difficulty ? The shareholders will not only be burdened with white contribution, on the top of it, they will be burdened with three, four or five times of black money contribution, and altogether a much larger amount will flow to the Central ruling party.

Therefore, I think, it is better to call spade a spade. This is an attempt of not cleaning the public life, but openly proclaiming uncleaned practices in the public life. That is the real purpose of the Bill; it is abhorring and should be dismissed.

SHRI SALAUDDIN (Godda) : I welcome this Bill. It is very progressive and will push up the morale of the shareholders as well as the labourers. This Bill will improve all aspects of a company's working—(1) structure of a company, (2) labourer, and (3) shareholder. Some of the Hon. Members protested against this Bill. But according to my view, structure of the joint stock company is democratic in character and nature. Shareholders are the masters, they are the policy-makers and as per the Companies Act of 1956, they have the voting right. The shareholders play an important role in the company's affairs. This Amendment Act will tone up the structure of the joint stock companies. In particular I would like to mention that the status of the labourers in the preferential list of a liquidated company has risen higher. In case of amalgamation of a company, the structure of the joint stock company will definitely change and the management of a company will run further smoothly without any hindrance.

[Shri Salauddin]

The third section of 293 (a) regarding contribution of companies to the political parties is a controversial issue. But there is no way out. I know that it is a much more difficult case, but side by side, it is all the more necessary.

[Translation]

Some Members of the opposition parties specially those belonging to West Bengal are opposing it. I know that the Members of C.P.M. accept money openly from these companies. This is an accepted fact. But they are saying that only the Members of the Congress Party take money. The Members of C.P.M. extract money by force, by threatening and by coercion. This is an admitted fact. These people pressurise the companies. They compel them to pay money. They put handles in the way of the industrialists. They ask the workers to go on strike and incite them. The workers are not harassed so much by management as they are harassed by the members of the C. P. M. They are very vocal here. They have got a right to speak here. I am also exercising my right to speak here.

This Bill has been brought forward to obviate their coercion, threats and use of force. This Bill has been brought forward so that nobody could threaten any one. We are not doing this for ourselves. This is for the welfare of all the people

Our intention is to have a check on black money through this Bill.

[English]

That is the very best progressive step taken by this Government.

[Translation]

Amalgamation is related to structure. Many evils have crept into the structure today and as a result of amalgamation, the structure has deteriorated very much. The weaker companies the sick units, the inefficient companies and units which have lagged behind in the competition would get a new lease of life and they could enter the market and start production. I therefore,

welcome this Bill. With these words, I conclude my speech.

[English]

PROF. MADHU DANDAVATE (Rajapur) : Mr. Chairman : I do not want to take much of the time of the House; but I may say only this much : while the ban on Company donations is being removed, I am reminded about the two parallel economies that have been running in the country. In a different sense, we are a mixed economy—we have the official economy in the country, and as once the late Finance Minister Mr. Y. B. Chavan said, we have a parallel black money economy in the country.

As far as donations in the elections are concerned, there will in future be two parallel economies : one will be the donations which will be officially recorded in Company Accounts by which, by dint of the Bill that will be converting itself into an Act today, the political parties will be able to get white money. Commensurate with the white money that each party will get, there will be a corresponding amount of black money that will be there. Therefore, in a strange way, we will be having a mixed economy in our elections.

This is not a very strange thing.

17.27 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

Sir : you have come at the appropriate moment. In what we call as the mother of Parliaments, i.e. the House of Commons, for the last several years there is not a single election petition, and the elections are fair and free, where neither the Conservatives have ever complained against the Labourites, nor have the Labourites ever complained against the Conservatives; nor the Communists have complained against both the Conservatives and the Labourites. But even in such a parliamentary democracy, which is the mother of democracies, a number of years back, i.e. in the 18th century, it was just a trade a financial barter. Since it will be of interest to this House, Prof. Ranga, I will read out a very interesting survey as to what used to happen in the 18th century in the House of Commons elections to the British Parliament:

"Some years back, the BBC put out a series of features on the working and history of the British Parliament. One of these features recounted this interesting episode about the House of Commons during the 18th century : "In the early eighteenth century, a particularly obstreperous Member of Parliament replied in these terms to his constituents who had written to him asking him to vote against the budget "

The voters said : 'Vote against the Budget'.  
The survey goes on :

".. "Gentlemen", he said, "I have received your letter about the excise and I am surprised at your insolence in writing to me at all. You know, and I know, that I bought this constituency. You know, and I know, that I am now determined to sell it. And you know what you think I don't know, that you are now looking for another buyer; I know what you certainly don't know, that I have found another constituency to buy ;"

This was what was happening.

"Buying and selling of Parliamentary constituencies in Britain was no exception then. It was almost a rule. Seats were actually advertised for sale—or even hire—in the papers. A Hansard publication, *Our Parliament*, by Strathearn Gordon notes : "Between 1812 and 1832, £5000 to £6000 was the ordinary price of a seat purchased for Parliament, or £1800 if rented for a year."

So, that was the position in the mother of the Parliaments because in those days some barons and landlords formed limited constituencies and some had controlled the ropes. They used to put up a board "Constituencies for auction". Bidders used to come. Some one would say 3000, other would say 4000, third would say 5000 and he would shout one, two and three—5000—and a constituency was sold. That is how the corruption took place. I am reminded about that episode today. Today, you are trying to remove the ban on donations and there what we propose to do—I am not touching all the aspects regarding worker's amal-

gamation of companies on which there can be no difference—what we are doing by removing the ban on companies, you are trying to legalise illegal things. For instance, if you feel that in spite of probation, the cottage industry grows and in villages and small towns, near sea side, the manufacture of liquor is going on, rather than saying that we are discontinuing this, you say that by law, we have opened drinking to all the citizens. Through it is vice, you say we are removing prohibition. All that you are doing is that you have found that in spite of your laws, donations are coming and donations don't come to anyone. After all, there is a sense of proportion. Industrialists and monopolists are most balanced men in the country. They know how a balance between various parties to be retained? Therefore, they know those who monopolise power, the monopolists have to monopolise their health. Therefore, they go on extending more help to them; and you will find tomorrow, even after this Bill becomes an act and when it is implemented, if you just find out from the company account of various companies as to how much donations they have given to parties X, Y and Z, then you can almost build a formula that five times of that amount shown in the account will be the actual amount that will be given to that party outside the company's account and that is how the parallel black - money will exist side-by-side with the actual donations coming in the companies. Therefore, you will be putting actually a premium in the vice. Now, we are trying to approach the problem in the wrong way. The intentions are best. But remember the road to hell will always be paved with best intentions and they are masters in having best intentions and in having capacity to go to hell. Therefore, with the best of intention, they are taking the country to hell. I am only saying about this and not otherwise. What will be the net effect of this? What is the basic problem that you don't tackle—unfair elections, growth of moral power, growth of money power, growth of muscle power, growth of machinery power. All these are only symptoms of a disease; they are not a disease itself. Your man power is not disease. But what is happening at the root that is disease. The corrupt tendencies are disease and therefore if you want really to undertake this particular measure to see that actually

[Prof. Madhu Dandavate]

evil practices are reduced, then merely removing the ban on companies' donations will not solve the problem. You go to the root of the problem; and if you go to the root of the problem, then what the former Chief Election Commissioner has suggested is that States funding of elections create a fund of hundreds of crores for five years. You prescribe a limit that those candidates who forfeit their deposits, their expenditure will not be borne by the government at all; but those who will retain their security only their expenditure will be borne. You fix up the parametre; and once you have the States funding of elections, you can also try another experiment that is in West Germany where they have fixed a particular percentage; these parties which get percentage of votes above a particular minimum fixed, they will be entitled to get subventions from the government. And once that is declared then there is a family planning of political parties. They also feel that if you want to finance their election, rather than having many parties, they can become one party. We have a country in which if there are two MIAs, together they form three political parties. That is the state of spectacle we are having in the country. Because we have this pattern that parties getting the vote beyond a particular percentage will be entitled for subvention from the the Government, the natural tendency among the small political parties will not be to multiply more and more like India's population, but the process will be a process of polarisation. It will not be a process of fission but it will be a process of fusion. More and more small parties will come together; because they will like to be entitled to get subvention from the Government and thereby indirectly the multiplicity of the parties will be eliminated and as a result a stabilised democracy can be achieved and at the same time because they get above a particular percentage they get the subvention, at the same time you can put a clear rider that once you get state funding of elections beyond that you will not be required to spend at all.

In England, lot of expenditure—Mr. Ranga you and I are incurring this already—is taken over by the State. Cards are sent to the individual electorate by the Government. A brief note about every candidate is mentioned on the card. Brief propaganda campaign,

a gist of their election campaign, programmes—all those are circulated by them. And as a result, the election becomes cheap. That is why just with 15 or 20 days' notice they are able to hold the elections in the U.K., and therefore the elections become very cheap.

So, let us go to the root of the problem as to how the elections are to be made cheap. Not that we make the elections costly and make provisions in the Company Law to see that enough money will be available from the companies for the donations. We are going exactly in the wrong direction therefore, rather than going to the root of the problem. The tragedy of our country is political parties, instead of going to the root of the problem, they touch it at the surface only and as a result of that every solution of the problem is a tinkering of the problem—not solving the problem at the root level. That is exactly what is happening in this country. Otherwise, on the face of it this is a very innocuous legislation and some of them who have not gone through the implications and studied as to what happens in the country, they say that it is an admirable effort. But when they start its implementation, and when some in power go to the opposition and some in the opposition go to power, then they will realise what exactly the implications of this particular company law are. And, therefore, I would prefer the State funding of election rather than funding of the election of the parties by the companies and if you allow the funding of the election by the companies, remember that the businessman is a very shrewd and intelligent animal. I am saying it in the sense of a rational animal. Man is also described and defined as a rational animal. In that sense only I am saying that the businessman and industrialist is a very ingenious animal and what does that animal do? Whenever they give a donation they treat it as an investment and the first principle of investment is invest only in that particular industry from which you will be able to plough back a lot. And, therefore, remember my friends! Whether we belong to the Janata or whether we belong to the Congress Party, once we allow the companies to invest, not in machinery, not in plants, not in dams, not in the various projects, but in elections and in the political parties, then the investor will try to get back through the investment a considerable amount of Plough back and that is what these people will be doing.

All said and done, if some company magnate has helped me a lot, if some monopolist has helped me a lot, it is a human psychology that if it is found out that he is involved in a fraudulent practice, I must tell you that even my tendency will be to see that even if I do not speak in favour of him I do not say anything against him, at least remain quiet and I become a silent spectator of the fraudulent practices that are conducted by the monopolist and industrialist. It is not only the psychology of the opposition but also the ruling party. Even if we, on the opposition, get lakhs and lakhs of rupees from a particular industrialist X or Y, my tendency in the House will not be to expose him but to expose only that industrialist from whom I have not got even a farthing so that he will not be able to say against either inside the House or outside. Therefore, even our battle against inequality will suffer, our battle against some of the affluent sections will suffer and our battle against industrialists and monopolists will suffer.

This is a measure on which you can neither vote for nor against. What is there in it? Of course, I do not accept it. Our opposition is not for petty reasons but for deep-rooted reasons. Therefore, taking advantage of the discussion on this Bill I will make an earnest appeal to the Minister that with your majority you will always carry the Bill, because if you try to tighten the MRTTP Act, people from your side will say that it is an admirable progressive measure and if you try to relax the limit from Rs. 20 crores to Rs. 100 crores, the same people in their speeches will say that it is the wonderful pragmatic step that the development process in the country can increase. Therefore, my humble suggestion to the Minister is that with your majority you are going to pass it. You, as the presiding authority, in one breath, are going to say those for and those against and the Bill is passed. You will not wait for to count how many for and how many against.

MR. DEPUTY SPEAKER : If you demand that, definitely I will have to wait for.

PROF. MADHU DANDAVATE : I do not blame you. All that I am saying is that in our present party structure, the consensus is already nationalised and it is not a question of exerting a conscience vote. Even

if Prof. Ranga were to feel otherwise—I do not allege that he feels otherwise—he cannot forget that he is the Deputy Leader of the Congress Party. Of course, he is the Deputy Leader in the year when they are celebrating the centenary of the Congress Party. 7.1/2 years young girl is claiming that she is hundred years. Of course, Rangaji is old enough. But even the youngsters are saying that they are of 100 years of age. On this occasion they are likely to pass these measures with their majority. I have no grouse against them. Even if we were in majority, we would have passed all of them with the brute majority. But this being the situation I only provoke them by saying that today if you want to pass it with your majority, pass it, but at least at some stage let your conscience be roused and let you be driven to the basic thinking of State funding of elections and when you start doing it you will find that this is only tinkering with the problem and what is really needed is facing the problem and solving the problem. Only in that context, I am not interested in this Bill.

PROF. N. G. RANGA (Guntur) : Mr. Deputy Speaker, Sir, I must confess that I am provoked to speak at this stage by the speeches made by Geeta Ji and also by Dandavate Ji. The positive proposal that they have suggested, I agree with that. It has always been a practice in West Germany. There they have made it necessary for the State to make contributions to various political parties according to the votes that they are able to gain from the people in the election. In that manner they have made it easier for their political parties to be sure of their political funds for fighting the elections; if not to meet the whole of it, at least a major part of it. To that extent I am in agreement with them. I have been hoping that time would be taken by our Government as well as the Opposition parties to have discussions among themselves and reach some consensus when this kind of a suggestion was made by the Election Commission. But unfortunately, no such effort has been made so far. I hope that effort would be made as soon as possible and it would be possible for all the political parties to come to some agreement in regard to that matter.

The second point on which I am in agreement with Professor Dandavate is if

[Shri N. G. Ranga]

such a system were to be adopted, then there would be an effective incentive for so many fractional parties to come together and then form themselves into groups or parties in their way towards the development of a bipartisan system, as they have in England or in America. But just as it is now, the very leader of Dandavate's party is unwilling to take an initiative in helping the other political parties to come together among themselves and then forming into some kind of a viable political party. Under these circumstances, we are bound to have all these fractional parties that we have. I am rather amused that my Hon. friend Geeta Mukherjee, who looks so stale and old, has suddenly turned out to be a handsome damsel. Now I can understand how she is able to manage to get herself elected again. She is a bit of an actress also,...

(Interruptions)

PROF. MADHU DANDAVATE : She is a damsel in distress also.

PROF. N. G. RANGA : I wish to assure her that it is not only herself, there are others also on this side. We can go on ridiculing each other but nevertheless we can remember who is black, the pot or the kettle. All have gone through the same experience of expediency, of collections under the table, below the table and above the table also.

My Hon. friend from this side has touched upon a very important point which is involved in this that it is not only the companies and their managers and their directors and their tycoons, as our friends would like to call them, who are going to vote in regard to these company donations but also the workers, because we are going in for progressive development of what is known as workers' participation in the companies' management. So, they will also have their share in taking their decision as to how much should be contributed, by which company, in what proportion, to their profits or their losses or their transactions. That would be an open opportunity for the workers themselves and whoever represents the workers. The Communists claim to represent them, we also claim to represent them. Therefore, it is an opportunity for them to assert themselves. And when they

do it, they would be able to get the companies to contribute to several parties—those who are on the side of the ruling party, those who are on the side of the Opposition parties also.

They alone are not experts in forming the Opposition parties as opposed to the ruling party, the Congress. For some years I was also in the Opposition. I have had some experience also, the kind of bitter experience that some of them who are honest, have been having and the experience I had as to how difficult it is to get any kind of donation from anybody. But I have known one or two, I think, very honest people who had the moral courage to tell the then ruling party that they were going to contribute to both—to the party that I was then representing and also to the ruling party. When the ruling party leader asked them "why are you doing this?" one man said we believe in democracy where there should be Opposition. Since you are the ruling party and since you have three fourths control, therefore, three lakhs of rupees for you; and since they have got control on only one fourth, we are giving them one lakh of rupees. Another gentleman who was best of the tycoons, said : if we do not contribute to them, they will blackmail us. If we do not contribute to you, you create trouble through your bureaucracy. So, we contribute to both. Has the same not been within your experience individually and otherwise? Do you not know that it is happening? Is it not because you have gained control over the whole of the working class involved in a concern or in a big company or a part of it, and so you are able to collect through blackmail or whatever it is or through persuasion. It is a fact? These are the things that are happening. We are going through all this. What about our experience in regard to our elections.

SHRIMATI GEETA MUKHERJEE : Rangaji, wicked people say that due to the fact that the Swatantra Party was getting money at that time, the Congress Party in 1969 brought the earlier Bill. Is it your experience too having been in the Swatantra Party?

PROF. N. G. RANGA : I am not able to hear you.

**PROF. MADHU DANDAVATE :** Repeat it, he has not followed you.

**PROF. N. G. RANGA :** Please, it is no good trying to speak with our tongue in our cheek. I do not want to touch any delicate spot of anybody, but let us be honest with ourselves.

*(Interruptions)*

**PROF. MADHU DANDAVATE :** Prof. Ranga, is that the norm that you follow even when males are speaking ?

**PROF. N. G. RANGA :** Dandavate Ji, you have covered such a big ground that I cannot now hope to finish my speech within the next six minutes that I wish to take.

Now, one thing is this. He said, why are you satisfied with this tinkering ? Now, my Hon. friend has referred to what is known as Pocket Boroughs in England. I have gone through all that history and I have also gone through the Congress electioneering here in our country. At one time we needed only Rs. 5,000/- for our Constituency. Now, I do not know how much, but not less than Rs. 5 lakhs. Where from it is to come ? It has got to come from somewhere. Leave that aside. In England in order to enable the working class to play their honourable role in public life, they have imposed what is known as "political contribution" from the workers. It has had its own history also. Every worker at one time mainly because he joined a union and the Union decides in favour of voting for the Labour party, had to contribute a particular sum to their labour fund. Afterwards, when the Conservative Party came in, they said it is not only the Union which has got to decide, every worker who wants to make a contribution should also decide. In that way they have progressed to such an extent that on the whole it is free from too much corruption. There is some corruption everywhere. My Hon. friend here with his hands on his beard was saying outside : what is it under the table and over the table, black and white money and so on ? These things are bound to happen. They would be there .. *(Interruptions)*.

**SHRI S. JAIPAL REDDY (Mehbub-nagar) :** 'Black' will continue to be there. We need 'white', to whitewash the black.

**PROF. N. G. RANGA :** Let us be honest with ourselves. I am not trying to score points. I am only trying to persuade people because I am on the way towards development of a consensus, as I have already told you. I did not like the reference that was made by our friend, Prof. Madhu Dandavate—I expected something better from him—to Mr. Pure. I can tell you, so far as my experience goes..

**PROF. MADHU DANDAVATE :** I referred to 'Dirty men'. I never referred to 'Pure'

**PROF. N. G. RANGA :** Perhaps, Mrs. Geeta Mukherjee referred to it.

My experience shows that a genuine effort is being made. Let us appreciate that. It may be only a step. Nevertheless we are moving in the right direction. You cannot deny that. When you move in the right direction, if you go on shouting like this, fighting like this and ridiculing, people will naturally become shy and we will not be able to move further in that direction. I want all political parties to move as fast as possible towards as much of purity as possible in public life. And it is a very good contribution because here you have got the workers as well as employers. Both workers as well as capitalists would have the chance and they would be able to make up their own mind. It is quite possible that we may come across such a possibility, such an experience, that the opposition may and so they might get 25 per cent contributions while the ruling Party may get 75 per cent. Slowly it may come to fifty-fifty. We are not going to oppose a development like that. You are asking for workers' participation. You are going to get your chance. Apart from all these things, is it not a fact that the political parties are getting money not only from our own people in our own country but from outside also ? Are we not bandying charges one against the other in various Legislatures as well as Parliament ? And at the same time are we not carrying on ? In spite of all these troubles, we are moving towards progress. I have had the experience of these things since 1930. In 1930 I was elected unopposed. In 1931 I was defeated.

17.58 hrs.

[MR. SPEAKER *in the Chair*]

[Prof. N. G. Ranga]

As I have been saying to people, I do not think there is any Member here who has been defeated as many times as I was and who has been re-elected also as many times as I was. I have had all these innings. I know how we are moving. We are moving towards progress, towards more and more purity and less of self-deceit. Therefore ..

MR. SPEAKER : Prof. Ranga, please resume your seat. I have to make an announcement.

17.59 hrs.

DEATH OF MEMBER

[English]

MR. SPEAKER : Hon. Members, I have just received the news that one of our

Hon. Members, Shri Girdhari Lal from Bijnor, Uttar Pradesh, a veteran Member, has passed away. As a mark of respect, I adjourn the House. The obituary reference will be made tomorrow. But before we adjourn, the House will stand in silence for a short while as a mark of respect for his memory.

(The Members then stood in silence for a short while.)

MR. SPEAKER : The House stands adjourned to reassemble at 11.00 a.m. tomorrow.

18.00 hrs.

(The Lok Sabha then adjourned till Eleven of the Clock on Friday, May 17, 1985/ Vaisakha 27, 1907 (Saka).)