

from the point of view of the Monopoly and Restrictive Trade Practices Act, and they have been found to be feasible and necessary from the priority point of view. Therefore, that argument does not really stand.

Even if we take up the break-up, the percentage of assistance given to these big houses out of the total assistance works out to 54.03 per cent up to 30th June 1972. In terms of money, the large industrial houses have got Rs. 168.90 crores out of the total assistance of Rs. 312.60 crores.

Shri A. N. Vidyalankar, a very senior colleague, has stated something about lack of co-ordination. I am happy to say that an inter-institutional group has been set up for ten States which is looking into this aspect.

Shri Jyotirmoy Basu mentioned that even foreign majority shareholding companies receive assistance from the IDBI. The position is that once a body is registered under the Indian Companies Act, the IDBI cannot make any discrimination between companies in the matter of assistance. Also, it would not be in keeping with banking and international practice. Of course, it has been our effort to see that the involvement and participation of the Indians must gradually increase, and we have been working in that direction.

I hope I have met most of the arguments of the hon. Members. So, I would request the House to accept this Bill without any reservation and give it the credit which it really deserves.

MR. DEPUTY SPEAKER. The question is:

"That the Bill to amend the Industrial Development Bank of India Act, 1964, be taken into consideration".

The motion was adopted

MR. DEPUTY SPEAKER: We now take up clause-by-clause consideration of the Bill.

Clause 2—there is no amendment. The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

MR. DEPUTY SPEAKER: Clause 3—There are four amendments given notice of by Shri Ram Avtar Shastri and Shri Madhukar. I do not see any of them here. So, they are not moved.

Then, I put the rest of the clauses and the rest of the Bill to the vote of the House.

The question is:

"That clauses 3 to 8, Clause 1, the Enacting Formula and the Title stand part of the Bill."

The motion was adopted.

Clauses 3 to 8, Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRIMATI SUSHILA ROHATGI: I beg to move:

"That the Bill be passed"

MR. DEPUTY SPEAKER: The question is:

"That the Bill be passed"

The motion was adopted.

14.37, hrs.

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI SUSHILA ROHATGI): Mr. Deputy-Speaker, Sir, I beg to move*:

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

[Shrimati Sushila Rohatgi]

As the House is aware, the Industrial Finance Corporation Act was passed in 1948 to set up an institution for providing medium and long-term credit facilities to industrial concerns in India. The last amendment to the Act in 1964 was made on the eve of the establishment of the Industrial Development Bank of India. With the establishment of the Industrial Development Bank of India, and the amendments carried out to the Act in 1964, the shares held by the Central Government and the Reserve Bank were transferred to the Industrial Development Bank of India and additional shares were issued by the Corporation exclusively to the Development Bank to enable it to hold 50 per cent share capital in the Corporation. Certain powers in regard to the operations of the Corporation including the powers to issue directives on questions of policy to the Corporation which had been previously vested with the Central Government have been transferred to the Development Bank.

The House may have already noticed the significant improvement made by the Corporation over the years in its overall business. In the last year ended 30th June, 1972, the Corporation issued fresh capital of Rs. 1.65 crores and with that issue the authorised capital stood fully issued and subscribed. One half of the issued capital has been paid up and the balance half may be called up in the near future. During the last year the Corporation sanctioned net financial assistance of Rs. 39.16 crores for 68 industrial projects compared with the assistance of Rs. 35.03 crores for 61 projects sanctioned during the previous year. Of the projects assisted, 39 were new projects accounting for about 72.8 per cent of the total sanctions for the year. As in the past, the Corporation continues to assist industrial sugar and textile cooperatives to which nearly Rs. 10 crores constituting 25.5 per cent of its total assistance, was sanctioned. Of the projects

assisted, 17 projects would be located in the districts notified by the Central Government as industrially less developed. Financial assistance sanctioned to such projects aggregated to Rs. 14.10 crores, accounting for about 36 per cent of the total sanctions. The total cumulative sanctions of the Corporation since its inception upto 30th June, 1972, amount to Rs. 398.00 crores covering 565 projects and disbursements amount to Rs. 341 crores.

The working results of the year ended 30-6-72 disclose a higher income of Rs. 14.98 crores compared to Rs. 13.46 crores of the previous year. The gross profit of Rs. 4.84 crores registered an increase of Rs. 37 lakhs over the previous year and the net profit was Rs. 2.19 crores as against Rs. 2.18 crores of the previous year. Additions made to the reserves during the year were to the extent of Rs. 1.77 crores, bringing the total reserve fund and other special reserves of the Corporation to Rs. 16.02 crores which exceeds the paid up capital of Rs. 9.17 crores by Rs. 6.85 crores.

The Corporation continues to receive lines of credit from foreign financial institutions. During the year, a further line of credit—being the tenth one—for DM 8 millions from KFW of West Germany was allocated to the Corporation bringing the total allocations to DM 120.50 millions. The U.K. and French lines of credit made available to the Corporation amount to £ 2 millions and 15 millions French francs respectively. Practically, all these foreign currency lines of credit stand committed for lending to industrial concerns.

In order to be of assistance to its borrowers in the various States, the Corporation has been gradually spreading, its net work of offices in all the State capitals. So far, besides its Head Office at New Delhi and branches at the Metropolitan cities, offices of the Corporation have been opened at Ahmedabad, Bangalore, Bhubaneswar, Gauhati, Hyderabad, Kanpur and

Patna. The Corporation has now on hand a phased programme of opening offices at Jaipur, Cochin, Bhopal and Chandigarh.

In view of the progress already achieved by the Corporation and the role it is expected to play in the future, particularly, in assisting new entrepreneurs and in the development of backward areas, it is necessary to equip the organisation with the necessary tools to serve industry in a wider field. This Bill is largely intended to serve that purpose as is explained, in some detail, in the Statement of Objects and Reasons appended to the Bill.

I now turn to explain briefly some of the important amendments before the House.

For the first time, the Corporation is being enabled to grant assistance to industrial concerns which are incorporated as private limited companies under the Companies Act. Public sector undertakings which are normally promoted as private limited companies under the Companies Act will thus be able to receive assistance from the Corporation. The new deserving entrepreneurs generally promote enterprises as private limited companies and this amendment will enable the Corporation particularly to grant foreign currency loans to such companies from the different foreign lines of credit available with it.

As already stated by me, the Corporation issued its entire authorised capital and is expanding its activities further. It is, therefore, proposed to increase its authorised capital to 20 crores of rupees.

The House may be aware that the Committee on Public Undertakings, which examined the working of the Corporation, in its report submitted to Parliament in April, 1970, made some recommendations. Such of the recommendations which have been accepted by Government, with or without modifications, are being implemented through this Bill.

Briefly stated the amendments relate to—

- (i) the abolition of the Central Committee of the Corporation established under Section 14 of the Act;
- (ii) the prohibition of assistance to the industrial concerns in which the directors of the Corporation may be having beneficial interest during the period they serve as directors; and
- (iii) a liberation of the provisions regarding the liability to be borne by the borrowers of foreign currency loans in respect of fluctuations in the rate of exchange of foreign currency.

At present, the Corporation is under an obligation to divest itself of the shares and debentures devolved on it in fulfilment of its underwriting obligations within a period of 7 years. Consistent with the new policy according to which parts of loans granted by the Corporation, in many instances, are to be converted into equity, it is necessary to enable the Corporation to hold the shares devolved on it and not to disinvest them. It is, therefore, proposed to remove the present restriction on holdings beyond a period of 7 years.

The working of the Corporation is now sought to be brought in line with the latest thinking in development bank lending in favour of a project-oriented approach, in preference to security-oriented concept, thereby leaving the question of taking security in respect of assistance granted by it, to its discretion.

I have already mentioned earlier in my speech that the Corporation has built up its reserve fund and special reserves to more than its paid up capital. Its reserve fund alone is now equal to its paid up capital. It is, therefore, no longer under an obligation to restrict its dividend to the

[Shrimati Sushila Rohatgi]

rates guaranteed by the Central Government. There is, however, a ceiling of 5 per cent on the dividend which may be declared by the Corporation. This rate was fixed in 1948 when the concept of taxation of dividend was different from the one at present. Since the rate is now subject to deduction of tax at source, the rate of 5 per cent is considered rather too low. In line with the other long term financial institutions operating in the country, I propose to remove this ceiling and leave it to the Corporation to declare reasonable dividends depending upon its working results from year to year. It is also proposed to enable the Corporation to retain the surplus profits with it after declaration of its annual dividends so as to augment its reserves further, instead of being transferred to Government.

As the Corporation has built up its reserves sufficiently, it is now in a position to undertake some development activities out of allocation of its profits and grants received from outside. A special Benevolent Fund is, therefore, proposed to be established in the Corporation to finance *inter alia* the cost of feasibility studies, subsidise projects promoted by technologists and new entrepreneurs, especially in less industrially developed regions and also to train the personnel of financial institutions. In this context I may mention the initiative recently taken by the Corporation to establish a Management Development Institute which will provide training in modern management techniques to the clients of the Corporation, particularly to new entrepreneurs and technologists who for the first time promote an industrial project with financial assistance from the Corporation. The Special Benevolent Fund now proposed to be established will also be one of the sources of funds for the Management Development Institute to achieve its objects.

There are a few other amendments

which are minor or of a procedural nature and designed to strengthen the operations of the Corporation in respect of recovery of its loans from the borrowing concerns, and I need not take any further time of the House to discuss them. The House has been very cooperative in hearing my speech and I need not take any further time of the House.

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

MR. DEPUTY-SPEAKER: Motion moved:

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

Mr. Somnath Chatterjee.

SHRI SOMNATH CHATTERJEE (Burdwan): We welcome some of the measures which are sought to be introduced, namely, making it possible for the IFC to grant loans to all companies, whether they are public or private companies and in so far as option is being given to IFC not to insist on full security for the loans granted. These are welcome steps because the provision for getting full security was really hampering the chances of various industries in getting loans from the IFC. But there are some provisions of the Bill which require a little deeper consideration.

So far as Clause 10 of the Bill is concerned, as you will notice, Sir, it seeks to insert new sections, 21A and 21B. Section 21B provides for power to transfer the rights and interests of the Corporation in relation to any loan or advance granted, or any amount recoverable, either in whole or in part, by the execution or issue of any instrument, or by the transfer of any instrument, etc. But it has not been said to whom such transfer can be made. This is a lacuna that I find in the Bill. The power is given to the Corporation to transfer the rights and interests of the Corporation in relation to any loan or ad-

vance, but who will be the trans-
turers, I do not find any reference to
it. If there is any provision in this
regard, the hon. Deputy Minister
may kindly refer us to that.

Another provision is about Clause
17. Clause 17 deals with the jurisdic-
tion of the courts. Instead of district
courts, in all cases, the High Court is
being sought to be given jurisdiction
in the matter. I am unhappy the way
the drafting has been made. First of
all, I do not know why suddenly the
district courts' jurisdiction is sought
to be curtailed which will not result
in minimising the arrears which are
unfortunately there in the various
High Courts in this country. Also,
the language of the Bill leaves much
to be desired because it now says
that the jurisdiction is to be ascer-
tained from the basis which court
will have power to grant *ad interim*
injunction. This is a peculiar meth-
od of laying down which court
will have jurisdiction. You will find
this on page 8 of the Bill. Clause 17
(f) says:

"For the removal of doubts, it
is hereby declared that any Court
competent to grant an *ad interim*
injunction under this section shall
also have the power to appoint a
receiver and to exercise all other
powers incidental thereto."

There is no law which I know of
which lays down which court will
have power to pass *ad interim* in-
junction. These are, what are
known as, interlocutory proceedings;
unless the court has jurisdiction to
decide the main matter, the question
of passing *ad interim* injunction
cannot arise. We are passing a Bill.
Such anomalies and obvious lacunae
should not be there in the Bill.

Then I come to Clause 21 which
seeks to do away with the provision
so long existing of placing the re-
gulations to be framed by the IFC
before Parliament for Parliament's
consideration. It is true that the
Central Government will not be con-
tributing any fund as such to the
Industrial Finance Corporation un-

der the proposed set-up. But this is
public money which is being utilis-
ed. The provision is already there
that the regulations framed should
be placed before parliament. Why is
that sought to be done away with?
Although the Central Government is
not directly involved in it, the pub-
lic is very much interested because
these are public funds which are to
be utilised for the purpose of carry-
ing out the functions of the Indus-
trial Finance Corporation. Why
should parliament give up its right
to consider these regulations?

These are some of the observa-
tions I wish to make on the Bill it-
self.

So far as the functioning of the
IFC is concerned, we feel that there
is a good deal of scope for improve-
ment. One of the provisions which
is sought to be introduced is to take
away the bar on the quantum of the
rate of dividend that may be declar-
ed by the IFC. We do not think that
the rate of dividend distribution is
the real test by which the function-
ing of this IFC is to be judged; nei-
ther the profit-earning nor the divi-
dend distribution should be the test,
the yardstick, to find out whether
the progress which the IFC seeks to
be claiming to have reached has ac-
tually been reached. We feel that
the real test to decide whether the
IFC is discharging its duties which
are expected of it is whether the
financial assistance is being given to
deserving industrial concerns, with
what speed or attitude they are de-
aling with these applications and so
on. We want to know how long these
applications are kept pending, whe-
ther there is proper distribution of
the available resources so that there
is no disparity in respect of any in-
dustrial concerns and also that there
is no regional imbalance. We want
to find out whether these objects are
being achieved by the IFC.

After all, it has to be ascertained
whether all these concerns which go
to the IFC can be made viable units

[Shri Somnath Chatterjee]

by themselves. The proper approach should be not merely granting loans to various concerns in order to tide over immediate difficulties but to see whether they can themselves mobilise resources by working properly. This is an important thing which has to be achieved. I was going through the Annual Report of the IFC and, very surprisingly, it does not mention these important aspects, how far the loans are being utilised for generation of the industrial potential in the country, for expanding employment opportunities in this country, how far uniform and ordered progress of the industries in different parts of the country is really achieved. Merely referring to figures—the hon. Deputy Minister gave several statistics—does not really give us a correct and complete picture.

During the last 23 years—I have got the figures upto 1971 end—the Industrial Finance Corporation gave assistance to 527 projects and the total amount involved was Rs. 366 crores. If my figures are wrong, I would like to be corrected. Out of these 527 projects, 233 only were new projects and the rest were for expansion or for modernisation of the plant. The real difficulty is that we find there has been a complete neglect of various parts of the country. We do not mind Maharashtra making strides and progress. We wish well all other parts of the country but, during the year 1971-72, Maharashtra got 19 projects sanctioned for about Rs. 10 or 12 crores. As against that, the State of West Bengal had only one project sanctioned involving an amount of only Rs. 65 lakhs. I would like to know from the hon. Minister as to how many applications have been made from West Bengal during 1971-72 and what was the amount asked for and how many projects were sanctioned. I find only one project was sanctioned. I want to know how many different types of projects had applied to the IFC for sanction of loans.

As you know, there has been a justifiable feeling in the State of West Bengal that financial institutions like the IFC which have large amounts at their disposal, are not making available these resources to industries or houses or smaller entrepreneurs in West Bengal for the purpose of expansion of the industrial activity in that State. We have been referring to the record of the LIC investments in the State of West Bengal but I find that the record of IFC is much more dismal. I would like the hon. Minister to kindly look into this and give us the figure so that we may know whether there has been any loaded attitude in favour of any particular area or not. I am not making any accusation as such in the absence of materials with me but I would like the hon. Minister to look into this and kindly tell us as to what is the real position.

So far as the inter-relation between the IFC and the Industrial Development Bank is concerned, there is a considerable feeling among the economists also who understand matters better than us...

MR. DEPUTY-SPEAKER: The hon. Member may continue tomorrow. Now, we take up the next item.

DISCUSSION RE: GROWING C.I.A. ACTIVITIES IN INDIA

14.59 hrs.

MR. DEPUTY-SPEAKER: Now, we take up the discussion on the danger of growing CIA activities in India.

Mr. Indrajit Gupta.

SHRI INDRAJIT GUPTA (Alipore): Right at the outset, I will crave your kind indulgence to give me a little time, if only, for the reason that my resolution on the same subject which had secured the first place in the ballot a week or two ago, could not be taken up due to what I consider to be the rather over-anxious attitude of some people, of