

14.48. 1981

**STATE FINANCIAL CORPORATIONS
(AMENDMENT) BILL**

MR. DEPUTY-SPEAKER: We take up the next Bill by Shrimati Sushila Rohatgi further to amend the State Financial Corporations Act, 1951.

**THE DEPUTY MINISTER IN THE
MINISTRY OF FINANCE (SHRI-
MATI SUSHILA ROHATGI):** I beg to move*:

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

As the House is aware the State Financial Corporations Act was passed in 1951 to provide for the establishment of State Financial Corporations in the States for rendering financial assistance to small and medium scale industries. Practically all the States have now established Financial Corporations in their respective territories. In regard to States and the Union Territories other than Delhi, which are small in area, the State Financial Corporation in the adjoining State serves as a Joint Financial Corporation. Negotiations are in progress for the extension of the jurisdiction of the Assam Financial Corporation to the State of Nagaland. The Union Territory of Andaman & Nicobar Islands has been addressed to consider setting up a Corporation. Action is being initiated to extend the jurisdiction of the Kerala Financial Corporation to the Laccadive Minicoy and Amindivi group of Islands.

Since the last amendment to the Act in 1962, the activities of these Corporations have increased considerably. During the last financial year 1971-72, the aggregate loans sanctioned were of the order of Rs. 63.35 crores as against Rs. 49 crores of the year 1970-71 and Rs. 32.40 crores in the year 1969-70. The aggregate loans granted by the corporations since their inception amount to Rs. 291 crores covering 17,797 units. Of this, the number of small scale units assisted

was 15,447 which received financial assistance of Rs. 141 crores. The aggregate paid up capital of the Corporations stood at Rs. 6.06 crores and their reserves at Rs. 6.06 crores. The number of Corporations which had to draw subventions has now declined to two and the subventions drawn also are at present insignificant. The Reserve Bank of India and the Industrial Development Bank of India have been assisting the State Financial Corporations in finding resources in the form of capital and bonds in the market and have also been providing refinancing and loan assistance at concessional rates of interest to the extent, financial corporations are able to utilise them.

The House may recall that concessional schemes of finance have been announced by the all-India term lending institutions for the establishment of small and medium scale industries in various backward areas notified by the Planning Commission. The Corporations' role is no longer confined to that of a mere purveyor of term loans to such industrial concerns as they seek them. The Corporations have to search for and implement positive programmes in ever widening fields of activities for the stimulation of industrial growth especially in the backward regions. There is a proposal for a World Bank Loan for of 25 millions U.S. dollars to be routed through the Industrial Development Bank of India for meeting the foreign exchange requirements of the loanees of State Financial Corporations. With the nationalisation of banks and the spread of a net-work of branches of these banks throughout the country, there is need for State Financial Corporations also to play a more useful part in the field of development of banking, particularly in less industrially developed regions of the country by extending financial assistance to new entrepreneurs. It has, therefore, become necessary to equip these corporations

*Moved with the recommendation of the President.

[Shrimati Sushila Rohatgi]

with the necessary tools by suitably amending the law.

In November, 1971 the Finance Minister convened a Conference of the Reserve Bank of India, the State Financial Corporations and the public sector banks to effect a greater coordination of the activities of the Corporations with the Commercial banks. The various amendments contained in this amending legislation were the direct result of the decisions taken at the Conference. The amendments have been circulated among the State Governments Representatives of some of the State Governments were also invited for discussions at Delhi to explain to them the salient features of the Bill. The principal amendments to the Act now proposed in the Bill have the broad general consensus of the State Governments.

I now proceed to explain the more important of the amendments.

The Corporations are now enabled for the first time to finance concerns engaged in the maintenance and repair of machinery, vehicles and vessels, assembling and packing units and the fishing industry To help new entrepreneurs in the promotion of industries, consultancy services will also be provided by the Corporations.

The most important of the amendments is the creation of a special class of share capital to be exclusively subscribed by the State Government and the Reserve Bank This capital is intended to provide loans on soft terms to technical entrepreneurs, to sophisticated lines of industries and to promote units in the industrially backward areas selected to qualify for concessional finance from the all-India term lending financial institutions. I hope this will be welcomed as a positive step towards helping the emerging class of new entrepreneurs and also in achieving the goal of a balanced regional development. In respect of this class of shares it is not proposed

to burden the State Government with the need to guarantee a minimum rate of dividend.

I am proposing a procedural change in the selection of managing directors who are the chief executives of the Corporations which are now expected to take more initiative than hitherto in the promotion of industries. The State Governments in future would, therefore, be required not merely to consult the Reserve Bank of India but should obtain its advice before making the appointments in order to ensure that suitable persons of requisite calibre alone are appointed as managing directors of these corporations.

To enable the financial corporations to have a wide net work of branches in their respective States, the corporations are also enabled to open offices at such places as they consider necessary in addition to the places where the State Governments ask them to do so.

On the analogy of the provisions proposed in the Industrial Finance Corporation (Amendment) Bill, 1972 the State Financial Corporations would also be prohibited from granting assistance to industrial concerns in which any of the directors of the financial corporations, may be having a beneficial interest, so long as they serve as directors on the corporations.

To have a better spread of assistance to a larger number of units, I propose to restrict the size of the industrial concerns which will be eligible for assistance from the corporations as well as the quantum of assistance which the corporations may give to a single industrial unit. Industrial units whose aggregate of paid up capital and reserves exceed one crore of rupees will not be eligible for assistance. The Corporations cannot also grant aggregate assistance exceeding 30 lakhs of rupees to a single industrial concern, if it is a limited company and 15 lakhs of rupees, if it is

a proprietorship or a partnership concern.

Some of the Union Territories have contiguous areas with more than one State. Under the present law such Union Territories can enter into an agreement with only one State for forming a Joint financial corporation. It is now proposed that the administrations of Union Territories may form Joint financial corporations with one or more States depending upon the States contiguous to each of its areas.

The other amendments are explained in some details in the Statement of Objects and Reasons and in the Notes and Clauses and are minor, consequential, clarificatory and of a procedural nature and I need not take any further time of the House to explain them.

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

MR. DEPUTY-SPEAKER: Motion moved:

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

SHRI SOMNATH CHATTERJEE (Burdwan): Mr. Deputy-Speaker, Sir, so far as this Bill seeks to extend the coverage by enlarging the definition of industrial concerns, we welcome it, because it makes various other types of industries or businesses eligible for financial assistance from the State Financial Corporations. But there are certain provisions of this Bill on which we feel that they have been incorporated without giving much thought to them.

For instance, take the provision which is sought to be incorporated by clause 4 as new section 4A. The hon. Deputy Minister said just now that this is the most important provision sought to be included by this amending Bill. This new clause 4A pro-

vides for the issue of a special class of shares. Here is a case where Parliament is being asked to abdicate all its powers and functions, so far as legislation is concerned. It says that the uncalled or unutilized capital of the various State Finance Corporation will not be used or issued by the State Finance Corporation under the previous existing law, but shall be issued to the State Government and the Reserve Bank or according to their directions. Kindly see sub-clause (3), which says:

"The funds representing the capital subscribed as aforesaid shall be used only for such purposes, in such manner and for rendering assistance to such class or category of industrial concerns, as the Reserve Bank may, in consultation with and after obtaining the advice of the State Government, specify in this behalf from time to time...."

This is how the special class of shares is sought to be allotted and the hon. Minister says that this is the most important provision of the amending Bill. We do not know for what purposes the special class of shares is being issued. Everything is left to subordinate legislation—the number of shares issued, to whom issued and for what purpose it is issued.

It is mentioned on page 11 of the Bill, in the Statement of Objects and Reasons:

"For these purposes, the corporations should provide assistance on soft terms to deserving units in the small and medium scale sectors of industry."

Therefore, the intention is to utilize the money that will be available by the issue of this special class of shares by giving it to deserving units in the small and medium scale sectors of industry.

15.00 hrs.

Why don't you provide that in the Bill? Will the Statement of Objects and Reasons govern the construction of the Bill? The Statement of Ob-

[Shri Som Nath Chatterjee.]

jects and Reasons has not to be looked into under the ordinary rule of construction. This is the most ordinary provisions. The Statement of Objects and Reasons lays down the principles on which the Bill is sought to be enacted. But the relevant Section does not say anything like that. I completely leaves it to the discretion of the Reserve Bank of India. Although a new class of shares is being floated or is mandatorily to be issued by the Reserve Bank of India, the Parliament does not know for what purpose it is issued.

It is important to note that Sections 47 and 48 lay down that the State Financial Corporations, can make rules and regulations. Now, with regard to Sections 47 and 48, no rules, no regulations, need be made at all as provided in the proposed piece of legislation. But some rules and regulations which nobody will know will be framed which need not be published. We do not know anything about them. This amending Bill does not make any provision even for the publication of rules and regulations.

Why should Parliament completely abdicate its powers. I do not know. If the intention is there as it appears to be in the Statement of Objects and Reasons, why don't you provide that by issue of a special class of shares, the money will be utilised for the purpose of helping the small and medium-scale industries? That is a very laudable object. We support that. We want that small and medium-scale industries should be given financial assistance, which they are not given. This is one of their grievances.

The Industrial Finance Corporation is more in favour of big business houses which have got a large scope of raising money. The small and medium-scale industries are not getting any preference. Why should it be left to the discretion of some officer in the Reserve Bank of India? Why should not the Parliament lay down that? I fail to understand that.

It shows not only scant respect is paid to Parliament but it shows, probably, up till now, nobody has applied his mind to it. That is why nobody has taken care to see that. The Draftsman who is no doubt to give effect to the policies of this Government has not even thought about it or has not been asked to think about it. This is my first point with regard to special class of shares. I think, it is essential that not only the mode of utilisation of money should be indicated but it should be indicated specifically in the statute, and that the regulations at least should be made available and placed before Parliament, and the Parliament may consider these matters. Why should Parliament abdicate its powers?

Then, the scheme of the Bill is to replace the Industrial Finance Corporation about which we were discussing yesterday and to replace it by the Industrial Development Bank so far as the functioning of the State Financial Corporations is concerned. The Industrial Finance Corporation deals with an all-India perspective. They do not deal with heavy industries as the Industrial Development Bank does. The State Financial Corporations in their restrictive spheres of activity have to deal with not only heavy industries but they are also expected to deal with small and medium scale industries. Yesterday, one of our appeals to the Government was to kindly see that there is a proper coordination, proper inter-connection of activity, between the State Financial Corporations and the Industrial Finance Corporation.

Now, we find that although the scope of the sphere of activity of the Industrial Development Bank is completely different from that of the State Financial Corporations, the State Financial Corporations are being brought under the complete hegemony of the Industrial Development Bank. This is a lop-sided way of looking at things. If you want proper coordination, if you want that there should not be any friction bet-

ween the State Financial Corporations and the Industrial Finance Corporation who have to do the same type of job, why do you bring in the Industrial Development Bank?

I heard the hon. Deputy Minister saying that the Industrial Development Bank will provide funds. Because they will provide funds, that does not mean that they will replace the Industrial Finance Corporation which will be an all-India body and its place will be taken by the Industrial Development Bank.

If you see clauses 7, 11 and 12, you will find that the whole basis of the change is nothing but replacing the Industrial Finance Corporation by the Industrial Development Banks.

So far as clause 6 is concerned, I have got certain submissions to make. Yesterday also I made submissions on identical provisions in the other Act. It says that the State Financial Corporation can transfer its rights with regard to certain documents or bonds, etc., somebody else. But we are blissfully ignorant as to who is that somebody else. No provision has been made at all. This is the very same point I made yesterday and no answer was given to that point with regard to the other Act, as to who are going to be the persons who will be the transferees. Does it depend on the sweet will of the State Financial Corporations to transfer to anybody else it likes.

Again, you kindly see the Statement of Objects and Reasons. No thought has been given to this matter. The Statement of Objects and Reasons with regard to this clause says that other institutions are intended to be the transferees. For construing the meaning of this Act when it is passed, everytime one has to have a copy of the Statement of Objects and Reasons to find out what does it mean. Even then, that is not very clear.

The Statement of Objects and Reasons says:

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"To ease the constraint in the resources of the Financial Corporations, it is provided in clause 6 that the instruments relating to loans or advances granted by a Financial Corporation may be transferred to other institutions."

Now, the word "institutions" we are getting in the Statement of Objects and Reasons, but even that word is not appearing in the body of the clause. What is the object behind it? Was any thought given at the time of drafting of the Bill? I do not know. I hope, the hon. Minister will kindly clarify this at least today. Yesterday, she did not do that.

If you see clause 7A, it says:

"...the Financial Corporation may, notwithstanding such transfer, act as the trustee for the transferee."

What will be the object? Why this provision for transfer to an unnamed, undisclosed, object and, when the transfer is made, what will be the consideration for transfer? We do not know for what purpose the Financial Corporation goes on acting as the trustee in respect of its transferees. I submit there is no rationale behind it. We do not understand this at all. If the Government has at all given its thought to it, I have doubts, with all respect to the hon. Deputy Minister. Let us try to have what is the purpose behind it, and how it is proposed to be worked out.

We are supporting the main object of the Bill, namely, expanding the scope of applicability of this legislation to various institutions. But while doing it, you include provisions by way of amendment which either are not workable or do not convey any meaning.

Then, clause 5, sub-clause (a) says:

"(a) in sub-clause (1), for the words "and with the approval of the Central Government", the words "based on the advice of the Reserve Bank" shall be substituted;"

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I find this is an innovation in drafting. It says that something has to be done based on the advice of the Reserve Bank. I am quite happy that the Central Government's approval is not necessary. What is meant by "based on the advice of the Reserve Bank"? Are they obliged to follow the advice? Does it mean more than "consultation"? Is it incumbent on the State Financial Corporations to accept the advice of the Reserve Bank? Why don't you use the ordinary language of the law which has been used and which has stood the test of time? Either say "approval" or say "consultation". What does "based on the advice of the Reserve Bank" mean?

Here, clause 7 says:

"...after the words "in consultation with" the words "and after obtaining the advice of" shall be inserted."

Is it a mandatory advice? Is the advice binding on the State Finance Corporations? I do not know whether any consideration has been given to that.

Then, you see clause 14.

It is an amendment proposed to section 23 of the principal Act:

"Provided that the State Government may, in consultation with and after obtaining the advice of the Reserve Bank, specify the class or categories of posts in respect of which appointments may be made by the Board on such remuneration and other conditions of service as the Board may determine, and no regulation made under this Act shall apply to such posts in respect of matters so determined by this Board"

It is said in 'Notes on Clauses':

"Clause 14 provides that in respect of certain categories of posts specified by the State Government in consultation with the Reserve Bank, the Board may determine

the remuneration and other terms and conditions, without the need to frame regulations."

I do not know whether a special class of officers are being sought to be created; I do not know what will be their duties and functions. Why should the regulations which are applicable to all other officers not be made applicable here also, to these officers also? Again on obtaining 'advice', a similar lacuna is there. What will be the functions of these officers what sort of posts are intended to be created, why should the regulations which are applicable to all others should not be made applicable to them also, nothing has been said in the Statement of Objects and Reasons...

SHRIMATI SUSHILA ROHATGI:

He is asking for the definition of 'advice'. May I know how he would define the word 'advice' Is it something mandatory or just a consultation? I may be guided by his advice.

SHRI SOMNATH CHATTERJEE:

the question is what is the intention of the Government. You have moved this bill. You have to say whether you want that advice to be binding on the State Financial Corporation or it is just consultation. Consultation is not binding, need not be binding. Therefore, find out what the learned draftsman have thought about it. (*Interruption*). We do not want to be told by the people that we have been a party to this type of legislation. What I am trying to submit is this. If necessary, they may bring the amendments tomorrow. The hon. Deputy Speaker has been kind enough to the Government in allowing amendments.

There is a provision which has been made by which the State Finance Corporation will no longer be required to make payment to the State Governments which, under the present Act, they are obliged to do. We support it; it is good; why should the State Government get money from the State Finance Corporation?

But the ceiling that was there on the quantum of dividend to be declared is now being withdrawn. We wish to know why this ceiling is being withdrawn. Clause 23 deals with that. I find from 'Notes on Clauses'

"Clause 23 seeks to remove the present ceiling on the rate of five per cent on the dividends which may be declared by a Financial Corporation once it builds up its reserve fund equal to its share capital and also to provide that the surplus after payment of dividend need not be transferred to the State Government concerned but may be retained in the Corporation, in order to strengthen the reserves"

That is a very laudable thing, the second part is good, we want it. But why should the ceiling on the rate of dividend be withdrawn? The main subscribers to the capital of the institution are the Central Government or the State Government or IDBI or the Reserve Bank. Are they so keen to get more than 5 per cent dividend that you are withdrawing the ceiling? Not more than 25 per cent of the share capital can be subscribed by anybody except the Central Government and the financial institutions. For these shareholders, are you going to withdraw or remove the ceiling so that any amount of dividend can be declared? Does the Central Government or the IDBI want to have the State Financial Corporations as a money-making machine for them? Is the rate of dividend the test for the proper functioning of the State Financial Corporations? Merely giving out statistics will not do. We want to know what funds you are making available to the State Financial Corporations. There is an optimum limit of Rs 2 crores. They do not have the share capital more than that. You do not make funds available to them. Statutory limits are there on the share capital. But you want more dividend to come to the Central Government or IDBI whoever it may be. I submit that this proposal is also not a desirable proposal and this should be dropped.

I come to Clause 28. It says

"All regulations made under this section shall be published in the Official Gazette and any such regulation shall have effect from such earlier or later date as may be specified in the regulations"

Now, power is being taken to make the regulations with retrospective effect, without indicating the nature of the regulations. I wish to draw the attention of the hon members in this House with regard to two very important matters. Even regulations are not to be framed. They are talking about publication in the Official Gazette. They are not even to be framed. The existing regulations will not apply to them. Here you are taking power to make regulations with retrospective effect, with regard to what matters, we do not know. What is the necessity to take power to make regulations with retrospective effect? I do not know. The Supreme Court has said in a very recent judgment that you cannot make regulations with retrospective effect, whether this was taken into consideration, I do not know. Kindly take that into account.

I am sorry, I could not give my amendments to this Bill. I find now, specifically, this power has been taken to make regulations with retrospective effect, and they have made it very clear in their Statement of Objects and Reasons. I submit that there is a lacuna in the Bill. Certain proposals have been thought of without clearly trying to visualise the implications of them. We are told that consultations have been made with the State Financial Corporations. I do not know whether they have been agreeable to become subject to the jurisdiction of IDBI and not subject to the jurisdiction of IFC. What reason is there, we do not know. We want, as I submitted in respect of a similar Bill yesterday, that these financial corporations should play their part in the development of the industries in this country. We should not be enmeshed of the big business houses only as in the past we have been.

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These manipulations are there; mono-⁴poly houses have their own methods of getting funds from these places. We want the small entrepreneurs, the enterprising businessmen, who are suffering for lack of capital, to be patronised. We want to know what the Government is doing for them. We want that there should be proper coordination between the different financing institutions. They should have their separate areas of operation. Why should the IDBI, which is only concerned with heavy industries, come here and interfere with the functions of the State Financial Corporations? I have not been able to understand this.

With these words, I support the main purpose of the Bill.

MR. DEPUTY-SPEAKER: What do you propose to do to remove the lacunae?

SHRI SOMNATH CHATTERJEE: At 400 there is another discussion. We would place the amendments tomorrow if that is allowed.

MR. DEPUTY-SPEAKER: You have not brought forward any amendment.

SHRI SOMNATH CHATTERJEE: That is true.

MR. DEPUTY-SPEAKER: There should be some way of correcting them.

SHRI SOMNATH CHATTERJEE: We are anxiously waiting for the reply of the Minister, whether she agrees to my suggestions or not.

MR. DEPUTY-SPEAKER: Even if she agrees, without proper amendments, they will be useless.

SHRI SOMNATH CHATTERJEE: We can bring them tomorrow.

MR. DEPUTY-SPEAKER: Mr. B. V. Naik.

SHRI B. V. NAIK (Kanara): I welcome this Bill which wants to change over and regulate the working

of the State Financial Corporations. In the opening remarks about the State Financial Corporations, the hon. Minister was good enough to say that this is intended to reduce the regional disparities as far as the industrial development of this country is concerned.

While I very much welcome and appreciate the anxiety to remove the regional disparities in the industrial development in this country, I would like to quote a few figures in regard to two States which, statistically speaking, can be said to be more or less identical. I compare between the two States of Bihar and Maharashtra. Bihar has, in the country as a whole, a population of 10 per cent of the total country's population. Maharashtra has 9.20 per cent. Bihar has an area, in the country as a whole, 5.3 per cent and Maharashtra has 9.4 per cent. But, in the distribution of the total amounts of loans sanctioned in respect of these two States, we find that Bihar has been hardly able to get 3 per cent and the State of Maharashtra has been able to get approximately 17 per cent.

Here, I am trying to make the point.

MR. DEPUTY-SPEAKER: From whom? We are talking of the State Financial Corporations.

SHRI B. V. NAIK: State Financial Corporation's loan operations in respect of various States—I am comparing a backward State like Bihar with an advanced State like Maharashtra in order to find out as to how far we have been able to or been successful in removing these regional disparities. These are only some of the glaring disparities.

MR. DEPUTY-SPEAKER: Regional disparities within the State?

SHRI B. V. NAIK: In the whole of India.

MR. DEPUTY-SPEAKER: We are not talking of the whole of India. We are talking of the State Financial Corporations.

SHRI B. V. NAIK: State Financial Corporations as are applicable . . .

MR. DEPUTY-SPEAKER: I wonder whether the hon. Member has read the Bill.

SHRI B. V. NAIK: I have gone through the Bill, the amending Bill of 1972. I would like to add a few more words.

It was also stated that in regard to the regional disparities one of the best suggestions that has come forward was in respect of very backward areas and the backward areas in respect of each of one of the States. May I submit here a specific case? While it is welcome that the backward areas are receiving an impetus through a multiplicity of agencies like the Industrial Development Bank, IFC, ICICI, etc., including the 14 nationalised Banks in our country, in actual practice, as far as the finances that are available to these industries are concerned, we find that there is a very limited scope and impact that is made in respect of the various States..

MR. DEPUTY-SPEAKER: You should have spoken on yesterday's Bill, not to-day's Bill.

SHRI B. V. NAIK: I am speaking in relation to this one only. I have gone through its provisions..

MR. DEPUTY-SPEAKER: You are one day late, Mr. Naik.

SHRI B. V. NAIK: Then, I will come to very relevant provision.

PROF. MADHU DANDAVATE (Rajapur): The figure of disparities as are pointed out by the hon. Member are illusory. The disparities which we have to consider here are those between the various regions of the same State as far as the resources of the State Financial Corporations are concerned.

MR. DEPUTY-SPEAKER: That was the point I am trying to point out to him.

SHRI B. V. NAIK: I am subject to correction. But, as far as the illusions are concerned, I have also been able to find out that even within a State.

PROF. MADHU DANDAVATE: That is an optical illusion.

SHRI B. V. NAIK: Even within a State there have been also disparities. For example, in the State of Maharashtra, out of 27 districts, there are 13 districts which are considered as backward. Sir, I am not in the habit of laying papers on the Table. But, this particular relevant paper, for the satisfaction of the hon. Members, could be placed on the Table, I would do it, but it is not very necessary.

SHRI JAGADISH BHATTACHARYYA (Ghatal): Sir, there is no quorum.

MR. DEPUTY-SPEAKER: Will you take some rest, Mr. Naik, so that we may call the quorum?

Let the quorum bell be rung.

Now, there is quorum, the hon. Member may continue.

SHRI B. V. NAIK: I have checked my figures once again. This is a press clipping from the *Economic Times*, Bombay, dated 29th May, 1972. It is Table V and the caption is 'State Financial Corporations and regional industrial disparities'.

Therefore, I would like to submit that these are the figures which are very relevant in regard to the point which was stated by the hon. Minister that one of the objectives of this amendment to the State Financial Corporations Act, that is being brought forward, is to remove the regional disparities. I will go further because these are the quotations from the *Economic Times* of Bombay.

In regard to these two States, I will try to say that while in one State, compared to the area and the population, the disbursements, and that is to say the finances available through these recognised institutions are more, in the other, they are less.

[Shri B. V. Naik]

I will now come to another point of relevance in regard to the objective for which this particular Bill tries to make room and that is regarding the selection of the very backward areas. There are certain criteria that have been laid down. But, I very much wonder whether the objective criteria regarding industrial development are observed. We had in the State of Mysore formerly selected one district for industrial development, and, one of the principal features is that the capital subsidy is available for industries in these very backward areas. Thereafter, the number of these very backward areas where the capital subsidy was available was raised to two. Thereafter, when the proposals were called for, we thought that the industrial backwardness has got absolutely no relevance as far as the selection of these districts is concerned and in respect of the areas being backward and having a potential for development, there has been a certain amount of neglect. In this behalf, I would request that in regard to the selection of areas, at least the discrimination in the choice made of the districts by the process of the bureaucratic choice or the governmental proposal which were then okayed at the national disposal is glaring. For example, in the State of Mysore, Raichur district was chosen. Thereafter, some more proposals were called for and so, two more districts were sent. Now, we find that the districts of Dharwad and Mysore—both of them are very considerably advanced industrially—have been chosen as eligible for the purpose of capital subsidy to institutions having a total block capital upto Rs. 50 lakhs which means a capital subsidy of Rs. 5 lakhs being straightaway given to them.

Really, very backward districts like North Kanara have been skipped over. Financial institutions should do justice for promoting industrial growth in very backward areas. But this should be done on its own merit, on the basis of the potentialities. I request that the agencies must be

suitably advised to see to it that promotional work is also carried out.

About new entrepreneurs, a reference was made by the Minister in the opening speech. Most of the new entrepreneurs should have substantial amount of promotion money whether it is nationalised banks or State Bank of India, which has gone to the extent of about five thousand crores of rupees with liberalised terms and conditions. The basic bottleneck is this. In the majority of the cases, the preparation of project report itself involves approximately 10 per cent of block capital cost of particular industries. An industry costing 10 lakhs will be costing no less than about Rs. 50,000 and not more than Rs. 1 lakh.

As has been noticed more than once in respect of the financial institutions as well as other Corporations and banks functioning under the Finance Ministry, there is multiplicity of these agencies both at State and national level. We have a feeling like this. The right hand does not know what the left hand is doing.

Unless in our plan of financing we are able to finance project report which will be dependent again upon the worth and value of a project, our promotion to various industries is well nigh impossible.

Industrialists are a fringe of the population. Even if this fringe is to come from a particular section of society it should make much of a dent in our socio-economic programmes.

I now come to the Clause which relates to those areas where the financial institutions, banks and other agencies operate. There is a particular sector of our economy which is called as black money or grey money. This is the industry of hotelery. I see no reason why such an entertainment industry should be treated in this way. I am not biased against it. This industry has been financed left and right with black money, white money, grey money etc. This is financed by scheduled banks, non-scheduled banks and private financiers.

and all that. Therefore, I do not know why they should fry to finance this once again. What is the productive role that they play? Without making observations in regard to specific amendments, what I would urge is that such clauses like No. 2(a)(iii) providing for financing of the hotel industry could safely be avoided and the rest of the Bill accepted.

*SHRI E. R. KRISHNAN (Salem):
Hon. Mr. Deputy-Speaker, Sir, I am thankful to you for giving me an opportunity to say a few words on behalf of my party, the Drivida Munnnetra Kazhagam, on the State Financial Corporations (Amendment) Bill, 1972

Sir, one of the welcoming features of this Bill is that the definition of "industrial concern" has been enlarged and I am sure that more industries like the hotel industry will be able to avail of the financial assistance from the State Finance Corporation. While I extend my full support to such good features of this Bill, I have not to refer to certain retrograde provisions in the Bill.

In the parent Act in regard to the provision of the appointment of the Managing Director of S.F.C., it is stated that the State Government will do this in consultation with the Reserve Bank of India. But, here in Clause 7, it is provided that the State Government will not only have consultation with the Reserve Bank of India but the State Government will also have to obtain the advice of the Reserve Bank of India in the matter of appointment of the Managing Director of S.F.C. It is just like the teachers chastising the children that they must do certain things after obtaining the advice of their elders. What is the difference between "in consultation with Reserve Bank" and "after obtaining the advice of Reserve Bank"? Some sort of a courtesy had been shown to the State Government in the parent Act. This amendment is an insult to the ingenuity of the State Government in the sense that the Reserve Bank alone is the repository

of all wisdom and the State Government is not capable of even selecting a proper person for the post of the Managing Director of S.F.C. As this amendment shown some sort of a contempt towards the State Government, I would appeal to the hon. Deputy Minister of Finance to delete this amendment of "after obtaining the advice of" from the Bill.

I would now refer to clause 8 which states that "no person elected as Director shall hold office for a continuous period exceeding eight years" I do not know whether such a provision should be framed in this manner. It would have been better if it has been provided that "no person elected as Director shall hold office for more than two consecutive terms of four years each". It could also be stated "for not more than two full consecutive terms of four years each". This would have been a better legal terminology. I regret to say that adequate attention has not been paid by the Government in drafting this amending Bill and in fact proper legal terminologies have not been thought of at all

Sir, under clause 10, a provision has been made that the Managing Director may accept part-time honorary work also. Sir, the Managing Director of a S.F.C is a full-time job and even full time is not enough if the Managing Director wants to do justice to the question of industrial imbalances within a State. If permission to accept a part-time job is given through this Bill, then naturally the work of the S.F.C. will suffer and the Managing Director will not be able to devote himself exclusively to the S.F.C.'s work. It is highly improper to provide for in the Bill that the Central Government or the State Government or the Reserve Bank can request the Managing Director of the S.F.C. to accept part-time work. I would like to know from the hon. Minister as to what kind of part-time work is expected of the Managing Director of S.F.C. I hope that the

*The original speech was delivered in Tamil.

[Shri E. R. Krishnan]

Minister will clarify the provision of "part-time work for the Managing Director" in her reply to the debate.

I welcome the provisions in Clause 15 of the Bill. But, I have to point out certain contradictions in Clause 16 of the Bill. You please turn to page 14 of the Bill, wherein the definition of Clause 16 is given. According to this definition, a private limited company can now get a loan assistance upto Rs. 20 lakhs as compared to Rs. 10 lakhs provided for in the parent Act. Now, kindly turn to page 6 and see clause 16(a) (iii) In the parent Act the provision was "twenty lakhs of rupees in the case of a public limited company" and the present amendment reads "thirty lakhs of rupees in the case of a company". Firstly, the word "public" has disappeared in the amendment and secondly, there is no mention at all about enhancing the limit of loan from Rs. 10 lakhs to Rs. 20 lakhs in the case of a private limited company. I request the hon. Minister to explain this contradiction between the definition to the clause and the actual provision in the clause.

Before I conclude, I would refer to clause 28 which empowers the Board of a Financial Corporation to give effect to the regulations framed by it either prospectively or retrospectively. Sir, the S.F.C. is a financial institution and if its regulations are given retrospective effect, then naturally the industrial concerns which have received loan assistance will be greatly handicapped. Not only that, Sir. Giving retrospective effect to the regulations will be against all canons of jurisprudence. I appeal to the hon. Minister that this amendment to the parent Act, i.e. clause 28, should be deleted.

With these words, I conclude.

SHRI D. K. PANDA (Bhanjanagar):
In clause 4 we find the provision:

"The funds representing the capital subscribed as aforesaid shall be used only for such purposes, in such manner and for

rendering assistance to such class or category of industrial concerns as the Reserve Bank may, in consultation with and after obtaining the advice of the State Governments, specify in this behalf from time to time, and nothing contained in section 47 or section 48 shall apply thereto."

In this particular clause, the importance of the provision made for raising some special funds has completely gone because of the vagueness of the very purpose and the manner in which such funds have to be utilised, and also the persons to whom such assistance has to be given or to what class or category of industries, it has to be given. These are the four main things. From the very objectives as have been enumerated at the end of the clause, we find that the emphasis is to intensify more and more assistance for industrial development of the backward areas. If that is the purpose, then what prevents the Government from mentioning the purpose, if that has to be given priority? So, we do not understand exactly whether the gap between profession and performance so far has been noticed by the State Financial Corporations and by the Government. We would like to know whether this gap is going to be widened or reduced, for we really do not find, as my hon. friend has already stated, any serious thought having been given to this matter.

Regarding clause 10 also, when we want the managing director to be the chief executive officer of the corporation, how can we afford him to be part-timer who can do some honorary work? The two are not compatible with each other. Once we say that he is the chief executive officer, why should any lacuna be there and why should any opportunity be given to him to slacken his work in the field where he is expected to concentrate all his energy and experience and wisdom? Therefore, this clause also should be properly amended.

In clause 18, the main purpose is that the State Financial Corporations shall not enter into any kind of business with any industrial concern of

which any of the directors of the financial corporations is a proprietor, partner, director, manager, agent, employee etc. That means, if any director of the financial corporations has got any pecuniary interest, if he happens to be a beneficiary, then in such cases, the corporation may not enter into any agreement in regard to business with such concerns. That is the main purpose of this clause. The very purpose of this provision has again been taken away by the proviso. I shall confine myself only to the relevant portion, namely 'by a corporation established by or under any other law'. The exception made is:

"Provided that this section shall not apply to an industrial concern, if any director of the financial corporation is nominated as a director of the board of such concern by the Government or a Government company."

Up to this, it is understandable, because Government have their own interests, and, therefore, this may be an exception to clause 18. But, at the same time, if we allow the corporation established by or under any other law, then it would become difficult again, because corporation means a private corporation, and it need not be a Government corporation. For, the words, 'Government company' have been specifically mentioned. Therefore, I propose that the phrase 'corporation established by or under any other law' be deleted completely, or else the very purpose will vanish and it will be of no effect.

From the Statement of Objects and Reasons we find that pious declarations have been made and this amending Bill has been brought forward in furtherance of those objectives. But as my hon. friend has already pointed out, I would like to give a warning, looking to the performance of the State Financial Corporations. The State Financial Corporations Act was enacted in 1951, just after the Industrial Finance Corporation Act of 1948. What has been their performance during all these 20 years? Regional disparity has increased. For the last two years, of course, there has been some slight improvement, but upto 1970,

that is not evident, for out of 1,70,000 registered small industries in India, only 4000 units received assistance from the State Financial Corporations. For the last two years, of course no figures have been supplied. However, some little advance has been registered. But that is again negligible.

We know we have to solve the main problem of unemployment which the country and the Government are facing. But there is absolutely no seriousness on the part of Government to solve it. The more we take steps to develop the small scale industries, the more shall we be able to solve the problem of unemployment at least partially.

Many suggestions have been made in this regard. In answer to a question, it was stated that there was a conference of the chairmen of State Financial Corporations in March, 1970, and they made several recommendations, and there was a study team, and that group investigated into the operation and what defects were there and made recommendations in regard to the further steps to be taken for intensifying more and more assistance for bringing up the small scale industries. I would like to know what has happened to those recommendations. Already, there was an Act in force for about 20 years, and now the hon. Minister has come forward with an amendment. But we find that the very Act could not be implemented, however limited it may be, and we find that the corporation has not registered any significant advance, rather, its performance has been shameful. So, I do not know how by this particular amendment, we shall expect to achieve the very object for which this amendment is being brought forward.

I do not want to go into all those recommendations, but I would just refer to the reply given to starred question No. 250 in the Rajya Sabha in this regard, in regard to the extent to which the recommendations made at that conference had been implemented. It is no use wasting our energy again and reiterating the same suggestions and the same steps and

[Shri D. K. Panda]

demanding that Government should take those measures. I shall confine myself just to one aspect. Out of 326 districts, nearly sixty per cent are declared to be backward. Have the industrial potentialities of these backward districts been completely assessed?

What steps is the hon. Minister going to take. If these amendments have anything to do with the reality, what steps have to be taken? Several suggestions have been made that they should develop local entrepreneurs and technical training and entrepreneurial experience should be imparted to them and for that purpose different centres have to be established for training purposes. No steps have been taken so far. It is ridiculous. Some 26 centres have been opened during these two years. There were to be opened forty more centres, that is also quite ridiculous. In three or four districts in Orissa exploration of industrial potentialities have been taken and in respect of the other districts no serious steps have been taken. There was a sample survey. It will not solve the problem. There should be a serious effort to assess the industrial potential districtwise and it has to be given effect to after the assessment is over.

It has been mentioned that soft loan has to be given to the small scale sector. While selecting a sector or a field there must not be any unevenness. There is uneven distribution of assistance. We have been pointing out how the monopoly houses have been making use of this; I need not go into those facts. Which sector has to be given priority when assistance is to be given from the State Financial Corporations? Whether it should be agro-industries or some other industry—all these things have to be taken into consideration. There should be a time-bound plan to see that in a particular State which are the districts and which are the sectors and which are the industries which should receive priority and how it could be

developed and how assistance could be given.

In order to ensure balanced regional industrial development it is imperative to provide basic infrastructure facilities. Suppose in a particular district uranium is available. Say, it is Ganjam district in Orissa, Gopalpur C.P. Along with the big plant that is going to be established, there can be so many small industries. I need not give the details what materials are available there for development of small scale industries. Both small scale units and the public sector can be developed. The corporation has also to take into consideration these aspects.

SHRIMATI SUSHILA ROHATGI: Which district has the hon. Member mentioned?

SHRI D. K. PANDA: Ganjam district in Orissa; Our President's district

श्री प्रार० बी० बड़े (वरगोन)

उपाध्यक्ष महोदय, यह जो स्टेट फाइनेंसियल कारपोरेशन अमेंडमेंट बिल हाउस के सामने आया है उसके लिये मैं शासन को बधाई देता हूँ कि उनका इस तरह थोड़ा ध्यान गया है। अभी तक स्टेट्स की तरफ उनका ध्यान नहीं था और अब वह स्टेट फाइनेंसियल कारपोरेशन के वास्ते यह अमेंडमेंट बिल ले आये हैं। लेकिन आपने जो अमेंडमेंट दिया है, इंडस्ट्रियल कर्नरों जो डेफिनिशन दी है कि :—

“Industrial Concern” means any concern engaged or to be engaged in the manufacture, preservation or processing of goods or in mining or in the hotel industry or in the transport of passengers or goods by road or by water or in the generation or distribution of electricity
यही डेफिनिशन तो इससे पहले भी थी। 1950 के ग्रीन्ड ऐक्ट में भी यही डेफिनिशन है। इसमें आपने उसे केवल ए बी सी डी कर के बताया है बाकी और कुछ नहीं है। तो यह ऐसा क्यों है यह मेरी समझ में नहीं आता है।

दूसरी बात—होटल इंडस्ट्री के सम्बन्ध में इस प्रकार का शासन का लक्ष्य क्यों है ? हमारे एक मित्र हैं उन्होंने बताया कि दस परसेंट पैसा हम तैयार करते हैं और बाकी पैसा शासन से लेकर होटल इंडस्ट्री चलाते हैं । वह दस परसेंट पैसा वापस इकट्ठा करके बाकी पैसा शासन से लेते हैं और होटल इंडस्ट्री चलाते हैं । ऐसा क्यों है ?

इसके धरावा भीर बहुत सी इंडस्ट्री चलाई जा सकती हैं । जैसे मध्य प्रदेश में फारेस्ट इंडस्ट्री बहुत चल सकती है । उसके बास्ती सब भी हो चुका है । लेकिन इंडस्ट्री स्टार्ट नहीं होती है । जो स्टार्ट किया है वह है स्टेट ट्रांसपोर्ट कार्पोरेशन का प्रदेश नोड-केन्द्र, उसमें उनका सब लास ह्रां लास होता जा रहा है । उसके अन्दर इतनी ब्रम्हवस्था है मगर उसकी तरफ शासन का ध्यान ही नहीं है । सारा पैसा स्टेट का लगा है हर साल लास होता है . .

अभिनीत लुशीला टोहसगी : कौन से उद्योग का जिक्र प्राप कर रहे हैं ?

श्री धार० बी० बड़े . स्टेट ट्रांसपोर्ट कारपोरेशन, राज्य परिवहन निगम । अब उसमें ऐसा होता है कि एक एल० भाई० सी० से भी पैसा लेते हैं, कोप्रॉपरेटिव बैंक से पैसा लेते हैं, स्टेट फाइनेशियल कारपोरेशन से भी लेते हैं और स्टेट से भी लेते हैं । लेकिन उसका विनियोग किस प्रकार से किया जाता है यह देखना चाहिये । इसकी तरफ ध्यान नहीं है ।

इतना ही नहीं हमारे कितने इंडस्ट्रियलिस्ट्स हैं जो पैसा लगाना चाहते हैं उनकी एप्लीकेशन जो जाती है उसकी प्रोसेसिंग में इतनी देर लगती है कि जिसकी कोई हद नहीं । होना तो यह चाहिये कि उनको एन्करेज करके उनका पैसा इंडस्ट्री खोलने में लगवाना चाहिये । फिर जहाँ तक पैसा विभागे की बात है जो क्लिग पार्टी के लोग हैं, य. जिनकी डिप्लोमेटिक होनी उनकी पैसा-मिलाना, उनकी नोर्से को नहीं मिलेगा । यह होता है । मेरा कहना यह

है कि स्टेट फाइनेशियल कारपोरेशन को खुद इन्वींशिएटिव लेना चाहिये और इंडस्ट्री जहाँ खुलनी चाहिये वहाँ खुलवाना चाहिये । जैसे बस्तर में मिनी रटील इंडस्ट्री खुल सकती है और दूसरी इंडस्ट्रीज खुल सकती है । लेकिन केवल एक इंडस्ट्री बैलाडिला में खोल दिया है और बाकी वहाँ कुछ भी नहीं है ।

शासन ने वहाँ बहुत से लोगों को बुलाकर कहा कि मौन-कौन इंडस्ट्री लगाना चाहना है ? बहुत से लोगों ने कहा कि पैसा देने तो हम लगायेंगे । लेकिन पैसा देने का प्रोसेस इतना लम्बा है कि तीन-तीन, चार-चार महीने तक उनकी एप्लीकेशन पड़ी रहती है और वे चक्कर काटते रहते हैं, कुछ भी उन्हें पता नहीं लगता कि क्या हो रहा है । शासन को खुद इंडस्ट्री को यह बतानी चाहिये कि तुम्हारी एप्लीकेशन इस स्टेज पर है । लेकिन होता यह है कि किसी ने एक बार दरबास्त डाल दी तो उसके बाद उस पर क्या हुआ कुछ पता नहीं चसता है । तीन-तीन, चार-चार महीने बीत जाते हैं । फिर वह एल० भाई० सी० के पास एप्लीकेशन देते हैं, कोप्रॉपरेटिव बैंक के पास देते हैं, प्रसन-मलन जगह एप्लाइ करतें हैं, जहाँ से पैसा मिलता है वहाँ से लेकर काम करते हैं । स्टेट फाइनेशियल कारपोरेशन से पैसा उनको मिलना नहीं है ।

MR. DEPUTY-SPEAKER: You can continue tomorrow We take up the discussion under rule 193.

10:00 hrs.

DISCUSSION ON STUDENT UNREST IN THE COUNTRY AND INCIDENTS IN DELHI UNIVERSITY ON
DECEMBER 6, 1972

MR. DEPUTY-SPEAKER: We take up the discussion under rule 193 on the increasing student unrest in the country and the statement made by the Minister of State for Home Affairs in the House on the 7th December, 1972. Shri K. Lakkappa—absent, Shri Jagannathrao Joshi,

Shri Jagannathrao Joshi (Shajapur) rose—