

has got a tear to shed for the latter. Therefore, I would oppose this remuneration clause which is preposterous and against all our ideas.

Mr. Chairman: That matter can be adjusted with the Speaker or the House can decide. I cannot say anything.

BUSINESS OF THE HOUSE

Mr. Chairman: I have to make an announcement. It relates to the discussion on the Report of the Press Commission.

The House has already agreed to sit one hour longer on the days when the Report of the Press Commission is taken up for discussion. Accordingly, the House will sit on Friday, the 19th August and Saturday, the 20th August, from 11 A.M. to 6 P.M. On Friday, the 19th August, 1955, the Private Members' Business will be taken up at 3-30 P.M. instead of at 2-30 P.M.

After the present business is finished, that discussion will commence tomorrow.

Pandit Thakur Das Bhargava (Gurgaon): When will the Press Commission's Report be taken up for consideration?

Mr. Chairman: It will commence tomorrow.

Shri M. S. Gurupadaswamy (Mysore): Since there are a large number of Members who wish to participate in the discussion on the Companies Bill, may I request that the time allotted for it may be extended?

Shri Kamath (Hoshangabad): We should have 30 hours.

Mr. Chairman: I cannot say. I can just convey it to the Speaker, and tomorrow morning that matter can be raised by any Member.

Shri Thimmaiah (Kolar—Reserved—Sch. Castes): When will the discussion on the Press Commission Report start?

Mr. Chairman: As at present arranged, discussion will begin tomorrow.

Shri M. S. Gurupadaswamy: May I know if the time allotted for the Companies Bill is going to be extended?

COMPANIES BILL—Contd.

Shri B. K. Ray (Cuttack): This Bill has been the subject of vigorous criticism from various standpoints. With regard to the nature of the Bill, it is a remedial measure. Its object is to remedy certain grievances of the shareholders, to avoid malpractices and abuses by the managing agents, and to purify the administration and management of joint stock companies so that it fits in properly with the country's economic structure, and the machinery for the development of the economy through the private sector. Therefore, it is necessarily full of checks and balances. Certain portions of it read like the fundamental rights chapter of the Constitution of India. Such Bills do not always please both sides.

Now, the criticisms vary from its unworkability to its perfection. One school claims that it is perfect; the other school claims that it is completely unworkable. The real standpoint of criticisms, however, lies in appreciating the checks and balances. In fact, after reading the Bill carefully and devoting a very long time to it—because the Bill is both extensive and intensive—I became full of admiration for the Finance Minister and the Joint Committee for their wisdom in bringing forward the Bill to this form. I do not say for a moment that it is completely without defects. In fact, to my eyes there have come some defects which I am going to point out very shortly.

Now, some of the criticisms that have been unbalanced. I regret to have to say on the floor of this House, are due to the fact that the real objective of the Bill has not been kept in view. What are the objectives? The objectives are, first of all, in the

[Shri B. K. Ray]

Second Five Year Plan, to help development of industry, trade, improvement of the economic structure through the private sector. In fact, the burden of improvement is left on the private sector as much and to the same extent as upon the public sector. That is one of the main objectives. If you kill joint-stock companies, then there is hardly any private sector which is capable for the purpose of improving the industry or the economic structure of the country.

There is another aspect, why these joint-stock companies should be maintained. It is pooling the savings, the investments of the common man into a big concern and producing wealth therefrom—that helps the middle class people to supplement their income. The other objective of the Bill, therefore, is to protect the shareholders, to give them certain rights which they have not and, lastly, to prevent the managing houses or managing agency firms from indulging in abuses for the purpose of their own personal gains.

Having in view these different objectives, I do not find that there is anything very wrong in the Bill. The subject of the greatest controversy has been whether the managing agency should be retained or should be abolished. There has been a fight over this, whether the provisions of the Bill are sufficient in their implication to end it or mend it. In my view, the provisions contain both the germs of ending and the germs of mending. It is because it is a Bill full of checks and balances, in order to gain a position of balance it has to be like that.

So far as the managing agency is concerned, nobody has got any malice against them. Unless there is any charm in the expression 'managing agency', so long as business is there, so long as a company is there, there must be some instrument to manage, whether it is the managing agency house or whether it is the secretary or whether it is the treasurer or whether it is some other salaried ser-

vant. The management must be there. Therefore, if we suddenly, abruptly and by one stroke of the pen take away all the managing agencies, what would be the position of the business, what would be the position of the companies? It is not like the abolition of the zamindari and taking them into government management. We are not expecting that managing agencies would be abolished and that Government will take over the management of the companies. We have to replace these by equally competent, if not better, managing agents, in whatever name it comes, it does not matter. Therefore, the Finance Minister as well as the members of the Joint Committee have designed the various provisions so as to avoid all the different kinds of abuses. As the learned Finance Minister once said, the managing agency, without the teeth with which they had been able to indulge in various abuses will be there. If they serve well, if they stand the test of the checks and balances that have been provided for in the provisions relating to them, then, certainly, nobody will ever think for a moment of getting rid of an instrument that serves well. But, if they do not stand the test, then, certainly, it is within the powers of this House, within the powers of the Central Government to do away with them. Therefore, so far as the managing agency is concerned, I fully support the provisions of the Bill.

But, with reference to the particular objectives which I have laid before me for the purpose of the criticism of this Bill, I find certain lacunae. The Bill can be divided into separate parts with reference to the subject with which it deals. One is incorporation; the other is management; the third is shareholders' rights and the fourth, liquidation proceedings.

With regard to incorporation, of course, many penal provisions have been provided making the directors punishable for giving false statements either in the prospectus or in the articles of association or documents of

that kind. Notwithstanding all that, I consider this inadequate. I know in very many instances certain speculators come out and do propaganda for starting a company and take moneys from the shareholders, then, ultimately, we find there is neither any company nor any business; nothing of the kind. In order to protect innocent people, no doubt, certain strict provisions have been made. But, I consider them inadequate. In my judgment there ought to be a complete picture of the scheme with which the company is going to be managed so that the shareholder when he subscribes, knows what the business is going to be, what is the prospect of its being a going concern. Then, the full picture of the entire scheme must be accompanied by an expert report which should say that the scheme is likely to prove successful. So long as the provisions fall short of that, I should consider it to be defective to that extent.

With regard to the provisions regarding management I have found no defect. On the contrary, I give my whole-hearted support to the provisions of the Bill.

With regard to the protection of the shareholders. The shareholders have been given the right to complain about a number of malpractices so that an investigation or inspection of the company's business may be done. Now, the position is, do the shareholders have the opportunity to get all the necessary informations for this purpose?

5 P.M.

Mr. Chairman: I think the hon. Member will take more time. So he can continue tomorrow.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, the 18th August, 1955.
