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Mr. M. R. Masani's speech in the course of the discussion on the Companies (Amendment) Bill, 1959, in the Lok Sabha on 16.11.1960

Mr. M. R. Masani (Ranchi - East): Mr. Speaker, Sir, this is no ordinary piece of legislation. I think the Minister and the House will agree that, on the soundness of this legislation and the effect it has on the functioning of joint-stock enterprise in our country will depend, to a large extent, the success or failure of our hopes of economic advancement and prosperity.

I find that three others have spoken already; but that I am the first person to speak who seems to give some weight and importance to the proper functioning of joint-stock enterprise in this country, and to the principle for which it stands. Till now, one would have thought that it is a kind of necessary evil to be tolerated and limited; its wings clipped, so that no harm may be done. If I may say so, this is an entirely wrong and misconceived approach to the problem.

The problem before us is: how is joint-stock enterprise, which is the modern, twentieth century way of industrial organisation, to be allowed to thrive for its own benefit and for the benefit of the country? How is this instrument, through which one nation of the world after another has achieved prosperity and social justice in increasing measure, to be harnessed to the needs of our country? How is this great vitality and force to be let loose so that it may produce the largest volume of goods and services needed for this country? That, Sir, is how this issue has to be posed. And this Bill is to be judged by the extent to which it helps or hinders this vital process.

The Bill which has been introduced and now presented before us is a kind of consequence of the Sastri Committee's appointment and report. But I do not feel that it can claim true lineage from that background. When Government appointed the Sastri Committee on 15th May, 1957, the terms of reference were:

1. To overcome certain practical difficulties in the working of the Companies Act, 1956;
2. To remove such drafting defects and obscurities as may be interfering with the working of the Act; and
3. To consider what changes in the form or structure were necessary or desirable in order to simplify it.

~~So,~~ There were only three purposes for this proposed legislation - removing the practical difficulties in implementation, removing drafting defects, and simplifying the law. Anyone who looks at the Bill as it has emerged now from the Joint Committee will agree that it has very little in common with these three objectives. The present Bill goes way beyond the terms of reference of the Committee on whose report it is presumed to be founded. As I have said, it cannot claim any true lineage from that background.

What has happened is that second thoughts have intervened and the Bill has changed its character to a very radical extent. These second thoughts are, unfortunately, of a doctrinaire nature. And that doctrine on which this Bill has now been transformed is that it is not you or I or the man in the street or the man in his home or any of us who knows what is good for him but the government of the country; that none of us is a fully grown adult who knows how to run his business; that, even when we are trying to make a profit for ourselves and to improve ourselves in life, we are such fools or we are such knaves that the constant intervention of the police and the Company Law Administration is necessary to stop us from going astray. This is a pernicious doctrine on which many of the provisions of this Bill are based; and this doctrine poses very squarely the issue between those who believe in joint-stock enterprise and those who believe in State monopoly capitalism, even if it comes step by step, eating into the vitals of the very system.

What is joint-stock enterprise? Our Prime Minister and many leaders of Government talk day in and day out of co-operation. If they were sincere in their desire to help all kinds of genuine co-operation, they would be the best champions of joint-stock enterprise because joint-stock enterprise is the application of the principle of co-operation to industry and business.

What is joint-stock enterprise? It is the coming together of small and big people scattered throughout the country in different walks of life with different ideologies because they believe that there is a demand or a want for a certain commodity or service on the part of the people of this country and that that want should be met. And, that in meeting that want, they will make a profit as a result of their efficiently meeting that want. That, Sir, is the application of the principle of co-operation to business or industry. And, if there is one kind of co-operation that is successful or deserving of support in India, along with others, it is joint-stock enterprise.

If that is the correct background, then I say that the background of this Bill is all wrong. There are, of course, many good features in this Bill. I am not suggesting that everything in this Bill is restrictive or reactionary or pernicious; but I do say that, along with many good provisions for which all of us are responsible in the Joint Committee, there are certain provisions which will definitely do more harm than good. I think that on balance, if this Bill is passed in its present form, it is likely to do more harm than good to the cause of joint-stock enterprise and the industrial development of this country. I am driven to the conclusion that, whatever its background may have been, in its present form, in many important parts and aspects, this Bill is bad and needs to be improved.

The philosophy on which I proceed is that the shareholders of a company are full-grown citizens of our country knowing what they are about, that they are the best judges of their own interests and not a set of bureaucrats or politicians in office and that, therefore, control of their activities under Company Law should be minimum control, as little control as possible and as much freedom for them to function as is possible. That is my principle and judging by that principle, the Bill unnecessarily over-regulates and interferes in matters with which ~~the Government of our country~~ and the law should have no concern.

The theory of the Bill, on the other hand, is that the Company Law Administration and the officials who make it up are rather better judges of the interests of the shareholders than the share-holders themselves. We have it on the evidence of the Shareholders' Association before the Joint Committee that they also object on behalf of the shareholders to this unwanted inteference and patronage on the part of Government. If really we had their interests at heart, then those amendments which they suggested would have been made. But, as I have often pointed out, there is a new ruling class that has come into existence, a class of bureaucracy and State management trying to usurp the authority of those who could and should be allowed to run the company.

I shall give the example of only four clauses, if you like, to show how over-regulatory and unnecessarily regulatory the Bill is. The first clause that I would like to refer to, by way of illustration, is clause 70 which my hon. friend, Shri Asoka Mehta, referred to. He said that he failed to understand why I objected to the statutory audit which the Government can direct at any time that they wish. Let us consider the grounds on which the Government can authorise a statutory audit. The grounds are as follows. The Government should be satisfied that certain things happen. 'Satisfaction' is purely a subjective feeling. The clause here says:

> "Where the Central Government is of the opinion that the affairs of any company are not being managed in accordance with sound business principles or prudent commercial practices;..."

Now, Sir, every businessman and every sensible man knows that no other businessman is always prudent or sensible. Every businessman will disagree with another businessman about something. When one manager is replaced by another, he starts trying out new policies. One business consultant will recommend one measure, and another will recommend ~~something~~ quite a different one. In other words, there is no foot-rule or measuring yard as to what is sound business principle or prudent commercial practice. Everyone has his own concept of soundness and prudence. Now, the Government or the Company Law administration, after having come to that very interesting decision, can direct a special audit.

Mr. Speaker: I ought not to be misunderstood when I say this. Would the hon. Member like that the Government should nominate Members of the Estimates Committee and the Public Accounts Committee?

Shri M.R.Masani: For joint stock companies? No, Sir.

Mr. Speaker: The Members of these Committees are elected by this House so that they may scrutinise their accounts for which the Government is responsible. Would he allow the Finance Minister to nominate Members to these committees? The shareholders are not much in the picture. No doubt at a general meeting, they appoint the auditors but their remuneration depends upon the recommendations of the directors?

Shri M. R. Masani: If I may point out the difference between the two illustrations, the parties have a right to probe into their own affairs, their own property. If the President is the sole shareholder of a company or corporation, it is right and proper that a certain measure of parliamentary control and supervision should be exercised. But we are here discussing the companies which are the property of their own shareholders.

Mr. Speaker: Is he discussing the private companies now?

Shri M. R. Masani: That is what we are discussing. This Bill is about the private companies and I am saying that it is not the business of Government to interfere with how I administer my property or my affairs or my land....(Interruptions)

Mr. Speaker: Does this refer only to private companies as defined in the Act?.....

Shri Asoka Mehta: No, Sir. It is for both the private and public companies.

Shri M.R.Masani: May I say that the Government companies will be exempted from the provisions of this Bill by the dictates of Government?

Mr. Speaker: Where the shares are thrown open to the public, it is a public company; it is a joint stock company. Apart from this, there is a private company, as defined in the Act. It is a private (limited) company.

Shri M.R.Masani: All the joint stock companies are the property of their owners, whether their capital is subscribed in the market or whether five people get together in private. The principle I am advancing is that it is no business of the bureaucracy or the Minister of the day to sit in judgment on whether the owners of a certain property - farm or shop or factory - administer that property by prudent practices or not. Every grown-up citizen in a democracy must take on his own shoulders that amount of responsibility. Abraham Lincoln spoke a hundred years ago on this and said that the Government cannot do for the people what the people must do for themselves; he enunciated a truth a hundred years ago on what sound administration should do.

We are talking about grown-up people who invest their money in a company, public or private. They must be allowed to administer the property according to their conception of prudence. If they incur a loss, it is their loss. The whole essence of joint stock enterprise is that people must learn to risk their capital to make a profit or to make a loss. It is not part of the Government's business to stop people from making a loss because that would kill and cut at the root of the principle of risk-taking, which is the essence of free enterprise. Therefore, if we want joint stock enterprises to survive in this country, we cannot do it under the tutelage of a set of bureaucrats who know nothing about business.

Shri Khadilkar (Ahmednagar): May I ask an explanation? The capital of a joint stock company is thrown open to the public and ninety per cen . of the shareholders are at the mercy of five or ten per cent. who manage it. Is it not the duty of the Government to give protection to the 90 per cent. shareholders who are putting their trust in the company?

Shri M.R.Masani: Yes, Sir. That is what the company law is for: to see that the shareholders are able democratically to control the working of the company. Not only that, I will go further than my hon. friend. Even a minority of shareholders - not the 90 per cent. which he speaks of - even a ten per cent. who might be oppressed must be protected by the laws of the country. Therefore, wherever there is provision to protect even the minority shareholders from the domination of the directors or the majority, I am a hundred per cent. for it and I support every clause in this Bill which seeks to protect the minority shareholders from the domination of those who are in power or authority in the company. But that is not what we are discussing. We are discussing the unwanted intervention of the Government against a hundred per cent. opposition of the shareholders who say: 'You leave us alone; we know our business; we do not want to be treated like children.' But the trouble with the socialist pattern is that it does not accept the grown up character and adult nature of the individual human being..... (Interruptions). I can see that my remarks are getting under the skin of some of my friends here. They can answer when they have the chance... (Interruptions).

Mr. Speaker: There are points on both sides. So, let there be no interruption.

Shri Masani: This attempt to sit in judgment as to whether the affairs of a company are being run on sound business principles or prudent practice is highly objectionable.

The same principle will tomorrow be applied to a kisan and he will be told: "You have got 20 acres of land. You are not growing as much out of it as we thought that you should grow. Or, you are not growing the crops which we want you to grow. So, we shall take it away and pool it in a co-operative farm."

This strikes at the root of the safeguards given under our Constitution. Either we stand by the Constitution and say that private property is sacred and belongs to the person concerned and he can do what he likes with it or we say that the Government will sit in judgment through our bureaucracy on every one of us and see whether or how we spend the Rs.10 in our pocket and whether it is right or wrong. This is the thin end of the totalitarian wedge which lays down the principle that Government knows better what you should be doing with your money. It is a highly objectionable principle in any free society.

The second test is that the Government must be satisfied that the company is being managed in a manner which is likely to cause serious injury or damage to the interests of the trade, industry or business to which it pertains. In other words, I may be running my business very effectively. But if it hurts somebody else, on behalf of somebody else who cannot face fair competition, you go and put me in fetters. I would like to say a word to my hon. friend, Shri Asoka Mehta, at this stage, since he fails to understand my objection to statutory audit. He asks: "How will I stop business running amuck, being run in a bad way?" My answer is that the laws of competition are the best correctives to anti-social behaviour and to unproductive enterprise. It is the law of the market, the law of supply and demand, the laws of the free competitive society that are a sovereign check on unproductive enterprises and anti-social practices..

An Hon. Member: The past has given enough indication.

Shri M.R.Masani: The future is going that way, as you will find if you study the economic history of the world. I will request my hon. friend, Shri Asoka Mehta, if he wants to understand this philosophy - I have no time to go into it now - to read the excellent book of Ludwig Erhard, the man who is responsible for the German miracle - Prosperity Through Competition.

When a man does not run his business in a prudent way, he has to shut it down and somebody more effective who can serve the country better takes his place. That is how the country advances by eliminating the incompetent and corrupt and by supporting and rewarding those who are enterprising and productive. Once you kill this competition, you are heading for such a state capitalist system as Mr. Djilas, the communist of Yugoslavia, has so well described in his book - The New Class - where a more exploitative and oppressive class of State capitalists replaces those who they claimed were exploiters themselves.

So, Sir, this is my answer, that the Government directive can ruin the reputation of a business. Now, I will be told, let a special audit take place; after it is over and it is found no harm is done, the company will be cleared. Sir, that argument betrays great ignorance of the very delicate mechanism of the market. If it becomes known that the Government has directed a special audit in the affairs of a company, that company's name is mud from that moment onwards. It is no good if after one year it is cleared from the charges. The very fact that the Government have intervened over the head of the management of a company will destroy its reputation and it will be too late to do anything about it. Similarly, the appointment of a statutory auditor is an insult and a reflection on the ordinary auditor who will be honourably doing his job. So, an action which is capable of being construed as libellous of an enterprise or an auditor can be taken at the whim of a bureaucrat, a deputy secretary to the Government speaking in the name of the Government of India.

Now, I am glad that my hon. friend Shri Asoka Mehta agreed that, even though he could not accept my reasoning, there was something in the safeguards that I suggested in this particular section. What are those safeguards? What I suggest is compatible with elementary equity and justice. The first safeguard that I suggest, which I still request the Minister to consider, is that, before you have a statutory audit, give the company a chance to listen to what you have against it and to give a reply. We know that before a man can be dismissed from a job, expelled from a club, put in any position of discrimination or inferiority, he is given a chance to say what he has to say. Let the Company Law Administration call the company or its directors and say: "Gentlemen, we have this worry about you. If we appoint a statutory audit, have you anything to say?" Listen to them, and after that, if you still want to go ahead, go ahead. That is the first safeguard.

The second safeguard is - today the clause does not even say that when the special audit is completed a copy of the report will be given to the company. In other words, a man is judged but the judgment is not given to him. The judgment is hidden from him, and the Government acts on the judgment behind his back. What kind of rule of law, what kind of equity are we trying to operate, not against criminals but against law-abiding citizens carrying on the country's business? The safeguard is - present a copy of the report to the company as soon as it is available.

The third safeguard is, when Government decides to have a statutory audit, let the company have a right of appeal to a court of law to set aside that audit, so that the court of law will be able to decide - not a deputy secretary of the Government - whether or not there is a prima facie case for an enquiry. Surely, Sir, these are very modest suggestions to make to safeguard the rights of citizens against the arbitrary interference of bureaucracy.

A similar clause is clause 79. Here the danger is that the shares might change hands and so the Government is given a veto to prevent shares being passed from one hand to another. A take-over bid must be frustrated. But, Sir, in what circumstances have Government been given this power? The law says: "when Government is of the opinion that change in the management is prejudicial to the public interest". Where does the 'public interest' come in? If five shareholders are going to remove five other shareholders, if the management of a company is to pass from group A to group B, the public interest is completely irrelevant. What we are concerned is the interest of the shareholders of the company. Will it harm the company or not? How is the public interest concerned with whether A or B controls a particular company? The whole concept of bringing in "public interest" here shows the mind of those who are behind this measure. If it is said that it is injurious to the shareholders of the company and a kind of moratorium may be established until the rights or wrongs or quarrels between two groups of shareholders are settled, I will be prepared to support it. But this discretion given in such wide terms, that whenever the Government feels like it, they will say that it is against the public interest because they know best what is the public interest, is not desirable. We cannot give the administration of the day, the ruling party and the officials, the right to decide what is in the public interest. Either a court of law must decide or the company itself must democratically decide it.

Shri Asoka Mehta, again, complained that he could not follow my logic about selling agents. I think I have said enough to show the logic on which I am proceeding. If a company appoints a wrong kind of selling agent, if the selling agents are allowed to make too much of profits, then sooner or later that company will go off the market, and the sooner it goes off the market the better for the country, because somebody else will manufacture and sell those goods at a lower cost and of a better quality to the public. This is the whole philosophy of a competitive society on which every country has so far advanced to prosperity. To say that the Government will decide who the selling agents shall be is not correct. Not only that. Under the clause as it stands at present, the Government are given the right to write the contract, to dictate the terms of the contract between the company and the selling agent they appoint. They are given the right to decide on what terms a company shall appoint a particular person they select. If this is not bureaucracy run amuck, I do not know how else to describe it. Therefore I say, the selling agents are a particular part of the management. You might as well tomorrow say that the managing director shall be appointed by the Government, you might as well say that the Personnel Officer shall be appointed by the Government. Certainly not. Management is an integrated thing. You cannot take away the rights of a management about the selling part and then ask it to run the company, because if you arrange for that company a poor kind of selling mechanism then that company will not be able to carry on.

Sir, may I sound a note of warning here. We all talk about the need to increase our exports. But if we are to hamstring business by imposing on them State-approved selling agents on State-approved terms, then our exports will not be able to compete in the world market with those that come from other countries. If you want our country to export, give our people the right to sell. Let them appoint whoever they like and sell in their own way, because the right to sell is an integral part of the right to produce and to do business.

In fact, the extent to which this section has now gone, which is much further than the original, shows that there is some after-thought behind this. There are uncharitable people who have suggested to me that perhaps this is the thin end of the wedge by which the State Trading Corporation will utilise the Company Law Administration to get themselves appointed selling agents of companies by the back-door. I do not want to accept that charge but, considering some of the other methods of the State Trading Corporation and their attempts to establish monopoly wherever they enter, I think it is very significant that powers are being taken by Government today which might enable them to tell a company that they will be very nice and very reasonable in every respect if only they appoint the STC as their selling agents. I do not think they will do it so long as my hon. friend sitting on that side is there. But we are not legislating for Shri Lal Bahadur Shastri, to whom Shri Asoka Mehta paid an extremely well-deserved tribute in which I would like to join respectfully. We are legislating for all time. We are legislating for good Ministers, also we are legislating for bad Ministers, we are legislating for the honest officials who are sitting in the gallery today, but we have also to legislate for dishonest and corrupt officials who may take their places tomorrow. Therefore it is no good saying - we are all good people and you must trust us. No law can trust those in authority with absolute power, because we know that absolute power tends to corrupt people.

Finally, Sir, a last word, by way of illustration, on clause 154. There is an Advisory Commission. One would have thought that the Government having created an Advisory Commission would give them the fullest power. But we find that in clause 154 the discretion under sections 408 and 409 - complaints under the Act - is sought to be taken away from the Advisory Commission and a part of those powers are sought to be given to the Government of the day. This, Sir, I think, is very unfortunate. I hope even now the Government will drop it, because it does not show very great confidence in the Advisory Commission that they themselves have introduced.

Then ~~I come to~~ (there is) the vexed question of corporate contributions to political funds. Sir, this is a very vital issue. My hon. friend Shri Asoka Mehta made a very eloquent and a very noble appeal to the Minister even now, in the interests of clean politics, in the interests of the flowering of democracy in our country, to think again. I have reason, knowing what I do as a member of the Joint Committee, to feel that he still has an open mind on the subject. He, as a Minister, as an individual, has not made any commitment on the subject yet, and I would appeal to him to consider whether the time has not come now when this matter should be regarded as a broad matter of policy where all democratic political parties are equally interested in clean politics and giving the common people of our country the freest chance to express themselves. What is the present position? The present position is that a company can, by the general body, vote away unlimited amounts of money to any political party or funds. On the other hand, clause 293 says that the directors of a company can, without a sanction of the general body, vote away every year, Rs.25,000 or five per cent. of the net profits, which may go to lakhs of rupees in some big companies, to political parties or funds.

<u>Shri C.R.Pattabhi Raman</u> (Kumbakonam): They are all grown up people with independent judgment.

<u>Shri M. R. Masani:</u> I know. It is interesting. While they are not allowed to carry on their business without interference, they are now allowed to do something which is not part of their business and for which money was never taken by them from the public by subscription. When a company floats its shares, is there any man who pays a hundred rupees or a thousand rupees who thinks, "well, Rs.20 out of this will go to the Congress Party or Rs.10 will go to the Swatantra Party?"

<u>Mr. Speaker:</u> Does the hon. Member mean to say that if the clause restricting the authority of the shareholders or the directors appointing their own auditors is amended according to the desires of the hon. Member, the clause regulating the contributions may stand?

<u>Shri M. R. Masani:</u> I am going to point out some weighty public reasons why I think that this particular liberty should be denied to the shareholders and I am going to make the case in a moment. It is true that you may say that the shareholders who want to give away half their money to the Congress Party may give it and "why should we stop them?" They are grown up people. I agree, but was that the basis of the contract? When I subscribe to the shares of a company and later on, when the company modifies its articles to open the door to political contributions, I may be told, "You sell out your shares and go away, now that your eyes are opened". However

shareholders do that? What I am trying to say is - when a man subscribes to the shares of a company, he subscribes to the major purpose mentioned in the memorandum which is to produce certain goods or to render a certain service and thus to make a profit. In other words, he does not think that his money is going to be distributed to the coffers of any political party, whatever it may be, and I object equally strongly to whichever party it may go.

Shri Lal Bahadur Shastri: What happens if it is provided originally in the articles and memorandum?

Shri M. R. Masani: I suppose, if it is provided originally, I would say that the shareholder himself is to be blamed and he must take the rap, but, as we know, most companies do not have it in their memoranda and are now changing it.

Under clause 203, the directors are given the discretion, without reference to the shareholders, to vote away five per cent of the profits - it may go into several lakhs a year in some companies.

The practice in other countries varies. I am not saying that all democratic countries, all decent countries, curb corporate contributions. Let me quote two leading democracies, the United States and the United Kingdom. In the United Kingdom, there is no ban on corporate contributions. Companies are allowed to contribute to political funds without let or hindrance, though recently, Mr. Gaitskell, the leader of the Labour Party has expressed the view that in his opinion that should stop. In America, on the other hand, there is a ban. There are laws that prevent any corporate enterprise from voting corporate funds to any political campaign, committee or fund. In fact, they go further and put a ceiling on individual contributions also, and no American citizen can pay more than 5,000 dollars a year to the same political party more than once a year.

That is another point and we do not go into invididuals. We want to deal with company contributions here. In the United States, joint stock enterprises are prevented notwithstanding the fact that they do not interfere in other ways with the shareholder's autonomy, from doing this - not because of their interests but because of the interest of the community in running its business. Here, we want to consider the autonomy of the shareholders as it affects the political life of the country.

~~I want to show that~~ There are three or four very good reasons why it is bad for the country if corporate enterprises' funds are allowed to be raided or levied for this purpose. As I said, first, the purpose is that the funds are meant for production. Every rupee taken away from investment in business and given to a political party, to that extent does not help production of the goods and services for which the company was formed. If we agree that maximum production is what we want - and we all agree, from our Prime Minister downwards - then surely, anything that we do to stop money from being diverted from the purpose of production to the purpose of fighting campaigns and elections is a good thing. It is a wrong use of money which was dedicated to a particular purpose.

Secondly, if you are allowing a company to give away their money, they are not going to bear the loss. They will pass the burden on to the consumer, because the donation to the political party will become part of the cost of business. It will be like an advertisement; like a public relations campaign. It will be added to the cost of business. So, in the end, the consumer pays; the price goes up and the consumer will suffer, and the inflationary tendencies will further be aggravated. If we want the consumer to be protected, then there is no reason why a company should be allowed to add the cost of political patronage to the price that it puts to the consumer.

Then, what about the minority shareholders? For them, in other parts of the Bill, great concern has been shown. I share that concern; I am very much a champion of the minority shareholders' right to fair play. But what happens to the minority shareholders here? Suppose a majority of a company's shareholders are for party A and a minority are for party B, then, are supporters of party B to have the humiliation and the annoyance of seeing their money going not to those whom they want to help but going to their enemies whom they want to see defeated? Are they going to allow the shareholders to contract~~ing~~ out? That proposal was made and that was not accepted by the Minister. As was pointed out earlier, under the British Trade Unions Act, if a member of a trade union does not want his money to go to a political levy if he happens to be a conservative and belongs to a union backing Labour, he has a right to say: "My money must be contracted out-not a penny out of it should go to the Labour Party" if he belongs to the conservative or any other party. Are we going to accept an amendment on the floor of the House to the effect that a minority shareholder can say: "Not my money"? I can understand that. It is a palliative for those whose feelings would ~~xx~~ otherwise be outraged at their money being used for causes which they do not like and which they hold in abhorrence. And yet, you will force the minorities to give money, to agree to the wishes of those in the majority.

My friend Shri Jaya Prakash Narayan speaks about a non-party democracy. Many of us agree that party democracy can run wild sometimes. We want party strife to be limited to certain spheres. Most democratic parties in India, and certainly mine, agree that we should keep party elections, party labels, etc. out of panchayat elections and elections to municipal and local bodies, and that the major political parties should only fight the battle at the Assembly and the Parliamentary level. While this happy trend of thought is being spread by those who preach the Sarvodaya ideal, to which many of us are sympathetic - though we cannot practise all of it - what does this Bill do? It takes party strife into joint stock enterprises which have so far been relatively free from party strife. I can imagine that, if this Bill is not amended, in the next few months, you are going to get groups of shareholders in major companies campaigning on behalf of their respective political parties. The Boards of Directors will be approached by petitions and counter-petitions saying, "we want the money to be given to party A". Somebody else will come and say, "We want the money to be given to party B." So, you will make the Board of Directors and the company meetings a cockpit of political warfare between the elements who want their particular party to be supported.

<u>Shri D. C. Sharma</u>: Whatever happens, the Swatantra Party will get a lion's share!

<u>Shri M.R. Masani</u> : I am not interested in this party or that party. This shows that the hon. Member has not understood the level at which I am trying to speak and at which my hon. friend Shri Asoka Mehta spoke. We want that money power should be limited. Money power cannot be eliminated, but money power should be limited. Individual citizens should put their hands into their own pockets, whether rich or poor, to help the party which they want to support. That is necessary. Political parties do want funds. But the citizen, as a citizen, has to contribute and not put his hands into somebody else's pocket which happens to be a shareholder's. That is what we are objecting to.

~~Finally, I come to the actual state of affairs in which we live.~~ We live in a controlled economy. If this was a <u>laissez faire</u> State, you may say: "What has got a company to do with Government, and they may do whatever they like". But we are living today in a State where the power of life and death is in the hands of my hon.friend's Ministry and other Ministries of the Government over the fortunes of business enterprises. If we are told that this contribution will be a voluntary gift, we have a right to suspect and to be sceptical and ask: "Will the contributions be really voluntary?" If I am a businessman, I know that by pleasing a particular Minister, I can get a licence, I can get a permit and that I can get other facilities, and then, it is asking too much of my human nature to expect me not to say: "I will go and offer him a donation to his party in the hope that I shall get a <u>quid pro quo</u>." That is exactly what is happening. This is what the people of India believe is happening. So, there is no voluntariness about corporate contributions in a controlled economy. In a controlled economy, it is viewed with suspicion and is felt that there is coercion.

I do not want to generalise, but I know businessmen who have told me that, at the time of the last general elections, they were asked by emissaries of the Congress Party to pay so many rupees per loom in a weaving mill and so many rupees per truck in the case of transport companies. I am told that if in that election this amount per truck was X thousand rupees, it has now become 3X or 4X thousand rupees per truck in the case of certain States in the South and collections are being made per truck, and looms will no doubt follow in the next few months. I am not saying that my hon. friend opposite knows this or connives at it. But when we are legislating for all kinds of people in authority and all kinds of citizens, and when we show so much suspicion about private businessmen and try to stop them from becoming anti-social, we have a corresponding obligation to see that those in office, those in power and authority in the country, also have reasonable checks put on them so that power is not abused.

So we come to this that a company today does not subscribe because of ideological purposes. As Shri Asoka Mehta has rightly said, a company has no ideology because it has no one thinking mind. When it subscribes, it does so because it hopes to get something in return or it is coerced to do so. And this is the beginning of a very vicious kind of vested interest. We talk so much of vested interests. Here is a new vested interest which I at least see growing before my eyes and it is growing in a controlled economy, a vested interest of those in Government and their hangers-on and satellites in the ranks of business, people who work together for the exploitation of the common people and the community's needs. It is a vested interest - I do not care how many business people are in it - which needs to be checked, and I think if we amend the Bill in the way some of us have suggested, we shall strike a blow at the further development of this vested interest which is worse than any other in our country.

Mr. Justice Chagla, to whom the previous speaker made a reference, pointed out ~~that~~ with what apprehension he viewed the possibility of business houses subscribing to political funds and in his judgment hhe made two suggestions. One was this:

> "The least that Parliament can do is to require the sanction of the court before any large amount is paid by a company to the funds of a political party."

Naturally, there is no question of going to a court of law for approval if the Bill is passed as it stands at present. The other requirement that he has suggested also is, unfortunately, not in the Bill; that is, advertising immediately the fact of the donation. I am very sorry that the Minister has not accepted a suggestion to that effect made by another hon. Member. It is true that the Bill provides for the balance sheet to include a reference to the grant. But that balance sheet is only read by the shareholders of the company and it is published after the end of the financial year.

Shri Lal Bahadur Shastri: Who has moved that amendment?

Shri M. R. Masani: Shri Naushir Bharucha made the suggestion. The result would be that the balance sheet would be published after the election and when the people go to the polls they will not know which political party has received what contribution from which public company. ~~Therefore~~, I would even now plead with the Minister to accept an amendment that the moment the Board of Directors or a company makes a grant let it be published and advertised at the cost of the company in the daily newspapers, as Mr. Justice Chagla had suggested.

Mr.Speaker: Does this prevent any shareholder from going to the press?

Shri M.R.Masani: So far as the Board of Directors is concerned, he would not know what is happening there. He will know the position only after the balance sheet is received. Therefore, in the interests of the shareholders and in the interests of the public, the least that needs to be done is to give maximum publicity to that fact and I know that if day after day a man opens his newspaper and finds that only one party is receiving contributions from big business houses, then he will know which is the capitalist party of India and which is not. I say this because the leader of the Government, the Prime Minister, has been uncharitable enough to say times without number~~..~~ that

~~Mr.Speaker: Does it not adversely affect the hon.Member's party?~~

~~Mr. M. R.Masani: No,Sir. And I do not care if it does. The Prime Minister has, more than once, taken the liberty to suggest~~ the party to which I belong happens to be a projection of this or that business group. If it were so, I would not be making this point. Now, I see nothing wrong in having good industrialists and good businessmen among my associates. I am proud of such people and I think it is no slur on our party if people say that we have good industrialists or good businessmen in our ranks. I think everybody should be proud of that, because they are serving the country in their own way. But since the Prime Minister seems to think that this is a useful way of smearing political opponents, let me say this that if, unfortunately - and I do hope that he will still consider our plea - if, unfortunately, the Bill stands as at present and the Govt.defeat in this House the amendments that we seek to move to stop this mischief, then who will be able to blame any man in the street who, by the same logic, says that the capitalist stooge No. 1 is nobody but Pandit Jawaharlal Nehru, the leader of the only party that wants corporate funds to be used for political purposes?

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