

SHRI SYED SHAHABUDDIN (Kishanganj): The following items may be included in the next week's agenda for discussion:—

(1) Rising discontent and sense of insecurity among the religious ethnic and linguistic minorities of the country is a matter of national concern. The annual reports of the Commission for Linguistic Minorities and the annual reports of the Minorities Commission have not been discussed in this House for years. Nor has any report been submitted by the Government on the implementation and the achievements of the P.M.'s 15-Point programme for the Welfare of the Minorities. The Gopal Singh Panel Report on the Minorities has not yet been tabled.

(2) No progress has been made for the implementation of the Mandal Commission's recommendations which have been under consideration for a decade. This has impeded the progress towards social justice and participatory democracy. The other backward classes are demanding due share in administration and in higher education.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE DEPARTMENT OF CHEMICALS AND PETROCHEMICALS IN THE MINISTRY OF INDUSTRY (SHRI P. NAMGYAL): Sir, I will place the suggestions of the hon. Members before the Business Advisory Committee when it meets next.

12.25 hrs.

#### BUSINESS ADVISORY COMMITTEE

##### Seventy-Third Report

[English]

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE DEPARTMENT OF CHEMICALS AND PETROCHEMICALS IN THE MINISTRY OF IN-

DUSTRY (SHRI P. NAMGYAL): I beg to move:

"That this House do agree with the Seventy-third Report of the Business Advisory Committee presented to the House on the 27th July, 1989."

MR. DEPUTY SPEAKER: The question is:

"That this House do agree with the Seventy third Report of the Business Advisory Committee presented to the House on the 27th July, 1989."

*The motion was adopted*

12.26 hrs.

#### SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA BILL — *Contd.*

[English]

MR. DEPUTY SPEAKER: No, the House will take up further consideration of the motion moved by Shri Eduardo Faleiro on the 26th July, 1989. Shrimati Prabhawati Gupta to speak.

[Translation]

SHRIMATI PRABHAWATI GUPTA (Motihari): I shall be very brief.

Mr. Deputy Speaker, Sir, I support the Small Scale Industries Development Bank of India Bill brought forward by the hon. Minister of State, Shri Eduardo Faleiro.

It is a historic Bill which will create more avenues of employment and bring economic revolution in the villages since the main objective of this Bill is to develop the villages and provide financial assistance to industrial units and promote them, provide them technical know-how and marketing facilities in the backward areas where industries have become sick for want of capital. The objec-

[Smt. Prabhawati Gupta]

tives of the Bill are very good and therefore, I welcome it.

Just as the Jawahar Rozgar Yojana is a revolutionary scheme and revolutionary steps are being taken through 64th and 65th Constitution Amendment Bills, similar steps are being taken under this Bill. There are some basic problems before the industries and all these problems should be solved through this Bill. I feel that cottage industries should also be included in it. Setting up of small Scale Industries Development bank is a good step taken by the Government. But there are lakhs of Cottage Industries in the country which have become sick for want of capital. It will be better if these industries are also covered under this Bill.

The industrial revolution coupled with revolution in generation of electricity took place in the West in the beginning of 18th century. These revolutions changed the very face of this part of the world. On the contrary, in the pre-independence period in our country we passed through a phase when every thing was being imported, bearing marks 'Made in England' or 'Made in Germany'. Even a small needle was being imported. Our industrial policy was formulated in 1956 and thereafter industrial revolution also did take place in our country. Heavy industries were set up in steel sector. Industries were set up at the village level. The policy was widely acclaimed. Industrial complexes were set up at different places. But the work that was supposed to be done for the development of small scale industries has not been done so far. I have already said that capital is a major handicap. As such it will be better if the Government pays attention to it.

Wealth worth billions of rupees in the form of jewellery is laying unutilised in the hidden cotters in our country. The Government should make every effort to see that this wealth comes into circulation and is in the small scale industries. The Government should make an announcement that if the concealed black money worth billions of

rupees is invested in small industries or offered to this bank the Government would not make any enquiries about the source of such wealth. Later, if you undertake a search it will yield more money and, therefore, the Government can provide more assistance to these industries.

The small scale industries have contributed significantly to the economic revolution in the country. Out of the total production in the country, 50 per cent is received from the small scale sector. In export also, their contribution is 25 per cent more than the others. Thus, it has made a significant contribution economic revolution in the country. I would, therefore, like to congratulate the Government for paying attention to it. I would like to add that the I.D.B.I. did a good job. While moving the Bill, the hon. Minister stated that financial assistance to the extent of Rs. 1491 crores was provided upto March, 1989—a period of nine months—which was 30 to 31 per cent more than the amount provided in 1987-88. Still I would be forth right and that the units of the small scale industries have been badly ignored by the I.D.B.I. I, therefore, request you not to appoint the Chairman of I.D.B.I. as the Chairman of the Small Scale Industries Development Bank. When you are going to make it a separate body you should also appoint an expert as the Chairman of this bank. A person who has compassion and is well informed about the problems of rural areas should be made the Chairman of this bank.

The Government has undertaken that it will provide technical know-how for all round development. It has also proclaimed that it will upgrade technology and invest money in small scale industries and cottage industries with special emphasis on small scale industries, and do everything to manufacture quality goods. The Government has taken a good step for the development of small scale industries by setting up this bank. In this connection I would like to urge the Government to deal with the power aspect also. Power is a serious problem coming in the industrial revolution and development of small scale industries. I agree with the view ex-

pressed by you that this bank will play a significant role in the economic development of our country. I, therefore, request you to take care of the power factor also in this Bill.

You have stated that its headquarters will be located in Lucknow. I have nothing to say about the location of its headquarters in Lucknow. But it must have a its branches in every State. Until and unless its branches are opened in every district, it will be meaningless because industries will be developed by the people in the districts. Lakhs of units are lying closed in North Bihar due to shortage of power and for want of capital. I, therefore, suggest that Kati Thermal Power Station which is not out of the way should be included in this scheme. One more thing that I would like to say is that the Government should make available services of to the people. Due to lack of quality, the work is affected and as also the demand for the production the market. You should pay attention to all these things.

As regards the composition of the Board of Directors, I would like to suggest that people's representatives must be included in it. I would like to draw your attention to one more thing. There are big banks, small banks, Rural Banks besides the State Bank of India, the Allahabad Bank, Bank of Baroda under the Government's control, but Corruption has become the order of the day in these institutions. How would you ensure that the small units which are on the verge of closure do not face such situation for want of capital. You should, at least, assure the people that there will be no corruption in the Bank that you are going to set up, because these are the people who will approach the bank for loans and they will face the same situation. For example, there is a provision for grant of loan to the tune of Rs.5,000 to Rs. 10,000 under the anti-poverty programme, but in actual practice people get only Rs. 2,000. As such the institution which you are going to set up should be clean and free from corruption. Then only your bank can deliver the goods and your objective can be fulfilled. I would like to urge the Government to open at least one branch of this bank, in North Bihar

where there is large potential of developing small scale industries. It is rich fertile land gifted with number of rivers. If power is generated there raw material will also available. You are facing the problem of raw material. The small scale industries are not getting raw material. The quota of raw material allocated to States and distributed through Small Scale Industries Corporations falls in the hands of big people and it is being sold in Bombay, Calcutta and madras. (*Interruptions*) I would, therefore say that Government's objective will be fulfilled only when it pays attention to all these points while setting up a bank. If the Government takes proper steps, the rural economy will be strengthened. I once again extend my support to this Bill.

### 12.34 hours

[English]

SHRI ASHOK SHANKARRAO CHAVAN (Nanded): Sir, I rise to support the Bill. It has been introduced mainly to promote the small-scale industries in this country. Today, we are completing 20 years of Bank nationalisation. Today we cannot forget Indira-ji who took the initiative at that time to nationalise the Banks because you will remember that prior to Bank nationalisation it was only the selected class which used to benefit from the Banks. But today due to Indira-ji foresight or vision, we can see that the money is going to the poor-man and the needy class. That is why, it was Indiraji's vision and foresight because of which we could see today's Bill. I congratulate the Minister for taking this very positive step and also our respected Prime Minister who has taken all the pains to see that the small scale sector in the country benefits. But lot needs to be done to create an healthy atmosphere to promote small scale industries in this country. There is a large competition which the small scale sector has to face from the multinationals, from the established industries. That is why, this small scale sector needs some protection and healthy atmosphere needs to be created to see that the small scale sector comes up rapidly. We

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have observed that in these twenty years of bank nationalisation the advances made by the small scale sector have increased from Rs. 286 crores to Rs. 16,000 crores. But, it is, at the same time, necessary to see how this money is being utilised—whether it will be utilised in the proper manner and if any flaws are there in the system, that should be rectified for the benefit of the small scale sector.

The most important point which I would like to stress here is that the banks will have to shift from the metropolitan cities to the area of their operation. We have observed that most of the regional offices of these banks are situated in big cities whereas their area of operation, the people who are going to benefit from these banks are in the rural areas. So, the step has to be taken to see that these regional offices are located in the area of their operation where the people will benefit. As a result of that, a lot of time and money of the entrepreneurs will be saved from going to the cities to get their proposals sanctioned which can be speedily implemented.

Another point which I feel is necessary to be stressed here is that we should find out today when we are establishing the Small Industries Bank, how many small scale industries in the country are sick today and the reason why they are sick and how the Small Industries Bank is going to rectify all that which had been happening earlier. Only then, in true sense, we can have satisfaction of doing something which is really required for the small scale sector. The reasons which everybody knows, today are mainly due to a number of factors. The most important among them is the uncertainty of the supply of raw material which my hon. colleagues repeated earlier and also the lack of managerial competence among the entrepreneurs, to some extent. Since the Bank is also going to take up the responsibility of entrepreneurial development, this is a major task which will have to be taken up by the Bank to see that they have the managerial competence to deal with the problem.

Lastly, the most important point of it is the necessary marketing infrastructure which has been lacking so far because what has been produced by the small scale industries does not find a suitable market. Even if they make their best efforts, large multinationals and the big houses make it extremely difficult for the small scale industries to thrive, to come up properly. So, I feel, if these points are taken care of, we will be doing an excellent job through this Small Industries Bank for the small industries.

Another point which needs the kind attention of the Minister is the District Industries Centres or the DIC which have been operating at various districts. What we have observed today is that these District Industries Centres have become mere post offices. Each and every proposal whether it is feasible or not is mainly, like a post office, sent to the bank and the bank simply rejects all these proposal. If you see the figures of how many cases were recommended by the DIC and out of these how many were turned down, you will find the figures alarming. I would request that when we talk of a single window clearance for the last so many years, it is necessary that the DIC does not function as a mere post office. We should have our representative of a lead bank which is competent enough to see that whatever proposal is sent to the DIC is properly examined. At this juncture you can decide whether you want to forward the proposal to the bank or you want to reject it. But once the proposal is taken as feasible at the DIC level, then there should be no reason for any financial institution to turn it down. By this you can save the time of the entrepreneur and he gets all the inspiration to see that his proposal is sanctioned in time and he goes ahead with whatever proposal he has in mind.

But what is happening today is exactly the opposite. The DIC forwards the proposal, it goes to the bank and from one bank to another he has to spend a lot of time. It is exactly contrary to what we want today in the country. If we are talking about a single window clearance, let up take the minimum time to clear a proposal and all this should be

done at the DIC level. I feel if the procedure is simplified, he will definitely go ahead in time and his proposal can also be expedited and necessary results achieved, for which the bank can also take up the necessary responsibility.

Another point which needs to be verified is the industrial potential of every district. We see that when a proposal for an oil mill comes up in a district, there are ten similar proposals for oil mills coming simultaneously and as usual they are simply sanctioned. So on a large basis a survey will have to be taken to see what the potential of every district is.

As the Prime Minister has undertaken technology missions to see what is the potential of every area, how tele-communication facilities have to be improved, how much rainfall is there in an area, etc; similarly some sort of a survey has to be taken to see that the potential of every district is found out and accordingly we promote only such industries as have potential in that area. Then we can give money through these banks only to such industries as have the potential for the area.

Marketing facilities today is a major problem which our small scale industries have been constantly facing. The small scale industry needs to be protected, at least till the point the money is repaid by them completely. When we advance the money through our bank, it is also our responsibility to see that proper protection is given and the entire money which has been financed to him is repaid in time. This has to be done.

We will observe that by the Government department itself in every district so much purchase is done on a large scale. In Maharashtra if you take for example, we have to SIDCO which is a big organisation constructing houses for the middle class people and the poor. So much of material is required by them regularly. If the same material is purchased from the small scale industries, this can avoid the problems which are arising

in regard to marketing. Unfortunately this is not happening in the country.

There is a lot of corruption which is involved and that is why even though the quality of the goods manufactured by our small scale industries is good, they are not given any opportunity. So, a tie up is required whereby the material which is of quality manufactured by our small scale industries gets some help from the Government sector, the public enterprises and it is purchased by this department on a major scale so that the problem of marketing can also be solved.

Similarly, in the transport sector if you observe, a number of advances are given for our trucks, tempos, light commercial vehicles, etc. The observation today is that a number of banks have stopped advancing money to this sector because they say that the recovery in this sector is poor. But I would ask, has any effort been made earlier to find out why the recovery is poor. When the small scale sector man goes into the market, he has to face stiff competition from the organised operators. The Government floats a number of tenders everyday. Whatever decision is arrived at, why don't you give priority to the small sector man to whom you have advanced money recently? If this tie up is there, whatever rates are decided by the Government, definitely the small sector man is going to repay them in time. He will also be free from whatever liability is there and the Government money is also recovered. Some sort of tie up arrangement from the Government sector, from the public enterprise is required so that advances can be given in this sector also. And some help can be given. We have also introduced the National Equity Scheme for which seed capital is given to entrepreneurs to start their own industries. But these require some encouragement and a number of entrepreneurs are still not aware of that sort of a scheme. If you take the analysis of how much money has been given under this Equity Scheme, we find that in most of the places, the targets have not been achieved. Here something should be done so that lot of entrepreneurs will come forward in the small scale industry.

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One point which is important is about bank deposits. As a matter of precedence, so much of Government deposits are automatically going to big banks. I would suggest that if the bank's performance is taken as the criterion for giving the deposits, then some sort of improvement we will observe in the working of the banks. There are a number of banks which are getting Government just as a matter of precedence- whether they function or not; whether their performance is good or bad; or whether they have attended to the priority sector or not. They have been getting advances regularly just as a matter of precedence.

MR. DEPUTY SPEAKER: You have taken sufficient time. Please wind up.

SHRI ASHOK SHANKARRAO CHAVAN: I am finishing, sir. This thing can be taken care of. I believe, if those banks, which are performing well, are given advances, then some sort of incentive will be there and the banks will also function in a proper manner.

Lastly, we observe that the payment which is being made from the Government departments to a person in the small scale sector, often goes very lately. The person is working on a very small working capital and if the payment does not come for years together, how do we expect him to repay the loan taken by him and how do we expect him to rotate the same money for doing business? If these Government departments pay in time, he will have reasonable amount of money for this own business. Recently a Bill had been introduced in Lok Sabha which has, now, become an Act, by which if a cheque bounces back, the person who issued the cheque is liable for prosecution. Why not we think of similar amendment that those people who harass the small scale industries person and those who do not make the payment in time, are also punished? Then, the person in the small scale sector will get the benefit. Therefore some

sort of amendment should made which will help such persons.

I would lastly thank the hon. Minister for taking a very positive step, by taking local MPs and MLAs in the District-level Steering Committee. This measure will go a long way in taking a proper decision at the district level to promote young entrepreneurs.

[*Translation*]

SHRI DAL CHANDER JAIN (Damoh): Mr. Deputy Speaker, Sir, a new awareness has been brought about by the Jawahar Rozgar Yojana in the country. People have expressed their confidence in it. On behalf of the House, I would like to congratulate the Hon. Prime Minister for this scheme. Before the Jawahar Rozgar Yojana, came into existence funds meant for the development of villages were not fully utilised. But, now the funds will be directly provided to the panchayats. Different programmes of development will be undertaken in the villages, instilling a sense of responsibility in volunteers and social workers in the villages towards their task.

[*English*]

MR. DEPUTY SPEAKER: Please confine yourself to the Small Industries Development Bank of India Bill.

[*Translation*]

SHRI DAL CHANDER JAIN: Mr. Deputy Speaker, Sir, I rise to support the Small Industries Development Bank of India Bill. When a person seeks bank loan for setting up a small scale industry under the Self-Employment Scheme he has to face many difficulties. Even after completing all the formalities, he doesn't get positive answer from the bank. He does not know whether his loan has been sanctioned or not. He has to make many rounds of the bank and the collectorate. Therefore, I would like to suggest in this regard that a timelimit of two months should be fixed for the disposal of applications submitted in the banks under

the Self-Employment Scheme. They should get the loans in all circumstances within this time limit. Besides, the fate of the applications should also be intimated to them. Today large number of cases under the Self-Employment Scheme are pending with the banks for years. People make rounds of the banks but they do not come to know about the factual position.

While the small industrialists are asked time and again to submit the same papers which they have already submitted, big industries are generously sanctioned loans by the banks. The banks do not sanction loans to the former in spite of their repeated requests that the papers have already been submitted. In this way, all the schemes of the Government remain on paper only. Although criteria are laid down by the Government, still we get lot of complaints from time to time about their violation by the banks. When an industry does not get the loan in time, debts from other sources go on increasing jeopardising the smooth functioning of that industry. They don't have sufficient working capital to depend on and to carry on their operations. As a result, the new industry either closes down or becomes sick before it is commissioned. So a minimum time limit should be fixed for the Small Industries Development Bank to release loans. Specific guidelines should be given to them regarding the formalities to be completed by an industry. The time limit should be fixed by the Government and every applicant should get loan, grant or the incentive within that time limit. I hope that the hon. Minister will consider my suggestion seriously so that no new industry is closed or becomes sick before it is commissioned due to lack of funds.

[English]

SOME HON. MEMBERS : Since many hon. Members want to participate in the debate, let us forego the lunch break.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE DEPARTMENT OF CHEMICAL AND PETRO-

CHEMICALS IN THE MINISTRY OF INDUSTRY (SHRIP. NAMGYAL): If the House agrees, I have no objection.

MR. DEPUTY SPEAKER: Is it the pleasure of the House to dispense with the lunch hour?

SOME HON. MEMBERS: Yes.

MR. DEPUTY SPEAKER: So, there will not be any lunch-break today.

SHRIMATI BASAVARAJESWARI (Bellary): Sir, at the outset, I welcome this Bill to establish the Small Industries Development Bank of India as the principal financial institution for the promotion, financing and development of industry in the small-scale sector and to co-ordinate the functions of the institutions engaged in the promotion, financing or developing industry in the Small-scale sector and for matters connected therewith or incidental thereto.

As promised by our previous Finance Minister at the time of presentation of the budget during the year 1988-89, this Bill has come into effect. Today, there are various banks. The IDBI is mainly responsible for promoting major and medium industries. There is the NABARD which is very much interested in promoting the development of agriculture. Very recently, we have started a separate bank for the construction of houses and so on. This Bank is in the right direction. The main object of setting up this Bank is to see that the rural youth and the educated youth will get an opportunity to set up industries in the remote areas. This would certainly bring decentralisation in the industrial sector because we are rightly thinking that all the powers, which have been centralised so far, should be decentralised and it should reach the grassroot level. Such being the case, this Bill is very very important and care should be taken to see how best and wholeheartedly we can reach the needy persons. While dealing with the small-scale industries to go into the interior places, we should also see that the persons who are going to be benefited are the most ignorant persons—

[Smt. Basavarajeswari]

13.00 hrs.

maybe non-technical persons, maybe they are not very much well-versed in promoting these industries, maybe they may not be having proper managerial experience. Therefore, when we are dealing with such persons, we should be very careful in setting up such industries. Today, IDBI is doing a very good work. Because of these efforts, the country could achieve greater progress in the field of industrial development. We are proud that we are 9th in the rank compared to other developed nations.

While doing this, we should also think why so many small industries have become sick. My friend has given one or two reasons. To add to this, I would like to say that there are many more reasons. The first and foremost will be that there is a delay in sanctioning the term loans and in selection of site for location of the industry. There are other reasons like the insufficient sanctioning of working capital and also not getting proper marketing facilities. Very often, power tariffs have been increased indiscriminately by the State Electricity Boards, etc. Due to power-cuts also, most of the industries go sick. This is the major difficulty which the small-scale industries are facing today.

Another very important thing is that in so many industries, the technology which has been prescribed by the technocrats is not good. It is not proper. I can say that the persons who set up such industries have been fooled. For example, we have set up so many mini-and micro-cement plants. We have used this technology. You will be surprised that more than three to four hundred mini-cement plants have become sick due to the faulty machinery which these industries have been getting. Sometimes sub-standard machinery is being supplied to the entrepreneurs. We don't know what kind of machinery is being supplied to them. We tell them. They place firm orders. You will be surprised that the machinery which they have been supplied is sub-standard.

Due to these reasons many of the industries have become sick. It is not due to the fault of the entrepreneurs; it is not due to the fault of any bankers. This is due to some cheating by the industrialists which has resulted in so many industries becoming sick.

Another aspect which we have to consider is regarding the growth centres and the no-industries State. The districts which have been declared as no-industry districts are very few. They are not uniform. In one State, there are so many districts as no-industry districts and in another State like Karnataka, we have got only one such district. The entrepreneurs are thinking that they will get a lot of subsidies and incentives. Even though the raw materials are not available, even though the market facilities are not available, they go to such places or districts only for getting some subsidies and incentives. So for setting up small scale industries, these hurdles should not come in the way. The subsidies which you are going to give for the small scale industries should be uniform throughout. For example, there are districts with scarce subsidies and there are some districts with subsidies as equal to the central subsidies. This confusion is prevailing among the entrepreneurs. Therefore, the subsidies which you are going to give should be uniform. It is not only that. They should be given regularly also. In my own case, there was a delay of three to four years. You have given the subsidy. But the State Government could not give the subsidy amount. Therefore, we have become defaulters. The money which you have given in the form of subsidy, has been taken away towards payment of interest since we could not pay the amount. These are the cases which you have to look into. If such is the situation, I do not think that any small scale industry will come up in spite of our best efforts.

The next thing is that there are a lot of procedural delays. This has to be simplified. So many people do not know the procedure. I would like to say on the Floor of this House that the procedure to be followed in the

approval of the project report should be printed in the regional languages also. Only then a person will know as to what he is doing. He just cannot close his eyes and simply sign the documents. To know what he is doing, it should be printed in the regional languages. So many times, we sign documents without knowing what is there in those documents. Finally, when it comes to the implementation part, we become very much scared. This is how things are going. So, the procedure should be written in the regional languages so that the person can know as to what kind of assistance he is going to get. Procedural delays can also be avoided by this.

Another aspect is regarding the supervisory staff. I think the millionaires and big undertakings can manage any amount of supervisory staff. If 21 or 22 persons come to a small unit for supervision, how is it possible for us to manage? It is not possible. One or two or a group of persons can come for supervision who can advise as to what to do and how to improve. If such things are simplified, I think the situation will improve. Now I come to the Bill. As stated by my friend, a survey has to be undertaken by each district depending upon the resources available there. Resources are different in each place and the craftsmen are also different. We cannot consider it uniformly. Every district has its own potential. In my district, only iron ores, manganese and granite ores, long staple cotton and oilseeds are available. So, depending upon the resources available in the place, a thorough survey has to be made before taking a decision. Only then, the small scale industries will survive. We should not encourage people who set up industries in places, for the sake of subsidies and incentives, where there is no marketing facilities and where there are no raw materials also. I would like to say my own experience of mini cement plants. Coke is the main raw material in the mini-cement plant. It is being brought from Orissa. The cost of coke is a good as one bag of cement. These are the things on which you have to think of. The working capital has to be sanctioned taking into consideration the difficulties in getting the

raw materials. The concerned officer must see that somehow or the other, the raw material is made available to the entrepreneurs. He must get the raw material that he had projected at the time of presenting his report.

Now, about the Bill. In regard to the constitution of the Board, I request that one lady entrepreneurs must be taken in the Board. As you know, ladies are now coming forward in every field. We are very much interested in taking up small industries. We are very much interested in food processing industries. How can the farmers get a remunerative price unless their produce is made a value-added product? Our Prime Minister has been laying a great stress that people should come forward to change the produce of the farmers into value-added products like food processing, fruit juice etc. Women are quite capable of doing such things provided they get proper training, proper encouragement and proper incentives. Therefore, a lady in the Board of this organization would be very much desirable.

Then, you have stated that the headquarters of this would be at Lucknow. We have not seen Lucknow till now. Anyway, that is all right.

As I said, there must be a lady in the Board. Do not think that we are not capable; I am myself managing the affairs of a company; which has been working very satisfactorily. Do not think that we are not capable of running industries. We are more prompt in repayment of loans than anybody else. This I would like to say emphatically on the floor of this House.

Then, the term of the members of the Board should not be six years; it should be five years.

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): Let me clarify this. There seems to be a misconception about the term of office of the members of the

[Sh. Eduardo Faleiro]

Board. It is not six years; it is not provided in the Bill. What is provided is that the term should not exceed three years and the person can be renominated only once, that six years in totality. The term, therefore, is not even three years; it should not exceed three years.

SHRIMATI BASAVARAJESWARI:  
Thank you.

Then, clauses 37, 38 and 39 talk of the penal action. I am very much afraid. If a woman becomes a defaulter, then the District magistrate will resort to these penal provisions. We should be more careful while making use of these penal provisions in regard to entrepreneurs.

Sir, I do not want to take more time of the House. With these remarks, I thank the hon. Minister for bringing forward this Bill. Finally, I submit that in regard to interest, excise duty and customs duty, we should be very careful; it should not be uniform; in comparison to medium and other industries, it should be a little less for the small industries. With these words, I conclude and once again thank you.

SHRI CHIRANJI LAL SHARMA (Karnal): Mr. Deputy Speaker, Sir, I am glad to have this opportunity to participate in this discussion, which would enable me to give vent to my views on the floor of this House.

13.10 hrs.

[SHRIMATI BASAVARAJESWARI *in the Chair*]

I must pay compliments to the hon. Minister, who is the mover of this Bill, for the sincere efforts that he has been making and for the rapt attention with which he has been hearing individual sufferers.

Sir, the very idea behind this Bill is laudable. Earlier, we had the IDBI, now we would also have SIDBI. We add the word S for small industries.

At the outset, I would draw the attention of the hon. Minister to the difficulties being faced by the entrepreneurs while dealing with scheduled banks and others. I will quote a particular instance of a man who is suffering immeasurably because of initial mistake of mine. Madam, Chairman, it was in the year 1980 that I happened to lead a Parliamentary delegation to some European countries, including Kuwait. When I went to Kuwait, I met a young man from my constituency, my district. He was known as Laxmi Narayan Goyal. He was minting money in Kuwait for the last 19 years. I said, "Laxmi Narayan, you are an engineer. You have money enough and to spare. Why don't you come home and set up an industry in India." He said that he would have to face so many difficulties. I assured him of all help. He was taken in by my tall tales. He came to India, purchased a plot measuring 600 Sq. yards in Okhla Industrial Estate and invested all his earnings, i.e. foreign exchange to the tune of Rs. 62 lakhs. His son who was an engineer had done his MBA in America. He was getting very good offers in America. He too was persuaded to return home and join his father. He set up an industry at Okhla. Letter of Intent for the establishment of the industry was given by the Government of India. A sum of the Rs. 56 lakhs was sanctioned by the Delhi Finance Corporation and he was duly informed about it. He constructed the building, imported machinery, got electric connections and when the factory was complete, he applied for licence. The Government of India continued delaying it unnecessarily. I again had to intervene. I met the Hon. Minister for Industry, Shri Vengal Rao and argued with him. He told me that he could do nothing and that I should meet the Prime Minister. I said, Vengal Raoji when I am meeting the Minister concerned, how do you expect me to go to the Prime Minister. If you refuse to give me the licence I will have to knock the doors of the Supreme Court or the High Court and the Government will have to eat a humble pie." Well, I am grateful, he was convinced. The licence was given and when he was going to start, Delhi Administration said, "No, we are not going to allow you; we are not going to release the loan of

Rs. 56 lakhs (that was duly sanctioned and which encouraged him to set up this industry)". He should shift this industrial unit from here to some other area. Madam, Chairman just imagine what would be the condition of those two qualified engineers who invested about Rs. 82 lakhs out of their own earnings and became paupers. Then I called on the Hon. Minister Shri Faleiro. I must appreciate the courtesy that was extended to me and also to the engineers by him. He talked to the Chairman of some bank, probably the Hyderabad Bank. He deputed his private Secretary to see that the man was helped out of trouble. I must appreciate his magnanimity. There should be no reason to suspect the bonafide of the Minister. But, Sir, the question is, it all proved to be an exercise in futility. In my presence he advised his Additional Secretary that this man has to be helped, but to no avail. Madam, Chairman, you can very well appreciate the condition. Would not these qualified engineers be obliged to commit suicide in the given circumstance they are wandering from pillar to post in order to earn a pittance to keep their body and soul together? In spite of the fact that they had done so much, the factory could not run. I hope it is for such industrial units that these bank facilities are being given. The agencies through which these credit facilities are being provided to the industries, they don't abide by the policy of the Government of India. Madam Chairperson, though you, I will draw the attention of the hon. Minister, Shri Faleiro, to page 90 of India Today of this month where this case finds a place with photographs of the father and the son both engineers with tears in their eyes. They came to me by throwing heaps of abuses upon me and rebuking me "well Mr. Sharma, you inspired us to set up an industry; otherwise we were just living a very decent life in Kuwait.

These banks have money. The IDBI is there. Now, the letter 'S' has been added. The Government is giving all such facilities. The country has been making a tremendous progress, practically in all spheres and particularly in the field of industries. Now, we

have a place amongst the community of nations so far as the industry is concerned. Due to these facilities, the financial assistance is being given to the entrepreneurs. Here is a case which I am quoting on the floor of the House. This is a case regarding Mars Associates Ltd., Okhla, Delhi." Where should such persons go?

A lot has been said on this subject. Our Government is very sincere in their approach to the solution of the problem. But the persons at the helm of affairs, who occupy the Chairmanship of Banks or Corporations, they don't have their fingers on the pulse of those who suffer because of their treacherous approach. Will the hon. Minister kindly take notice of such cases in particular?

I do not want to encroach upon your precious time, Madam. I know you are seeing your watch time and again. You might be anxious to call the next speaker. I could dilate on the subject for a very long time. But I have another case in mind. There is a small scale industry in my own Parliamentary constituency at Karnal..... Super Tyres. They are manufacturing tyres on a small scale. They are exporting the tyres on a small scale. The bigger factories are really jealous of the tremendous progress that factory has made. But because of certain technicalities that man is suffering. I brought that case to the notice of Shri Panja, who was good enough to give him relief. The goods which were manufactured by that gentleman was to the tune of about 30 lakhs to 40 lakhs. They were lying in stock and could not be sold. They could not be disposed of because of some technical difficulties. When I brought this thing to the notice of the Minister, he said: "Mr. Sharma, let me see the file." I am glad after seeing the file, he gave the requisite relief within a week. The gentleman heaved a sigh of relief and disposed of the goods which were laying for months together. After this year's Budget again some problems due to some amendments in the rules—were created. Then, I again knocked at the doors of the Minister, Mr. Panja, drawing his kind attention. It was just felling from the frying pan again into the fire. He said: 'I

[Sh. Chiranji Lal Sharma]

would look into it.' But, so far, nothing has come out.

I have a very high regard for the hon. Minister of Finance who means to do something, who means to help the industries, no doubt; there is no reason to doubt his sincerity. But the question is whether the official machinery at the helm of affairs, which is there to execute the policies of the Government is sincere in its approach. If not, what is the remedy? The remedy lies with the hon. Minister. We can only ventilate their grievances. We can only bring to his notice the glaring instances where individuals are suffering. If, inspite of that, they do not get the relief, then there is no end.

Thank you; with these words, I support the Bill.

SHRI ASUTOSH LAW (Dum Dum): Madam Chairperson: There is a longstanding demand from the tiny and small industries that there should be an apex body. For various purpose such a Bank should not only look after the interests of the small industries and protect them from becoming sick, but it should also look into their finances and given them guidance.

Personally, and on behalf of my constituency, I congratulate the Finance Minister as well as the Central Government for having brought this Bill—it is called the Small Industries Development Bank of India Bill, 1989—which, I believe, if implemented in proper way, might help small industries to create healthy industrial air in our country.

Before I go to certain anomalies in this Bill which I will just point out, and go clause by clause, I think we should look at the background of the Bill, viz. what are the circumstances which necessitated the bringing of this Bill. It is well established in the modern world today that in no country, industry and economy can be developed without encouraging small industries. This is the

well-settled principle law today. We have learnt this from in Japan; we have also learn it from Korea, and from every where. Madam, the Industrial Revolution took place long ago, centuries before, in England, and since then, we have passed through various experiences. Now we have come to the conclusion, and it is well proved, that without encouraging small industries, no country can develop, can achieve the optimum level of economic boosting.

We learn this from our experience. I come from Eastern India. My constituency is near Calcutta, it is almost a Calcutta constituency. When the Britishers came to India for the first time 200 years ago, all our so-called traditional industries were set up along the Ganges; like jute, textiles and heavy engineering. Big industries, big composite mills are still there. What is the situation that we are facing today?

Either they are sick closed or somehow they are keeping their continued existence. There is always big gap between the big industries. Japan had realised about it after the Second World War. Recently, Korea has realised about it. They have realised that the big industries cannot solve this problem.

The population is growing, particularly, in this part of the world. India is no exception. By the end of the century, our population will be 100 crore. I know and I believe that everybody will support me that no Super Powers will be in a position to solve the unemployment problem in a country where population is increasing very fast. Should we sit helpless? Should we not think what to do to boost the economy, to give moral support to the frustrated youths who are going around the country? There is a gap between the big industries. This big gap has to be filled up. Who can fill up this gap between two big industries? Only the small scale industry and the cottage industry can fill up this gap. If the people are encouraged to establish ancillary industries between the big industries, the gap which is being created today can be filled up.

Hundreds of industries have been closed and their employees have been thrown out of employment. I can give so many examples of it. Even day before yesterday a sad fact has come out in the paper. It is a very sad story. There was a family of three persons—husband, wife and a child. The wife expected that that industry would be re-started. Ultimately, when the husband found it impossible to get employment, she had to commit suicide along with her child. This sort of stories are coming every day. How long do we expect to shed our tears? Who is accountable for it? The people who are managing the affairs of these industries are not accountable to the people; we, the elected representatives, are accountable to the people. Unless we force these people to implement this Act, it will become useless; it will become a scratch of paper; it will be thrown into the wastepaper basket.

I am a lawyer. In course of my practise I have come to know how the industries were becoming sick. The banks do not know how to advance money. Suppose I want Rs. 50,000 for my project at the initial stage. If I do not get it, then I will start incurring loss. If after two years I get Rs. 2 lakhs. Then what help can expect to get. By the time I will be unable to pay the whole amount, I will have to pay the interest through my nose. A small scale industry will never find any profit in their balance-sheet.

IDBI is a very good organisation and its area of operation is largest. If the proposed SIDBI becomes a subsidiary company of IDBI, how does the IDBI can help them that has to be judged first and then only we will be able to know whether this Bill will prove beneficial to the intent of small scale industry or not. Apart from this, the objectives are very clear. They are promotion, financing and development of industries. Along with these objectives, the ideas are very good. But I feel that unless another organisation is set up which will have inter-actions with the Bank—and will also do monitoring and providing with training to the small scale industries—their attempt will be frustrated.

The main difficulty of the small scale industries is with regard to raw-material. Who is going to supply raw-material to them? They are to purchase raw-material from the market at higher rate after paying for some-time premium. We are living an age of publicity. The small scale industries are producing consumer goods; they also produce small parts for the big industries. For all that, they require publicity. We are living in an age of T.V., Radio and Films. Due to financial constraints they cannot participate in the publicity media for the projection of their products, whatever they are producing. So, they hardly find any market for selling their products. Unless they can participate or project their production, through media publicity, they will never find market, i.e. where to sell their products the ultimate result will be loss.

Next is training most of the small industry entrepreneurs, after having been deprived of employment and after going from door to door, they come to the public representatives. We send them to the nationalised banks. Nationalised Banks have got so many projects and on scheme for the self employed people. These people do not have training, they do not know where they will sell their market, and they do not know how to run industries. If the training is not provided through a central organisation, through some subsidiary of this bank or through some organisation, who will coordinate with the bank. Whenever the bank will take decision to advances money to small entrepreneur, simultaneously that organisation will provide them guidance, and guide him, will show them the market and will give him the training to run the business.

Madam, the default clause is very big. I request the hon. Minister, who has piloted this Bill, to look at Clause 38 - page 18. It provides:

“..the Small Industries Bank shall have the right to take over the management or possession, or both of such industrial concern in the small-scale sector, as well as the right to transfer by way of

[Sh. Asutosh Law]

lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Small Industries Bank."

One thing is not clear in the Bill. I am asking the Minister seriously whether proposed bank, will participate in the equity of the industry or not. It is not clear. At least with my limited knowledge, I tried to find out from this Bill whether they are ready and willing to participate in the equity and also ready and willing to provide any professional management or not.

Madam, with all these, still I do support this Bill. I think, certain changes should be made. If proper coordination is established and if implementation is assured and monitoring is done, particularly timing is kept for advancing money to the small scale industry through this bank, I think, some purpose will be served.

[Translation]

SHRI YOGESHWAR PRASAD YOGESH (Chatra): Madam Chairman, I thank Shri Eduardo Faleiro for bringing the Small Industries Development Bank of India Bill. The units operating in small industries sector have special importance in setting the national interest. They play a significant role in removing the economic disparity from the country.

Due to the farsightedness and practical economic policies of the Hon. Prime Minister, the Industrial Development Bank has not only fulfilled its designated objectives, but has also exceeded the targets of the Seventh Five Year Plan. The hon. Minister and the officials deserve to be congratulated for their achievement. This performance and progress has been accomplished in spite of the successive floods and drought in the country, when a sizeable part of our resources had to be spent on dealing with the situation arising therefrom. The 9 per cent increase in our domestic growth rate is really commendable. However, Shri Faleiro

has said that he will not be complacent and would like to keep it up. I.D.B.'s performance was also good, because from 81-82 to 89, the turnover has increased from 1582 crores to 34400 crores. This is an excellent performance and 152 lakh persons were provided employment. I myself have some experience about the small industries as I have been associated with these people. When I paid attention towards the industries in my State, I found many encouraging facts. But there is another aspect also. This Bank should be like a mother to the small industries and besides taking care it should also guide them about marketing and the entire infrastructure. But there are lot of difficulties at the level of district industries centre. These difficulties are being experienced at financial corporations level also. The hon. Minister and the officials should pay special attention to remove these difficulties. Large number of applications are pending in the Financial Corporations. The applications submitted at a later date are cleared earlier because the applicants take resort to all sorts of means. Other applicants get disappointment only. A lot of people have complained about it. I would suggest that the officials of the Ministry of Industry should start a campaign under which the financial Corporations of all the States should be given notice that they should reject or pass the applications within a specific period of one or two months and they should not be kept pending for long periods. Those whose publications are to be rejected, should not be forced to run from pillar to post unnecessarily. This results in wastage of not only their time but also money. All the applications should be processed within a specified time limit. These papers are kept pending in the offices of district industries centres for years together. Those who hover around the officials, get loans as their case is recommended to the banks also. When you say that it will guide the small industries like a mother, on the other hand, you should also a discriminate eye on the officials who harass people. There is every scope for malpractices being committed. Consequently, the small scale industries are not getting the desired encouragement. I am quite conscious that we have very little time at our

disposal therefore, I would submit my points briefly. I would suggest that the Government should patronise and run small-scale industries of its own level. With a view to promote the traditional industries, the Government can provide market and create a viable infrastructure in certain spheres by broad basing the small scale and artisans industries, as this sector can generate employment for lakhs of poor. Cane baskets are used in collieries and other mines and for wagon-loading. Every year, cane baskets worth crores of rupees are needed. Small scale sector can take up this work and also safeguard the interests of artisans. Particularly the people from Scheduled Castes and Scheduled Tribes are engaged for the production of cane baskets. The Government should open cane baskets producing centres to employ these people in such areas where there is a cluster of mines. A large number of people can be engaged for the production of handles of the tools like pick-axe and spades etc. which are generally made of wood. On the other hand bamboo mattings are required for the purpose of stowing in the coal mines. In addition to that uniforms are also stitched on a very large scale for use in the big offices. Even for this job, these people may be imparted training in tailoring and employed on completion of such a training. Supply of carpets and durries in all the offices can be made by the small scale units. Large number of people may be absorbed there. As regards the child labour problem, the Government should provide Life Insurance cover to child labour and improve their career prospects by making them trained and skilled labour. There are greater opportunities for them in the small scale industries. Hence the Government should open the Small Scale Industries even in the public sector. Since you have rung the bell twice, I conclude my speech without taking any more time.

DR. G. S. RAJHANS (Jhanjharpur): I would like to say only 2-3 things. I have gone through this Bill and also listened to the speech of the hon. Minister yesterday. There is no need to set up a separate bank for this purpose, if it is to be kept under the I.D.B.I.

People say that it is old wine in new bottle. I cannot say what has been your experience in respect of I.D.B.I. in other states but it is quite painful in respect of Bihar. If the small scale industries could not be developed in Bihar, it is I.D.B.I. which is mainly responsible for this situation. You have made a provision that Small Industries Development Bank will directly provide finance and refinance. It will re-finance the financial institutions in the states. It is my submission that whatever you want to do, do it directly. If certain amount of money is to be given in a state, a stage is reached in which the borrower is deprived of 80 to 90 per cent of the amount by way of commission to the intermediaries and he ultimately gets only 10-20 per cent of the amount of loan. But the people still have great trust in the centre. Therefore, if you want to provide finance, do it directly and do not do it through re-financing. You have mentioned in the Bill that the authorised capital will be about Rs. 250 crores which will be raised to Rs. 1000 crores, but that will not be sufficient because ours is a very big country. Small Scale sector is the largest one in the country and it has to be expanded. If agriculture and industry are to be developed, small scale industries shall have to be developed. Therefore, the Government should further raise the authorised capital to Rs. 5000 crores. Loans should be given to the people quite liberally. Mere paper formalities will not serve the purpose. These is a provision in the Bill, as stated by hon. Minister himself, that the bank will itself enter into entrepreneurship directorship, leasing and procurement of inputs. Secondly, it will also provide non-financial services. There is no reason for the bank to be unsuccessful if all these things are done by it. But it is my experience that all the small scale industries which have become sick at present, were told that arrangements will be made for marketing of their goods, technical know-how would be provided to them, finance and other incentives alongwith the required capital also would be made available. Have you ever thought of it as to why these industries have become sick inspite of all these things. I need not repeat these factors. I want that you should give 10, 20 or

[Dr. G. S. Rajhans]

50 such cases as example of all that you have done in the field of entrepreneurship development and publish the same in the newspapers. Now-a-days every body has apprehensions while setting up a small scale industry. Apart from other things we find that hundreds if not thousands of small scale industrial units are no more in a viable condition. In this connection what is required to be done by the Government to remedy the situation is the provision of marketing facilities for the items produced by the Small Scale Industries through small scale industrial bank. If electricity is not made available, diesel will be used for production and raw-material will also be procured from some source or the other but arrangement for sale of entire production of the small scale industries should be made by the Government. If the goods produced continue to be pile up in the godowns, the amount of loans advanced to these industrial units will be blocked. In case the government takes any action against the industrialists, their industrial units will become sick. Therefore, the Government should have one point programme for this bank i.e. to make provision for the sale of goods produced by these industrial units. The Government have stated that non-financial services will be provided. If the Government could make arrangements for marketing of their goods, the purpose, for which the Government have introduced this Bill in the House, would be served. I know that there is a tremendous scope for the expansion of small scale industries in this country which is not the case with any other country. We have rich deposits of raw-material alongwith the availability of energy for production and consumers to purchase the items produced but the only thing required is the will power. Example of Japan is before us where large number of heavy industries are there (Interruptions), but there is also a parallel net work of small scale industries. Japan produces transistors, radios, V.C.R. etc. of a very good quality in the small scale sector. Why cannot we also do it in our country. You have made a provision in this Bill that the Government will promote and give preference to export

oriented industries. What else can be a better proposition because the country is in dire need of foreign exchange at present. A change is also required in the present working of our banks. I am constrained to observe, that the history of banking in India has been a very unfortunate one. I am a responsible person I know of not only one but hundreds of cases, where the people were asked to part with a certain amount of money for getting the loans sanctioned to them otherwise the loans were not sanctioned to them. People take it for granted that bribe has become the way of life in the banks and one is bound to part with a certain amount of money for getting a loan. The menace of corruption had never before assumed such a serious proportion as at present. Even in the matter of overtime there is blackmailing. A fixed amount of overtime is allowed to the clerical, subordinate and the class four staff even without work. That is a sort of blackmail in respect of overtime. I do agree that there has been some improvement lately but that is without any substantial change in this regard. It is a fact that banks have been nationalised in this country and there is no doubt that banks have made a big contribution in the economic development of the country but if this work had been done honestly, there would have been far greater development. The corruption is so widely prevalent in banks at present as is not to be found in any other sector. Therefore, what I want is that Government should not allow the Small Scale Industries Development Bank to go the way other banks have gone. In fact it should help the process of industrialisation in the country.

It has been provided under clause 6 of the Bill that the people representing the various interests shall be taken on the Board of Directors. I would like to make only one request in this respect that the Government should take at least one such director who has been directly connected with the small scale industries and where industry might have become sick, so that on the basis of his experience, he may tell about the reasons which are responsible for the sickness of industries. Therefore, the Government must

include one such director on the Board of Directors along with the inclusion of a representative of the people who may voice the feelings of the people. If the Board is stuffed with bureaucrats and people from the banking department, same old things will continue to haunt the entire structure and after one year we will have to bring a motion against you in this House on account of failure of this bank to deliver the goods. I wish that this bank succeeds. Therefore with full determination Government should take up this task in a novel way and add a new chapter in the history of development of our country.

[English]

SHRIN. TOMBISINGH (Inner Manipur):  
Madam Chairman, I rise to support this very important historic Bill!

Madam, as you know, I belong to a region which is considered to be economically non-viable. The small States of the North-East—it is not one State, but the so-called seven sisters—still struggle for economic viability and for such reason, the only way to come to, say, the normal survival level is the small-scale industries. Therefore, in this background, Madam, I would like to say that the proposed Bill is a very historic Bill, a follow-up on the good steps taken by this Government under the leadership of people beginning with Panditji and Indiraji and the present leadership of Rajivji, because from the very beginning after Independence we have seen that a sincere attempt has been made by the Congress leadership beginning with Panditji to see and identify the difficult areas politically, socially and economically, how to bring them to light as integral parts of this country. So, in this region, Madam, I have had my 42 years of public life. I have seen a separate process still making an effort to rise. The object of this Bill is that it will be functioning as the principal financial institution for the promotion, financing, and development of industries in the small-scale sector. How important it is!

As has been very rightly pointed out by my predecessor on the floor of this House just now, the proposed Small Industries Development Bank of India Bill should not be just only a subsidiary. It should have been an independent institution just like the IDBI. Then we could have expected something. It should not be one of the Banks in its character, in its motives, in its objectives and other performance. It should not be one of the banks, it should have a special objective. And then everything should have a special character in that. To that end, Madam, I would like to make a few suggestions.

The entrepreneurs in the backward areas—this may be true of the backward areas in other States, but I do not know much about them, but as far as I know about the North-Eastern States, small-small States, we have to identify the problem and on the basis of a very truthful list of practicable industries, we have to clear projects and the projects so cleared should be financed. Before the clearance of the projects they should be well worked out and their future should be visualised and then once the project is cleared, it should be given full finance and to this end, Madam, the element of coordination to be provided by the small Industries Development Bank should be a very important factor. The entrepreneurs are facing two problems—one is the capital loan and the other side is the term loan.

In this, we have seen two agencies working. One is the State Finance Corporation. The other is the Bank. But there is no proper linkage and coordination between these two agencies and, as a result, the entrepreneurs face a lot of difficulties particularly in the initial stage. In the absence of regular flow of capital loan, the entrepreneur cannot maintain the minimum production level and also cannot meet the requirements of the customers. It is very important for the new industry to give satisfaction to the newly created customers market. I think it cannot repay the loan either to the Bank or to the Finance Corporation. In order to remove this difficulty, there should be proper coordination between the financing agencies.

[Sh. N. Tombi Singh]

The functioning of the District Industrial Centres comes into the focus. Mention has been made by my predecessor that the District Industrial Centres should be able to take up some financial responsibility once a project is cleared and, to that end, the Small Scale Development Bank should be located as far as practicable at the headquarters or near the offices of the DICs so that once a project is cleared, the Bank will be able to take decision on the spot. The need for accountability cannot be ruled out. What I mean to say is the officers of the Bank sitting close to the DIC should be responsible agencies and well-informed officers in order to help the entrepreneurs. They should be very capable persons. They should be able to know if a particular entrepreneur has failed, why he has failed. If he has not come up according to his own programmes, why he has not. They should be able to identify the genuine difficulties of the entrepreneurs. The suggestion being made is that the DICs should be assisted by this Bank by sitting close to them so that the entrepreneurs do not have to run from bank to bank for finances once the projects are cleared. Then the DIC will not be reduced to the position of a Post Office. About the location of the headquarters, as rightly mentioned, we have no objection to the headquarters being located at Lucknow or anywhere else but from the point of convenience it is not possible to locate it in every region. Delhi is the nearest place from any State and if it is not Delhi, why not one of these metropolitan cities where most of the regional offices of the Government of India and banks are located? If there is no special reason, I would like the Government to make a clarification why this choice of Lucknow is made. I think the decision is not very firm because there is provision for Lucknow or any other alternative place as mentioned in the Bill. As I said in the beginning, I belong to a region where the economic viability has to be built up. I would suggest to the Industries Minister through the Finance Minister who is piloting this Bill, to identify small industries in the small States of the North Eastern region because it is not

possible to set up big industries in this region. In the last session and also previous to the last, I had made repeated demands for identification of small industries and a special list to be made available on the basis of which implementation of certain programmes can be made. The Industries Minister Shri Vengal Rao was good enough to provide me in reply to a question a very long list covering all the States but the list was very light-hearted. I would like to request the Government further to look into the matter and revise the list which should contain only practicable propositions.

14.00 hrs.

That indicates that even now the Industries Ministry is not well aware of the problems in the backward areas. I don't suspect the seriousness of the Prime Minister because he is very sincere and he likes to help the small States, backward States particularly the North-Eastern States. Therefore, with this end in view, I would like to emphasize my suggestion that a new list should be made identifying the urgency and priority in every State beginning with Assam, Tripura, Mizoram, Manipur, Nagaland, Arunachal Pradesh and Sikkim. On the basis of that priority, we shall be able to implement something. To that end, the Banking Institutions should come to their aid.

With these few words, I would like to thank you for having given me this opportunity. Also, I support this very important Bill that has come before this House.

SHRI BRAJAMOHAN MOHANTY (Puri): Madam, at the outset I would support the hon. Finance Minister for placing this Bill before this House at a time when the total atmosphere is vitiated by the slogan of waiving of loans. You know that the major political parties in the Opposition have declared openly—this is part of their election manifesto also—that if they come to power, the loan amount outstanding below Rs. 10,000 of the small and marginal farmers would be waived. It is not only this. In some States, the waiving of loan has already been taking

place. In Haryana, they claimed that Rs. 45 crores have been waived. As a result of this, the credit atmosphere in the country is vitiated. What is happening to the credit atmosphere of the country? This has got to be examined.

So far as the amount outstanding up to Rs. 10,000 of the small and marginal farmers is concerned, it comes to around Rs. 3037 crores. I will give you the detailed figures in this regard. Against the size of the land holding of up to 2.5 acres, of farmer the short-term loan amount outstanding—below Rs. 10,000—is Rs. 766 crores and 76 lakhs. Similarly, in respect of above 2.5 acres and up to 5 acres, the loan amount outstanding is Rs. 696 crores and 35 lakhs. These are the short-term loans, as I mentioned earlier. Now, I am placing the term loans, the direct finance to the farmers distributed State-wise. Regarding term loans up to 2.5 acres, the outstanding is Rs. 759 crores and 14 lakhs; up to 5 acres, the outstanding is Rs. 786 crores and 58 lakhs; and above 5 acres, the outstanding is Rs. 2,785 crores and 48 lakhs. These are the detailed figures.

MR. CHAIRMAN : Mr. Mohanty, why don't you come to the point? You are referring to something else.

SHRI BRAJAMOHAN MOHANTY: Madam, this is part of it because the credit atmosphere in the country is vitiated. Can anybody imagine how it will be helpful to the establishment of the Banking Corporation? That is why I am placing it before this House. I am coming to the point. As I have already mentioned, above 5 acres, the outstanding is Rs. 2785 crores and 48 lakhs, in respect of term loans. Similarly, in respect of short-term loans, above 5 acres, the outstanding amount is Rs. 892 crores and 30 lakhs. It comes to around Rs. 7,000 crores. Can it be waived? That is a point. Hon. Finance Minister must clarify, what will be its impact on the economy? That is why, it is a most important consideration today.

Now, I come to the other aspects of the matter. We support the Finance Minister.

But we do not support the inefficient, inadequacy in the banking activities of the country. I would like to place before you the Report of the Central Vigilance Commission. In its Annual Report for the year 1987, the Central Vigilance Commission said, and I quote:

"In majority of the cases, the beneficiaries never started any business as reflected in the bank records meaning thereby that the invoice bills given by the firm of the middlemen were fictitious.

Thus, loans were indiscriminately sanctioned in favour of borrowers without proper indemnification through a middleman on the basis of bogus invoices."

The Central Vigilance Commission said and I quote:

"Most of the amount was actually received by the middleman and in all probability shared by the branch manager and some others without benefiting any poor person for whom such loans were introduced. Good programme was thus abused and frustrated due to lack of proper check and control."

I would remind the Finance Minister that he should not forget about these things and these things should not be repeated in the activities of the bank. He should be careful about it.

Then I shall come to bad debts. Two hundred crores of rupee of bad debts is being written off. On the contrary, when we are demanding to abolish this system of compound interest for the small and marginal farmers and also for small artisans, we do not get any response. But two hundred crores of rupees annually is being written off on account of bad debts. I would like to submit one thing.

[Sh. Brajamchan Mohanty]

14.07 hrs.

[MR. DEPUTY-SPEAKER *in the Chair*]

In the year 1986-87, the gross profit of the nationalised banks was Rs. 775 crores whereas it reduced to Rs. 250 crores of net profit because of the bad debts and the reserves for the bad debts. (*Interruptions*)

MR. DEPUTY-SPEAKER: Please wind up.

SHRI BRAJAMOHAN MOHANTY: You do not know when I have started. You made me nervous. The Finance Minister is laughing because other points will not be made by me. Please give me some time. So, my submission is, banks must work efficiently to promote the development of the economy.

So far as political climate is concerned, it is not to allow the expansion of banks. When the banks were nationalised, it was the positive step to establish an egalitarian State and to prevent accumulation of wealth in some hands. But now, these forces are conspiring against banks in general on various pretexts. They are now committing to the people that once they come to power, they will waive all the loans which are below Rs. 10,000. It comes to Rs. 7,000 crores which cannot be imagined. In that background, I would submit that the hon. Finance Minister should make the functioning of the bank efficient as well as make efforts to promote the economy. Thank you.

SHRI A. CHARLES (Trivandrum). I stand to support the Small Industries Development Bank of India Bill, 1989. The nationalisation of banks in 1969 is a great landmark in the history of banks in India. As a result of nationalisation, the doors of the bank were open for the first time even to the poorest of the poor in this country. However, though twenty years have elapsed since nationalisation, the real objective of the nationalisation is yet to be achieved, although the results so far achieved are non-the-less

commendable.

All industrial sectors in this country and especially the small and tiny industrial sector play a very significant role in the industrial development of this country. The statistics have been already presented here. About 1.6 million small units are there in the country. Their total investment comes to nearly Rs. 4000 crores. They provide employment to roughly ten million people. That shows the importance of this vital sector. So also about 40% of the total production is from the small scale industrial sector and about 25% of the total export is from this sector. Therefore, the need for encouraging and stabilising this tiny sector cannot but be emphasized.

The IDBI itself has been looking after the needs of this tiny and small industrial sector very well. But because of the tremendous growth of the number of units and the *new areas of its operations*, there has been a persistent demand for the opening of an apex bank solely to cater to the needs of this sector. The present Bill has been brought forward to satisfy this demand. So I wholeheartedly and with all my strength support this Bill.

The industries, especially in the small industrial sector in this country are facing a lot of problems. I am happy in this Bill, clause 13 touches many of those areas. The timely non-availability of funds to the extent necessary, the non-availability of power and raw-materials, the problem of marketing; all these have contributed to a large extent for the sickness of the industry, especially in the small sector.

I have already written to the Hon. Minister wherein he may remember that I have suggested that in every State a study has to be conducted into the aspects of the sickness of the industry. There is a lot of encouragement given for the revival of the sick units. But the real cause for the sickness or the areas of sickness have not so far been identified. I would request that a time-bound programme may be made for the study of the sickness of the industry and all those indus-

tries which could be revived should be revived within a time frame. When the new bank is opened, it should concentrate on this aspect.

Secondly I come to the disbursement of funds. At the time of the presentation of the Budget for the year 1988-89, the then Finance Minister Shri N.D. Tiwari promised of a single window system. He said, all the formalities will be looked into. Now there is no coordination between the industries department and the banking sector. This is very essential. So also there is not coordination between the energy department, electricity department and the finance section. These are the pressing problems of small scale industrial units. When you give money, when you approve the projects and give the first instalment, when the licence had been received and when everything is completed, the electricity may not be available there. Then, the time for the re-payment of the first instalment comes. If it is not paid once in three months, then the penal interest will come and if one year goes on like that, the penal interest will be added to the capital and the whole industry becomes sick. So the need for coordination is required. I would request that this aspect may kindly be looked into. There is no facility for the existing financial institutions to look into this aspect. That has to be considered.

The third thing is about monitoring. After all, we pay the public funds. 80%—I am sure, the whole fund—which we give to small industrial sector is the fund of the nation. Once you pay the money, your responsibility ceases, your responsibility comes again, only when he does default. By that time, the industry will become sick. But he will not lose anything because he invests only a small amount and the balance has been financed by the financial institutions. So, even if it is sick, even if it is not running on profitably, 80% of the entrepreneurs are not worried about it. So, there should be proper monitoring. There should be some machinery for watching the management of these small industrial units. In many of the Committees I attended, I have pointed out one suggestion.

That is, when a minimum of Rs. 3 lakhs is financed by a financial institution, there shall be a representative of any one of the financial institutions in the management, who shall give a report, once in three months to the financial institution about the finance and the working or running of the small industry. That will definitely, help the better running of these units.

Now, coming to the Bill, I am extremely glad that wide range of activities come under Clause 13. So, I commend the Bill and I congratulate all those who are responsible for bringing in such a large number of activities within the scope of this Bill, which the present Financial Institution Act does not have. Sub-Clause 21 of Clause 13 provides for technical and financial consultancy; sub-clause 22 provides for undertaking activities for promotion of industry, entrepreneurial development programme, raw material purchase, marketing etc., These are all certainly commendable. Then, I come to sub-Clause 23, which some of my friends have criticised, it, for, the power is given to the new bank for acquiring or taking over the institution and they have said that that was not proper. But I strongly support this Clause, because this is one of the Clauses, by which we will be able to control mismanagement. There are a number of small-industries in my Constituency, which are sick. Some of them are made sick, deliberately because after taking the money they will divert the fund and they will see that the industry is made sick. Such managements should be booked. So, this is a Clause by which you can have control. Then, Sub-Clause 25 which provides for research activities. Sub-Clause 26 provides for technical, legal, marketing and administrative actions. Here, my only concern is that, how are you going to ensure that these Clauses are implemented properly. This Bill is commendable. I would request that while you formulate the subordinate legislation or rule, you have to be very careful that these Clauses are strictly implemented.

One more thing is about the location of the Offices. I do not quarrel—whether it is in

[Sh. A. Charles]

Lucknow or anywhere else. But, there should be some regional offices. Once the Head Office is there, every region should be ensured that it is approachable for the industrial units. So also, there should be one bank in every district in future. You have to envisage like that.

There is an enabling Clause in this Bill, that is Clause 3, Sub-section 4, which says,

"The Small Industries Bank shall establish offices, branches or agencies at any place in or outside India".

I would request that you should be kind enough to open one branch at Trivandrum, where 80% of the industries are sick.

With these words, I once again commend the Bill the I warmly welcome it and I request that it should be implemented with all the earnestness with which it has been brought forward.

[*Translation*]

SHRI NAND LAL CHOUDHARY (Sagar): Mr. Deputy Speaker, Sir, I rise to support the Bill before the House. It would also naturally benefit the poor masses in our country. The very purpose of the nationalisation of Banks in 1969 by Indiraji was to benefit the people. The poor are indeed being benefited through it. This bill seeks to evolve a socialistic pattern of society.

It is my submission that loans from the banks should be made easily available to the poor. In the present circumstances, if somebody approaches a bank for a loan, he is harassed by the bank employees and is made to pay frequent visits to the bank. The employees deliberately harass the people and even then the poor do not get loans. In this regard I would like to suggest that a quota should be fixed in respect of the bank employees for sanctioning loans to the poor people. There should be some penal provisions in the Act for those employees who are

fail to achieve the target in respect of disbursement of loan.

Secondly, I would like to suggest that the women, the members of the Scheduled Castes and other weaker sections should be represented on the Board of Directors.

I would also like to suggest that agriculture should be given the status of an industry and same amount of financial assistance should be provided to them through the Banks as is given to an industry. Betel leaves are produced in our country. This should also be given the status of an industry and assistance should be given for the same through the Banks.

I would also like to add that the percentage of assistance to be given to the weaker sections, and the poor through the Small Industries Development Bank should be fixed. Only then it will benefit the poor and the people belonging to the weaker sections of the society. It may not happen that the people of lower sections of society are deprived of the assistance and the entire seen is concerned by the big people.

The banks should make special efforts to promote maximum number of small scale industrial units in the villages. It should give special assistance to such industrial units so that more employment opportunities could be made available to the people.

As regards the requirement of furnishing sureties for grant of loans, I would like to suggest that the loan amount upto Rs. 1 lakh should be exempted from this provision.

SHRI SHANKAR LAL (Pali): Mr. Deputy Speaker, Sir, this Bill which has been introduced here by the hon. Finance Minister with a view to promote small industries is in fact a laudable step. I rise to support the Bill. Financial assistance should be provided through this bank to such unemployed people in our country who are interested in setting up their own small industrial units in the villages or in towns to earn their livelihood. Only then we can succeed in diluting the

impact of unemployment in our country.

Mr. Deputy Speaker, Sir, I would like to submit that clause 13 (i) (XXVII) of the Bill contains the expression "Planning, promoting and developing the Industries in the Small Scale Sector". It contains the word 'Planning'. I would like to request that a scheme should be formulated to assist the small scale industries. The big industries cause a heavy pollution in our country. There are about 750 small scale textile industries units in my constituency i.e. Pali, which are polluting the atmosphere. Hence maximum amount of assistance should be provided through these banks to such industries as are not causing any pollution. Assistance should also be provided to such small scale entrepreneurs who want to set up their own treatment plant in their industries to minimise the resultant pollution. We have to invite the attention of I.D.B.I. and seek their co-operation in the planning process to deal with the pollution problem. This Bill has of course, provided for location of the Headquarters of the Bank of Lucknow. Whichever may be the place of the headquarters as the other hon. Members have also pointed out, but I would like to submit different point. There is need of more publicity to give more information about small scale industries in the backward States like Rajasthan. The branches of the Bank must be opened in this backward State as also in other State. In furtherance of Shri Rajiv Gandhi's pronouncements and the party's ideology we shall have to open the branches of this Bank at the district level for the removal of unemployment with the help of Jawahar Rozgar Yojana and the Panchayat Raj. The Government should extend the services of the development bank at the district level too for the benefit of small scale industries. At the district level the zila Parishads which function at the district headquarters have to be linked with the branches of this bank so that they may solve the problems of the people with the help of the Small Scale Industries Bank to usher in the Panchayat Raj System through the local bodies. So far as its constitution is concerned, this a fact that it would be a subsidiary bank. The Government has given

it the status of a subsidiary bank of the Development Bank and the Government has allocated Rs. 250 crores as its authorised capital. It has also been provided in the Bill that its authorised capital can be raised upto Rs. one thousand crores but that would be at the discretion of the Development Bank. The Government may treat it as a subsidiary bank but it should be given some independent entity. It would be completely ineffective if it remains simply a branch of the Development Bank. A separate Bill is being introduced for it but if a separate bank is to be set up for the small industries, it has to be given an independent status and its authorised capital has to be raised from Rs. 250 crores to Rs. 500 crores. As regards the composition of the Board of the bank, it would not be proper to appoint the Chairman or Managing Director of the Development Bank as its Chairman. The Government will have to appoint a full time Chairman for the Independent bank who can work quite independently and who should be responsible for solely looking after the work relating to small scale industries and its branches of the Bank to be opened. The Bill provides for nomination. But this nomination should not be left to the discretion of the Development Bank. Instead the persons should be nominated by the Government. A uniform pattern of nomination will have to be followed in all the banks. I would also like to submit that the Government should also nominate the rural artisans. In order to ensure representation of the potters, carpenters, goldsmith or others engaged in petty jobs, whose vocation has suffered a set back due to the setting up of large industries, the Central Government should nominate the representatives of rural artisans on it. Provisions to that affect will have to be incorporated in the Bill. In the Statement of objects and reasons of the Bill it has been stated that special consideration would be shown in case of exports to foreign countries. I am not able to comprehend the idea behind it. You have said in clause 13 (i) (x) of the Bill.

[English]

"Granting lines of credit to the Govern-

[Sh. Shankar Lal]

ment of any foreign State or any financial institution or person outside India for the purpose of export or import."

[*Translation*]

So we have not been able to understand this provision of granting credit to the small scale industries for the purpose of export. Therefore, the hon. Minister may kindly clarify it whether the Government will pay more attention to export or to the regions of the small scale industries? I would like to submit that special attention should be paid to those exporting small scale industries which produce essential consumer goods to meet the requirements of the domestic consumers, rather than those small scale industries which are engaged in only exporting their products. Otherwise that will be purely a commercial approach. If the proposal for Small scale Industries Development Bank is really implemented, it would be beneficial for us.

SHRI MANIKRAO HODLYA GAVIT (Nandurbar): Hon. Mr. Deputy-Speaker Sir, I shall not take much of your time. I support Small Industries Development Bank of India Bill. I want to give 2-3 suggestions in this regard. Setting up of the Small Industries Development Bank of India will encourage the growth of small scale industries and generate employment opportunities for labour. Small scale industries should be set up in each tehsil of every district. There are a large number of unemployed people in our country and new small-scale industries should be encouraged to absorb these people. There should be a provision to employ people belonging to Scheduled Castes and Scheduled Tribes in the small-scale industry sector. This will improve their economic condition. I feel that it is necessary to have representatives from the Scheduled Castes and Scheduled Tribes and women members also on the Board. I request the hon. Minister to keep this in mind while constituting the Board. There should be a branch of this Bank in every State and also at the district

level. The Central Government is going set up the to head office of this Bank in Lucknow but in addition to that there should be more branches in the State.

With these suggestions I conclude my speech.

SHRI SHANTI DHARIWAL (Kota): Mr. Deputy-Speaker Sir, I rise to support the Small Industries Development Bank of India Bill. I welcome the Government's objective in bringing this Bill which is to develop small-scale industries in this country. An open Bank such as this will definitely solve the problems being faced by small-scale industries in our country. I consider this a giant step on the path towards development. This Bill, which aims at developing small-scale industries, is in fulfilment of the promises made to the masses by hon. Shri. Rajiv Gandhi and his Government. Till now small-scale industries were being given step-motherly treatment by the banks. Obstacles were created in the way to their growth. The I.D.B.I. did not even entertain applications from small-scale entrepreneurs. These much harassed entrepreneurs had been demanding for a longtime a banking system that would cater exclusively to their needs, their demands also included an increase in facilities needed for growth and expansion of small-scale industries. This Bill will certainly go a long way towards fulfilling all their needs. In his 1988-89 Budget speech, the hon. Finance Minister had stated that the Government would set up a Bank for the Small-Scale industry sector. This Bill is in fulfilment of that promise. I consider this as a step in favour of small-scale entrepreneurs and therefore whole heartedly support it. This Bill will improve the financial staking of small-scale industries and would lead to their development. Without going into the details of this Bill, I would like to thank the hon. Finance Minister for acceding to our long-standing demand. But I would like to give a small suggestion in regard to the lending system being followed by other banks. A small-scale entrepreneur approaching a bank for a loan has to go through a Cumbersome procedure. It should be kept in mind that the

lending system meant for large-scale industries should not be applied in the case of small-scale industries. The Government will find that large-scale industries have plenty of manpower and material at their disposal which makes it easier for them to deal with such complexities. But it is not so in the case of small-scale industries. Small units are set up by 1-4 persons and it is essential that this cumbersome procedure is simplified for them. If this Bill should fail to achieve its objective. While welcoming all other provisions of this Bill I request the hon. Finance Minister to ensure that the procedure for lending for small scale industries is simplified to enable them to avail of financial assistance from the I.D.B.I. with these words I thank you for giving me an opportunity to speak.

SHRI VIRDHI CHANDER JAIN (Barmer): Mr. Deputy-Speaker Sir, I welcome the Small Industries Development Bank of India Bill, 1989 introduced in the House. Twenty years ago in 1969 banks in this country were nationalised following the initiative taken by the late Prime Minister Shrimati Indira Gandhi. Here intention behind bank nationalisation was to promote development of industry big or small through bank assistance which would ultimately remove poverty from the country. Till now all steps taken to remove poverty through the medium of banks have not been as successful as expected.

Sir, I want to give a suggestion regarding the provision of this Bill which details with nomination of Directors. I want that two representatives of the small-scale industries association should also be nominated. They will have an important role to play in so far as watching their interests and taking impartial decisions is concerned.

My second suggestion is that professions in the academic field who are specialists on banking may be included as directors. My viewpoint as to the appointment of the Chairman is that the Chairman of the I.D.B.I. may be appointed as the Chairman of this apex bank for the time-being I would like to draw the hon. Minister's attention towards

this important point. The I.D.B.I. Chairman may continue to be the Chairman of this bank for the transitional period of one year, but after that this Bank should be given the Status of an independent body with an independent chairman. The I.D.B.I. Chairman cannot function as chairman of this Bank on a permanent basis. When the I.D.B.I. came into being the Deputy Chairman of the Reserve Bank of India was asked to hold additional charge as chairman of I.D.B.I. It was realised at that time that such an arrangement could not forever particularly if I.D.B.I. were to function as an independent body for this Bank to succeed, it is essential that it function as an autonomous body with an independent chairman.

Sir, my third point relates to the proposed location of the Bank's head office. I would say that this proposal is totally prejudiced. The then Finance Minister belonged to U.P. so he suggested that the head office be located in Lucknow. Since the present Finance Minister is from Goa he could suggest Goa as the ideal location for the Bank's head office. Such a thing should not happen. The head office should be located where there is maximum concentration of small scale industries. This makes Bombay as the right choice for the location of the head office. If it is felt that already too many offices are situated at Bombay, Delhi can be considered as the next alternative.

AN HON. MEMBER: Why not open it in Rajasthan.

SHRI VIRDHI CHANDER JAIN: It is not a question of Rajasthan or any other particular area. The entire country must stand to benefit. But should the head office should be located in Lucknow, it will cause a lot of hardship to small-scale entrepreneurs including those from Rajasthan. The decision to locate the head office in Lucknow is wrong and should be changed.

Sir, a decision has been taken regarding review committees that M.Ps and M.L.As would also be included in these committees. Sir, it is a welcome decision. I have been

[Sh. Viridhi Chander Jain]

saying this for longtime that M.Ps and M.L.As or public representatives should be included in these committees. I feel that this decision has been taken very late. It is a welcome measure. If they are really interested in eradicating corruption rampant in these banks, there was no other way out except taking this decision which will go a long way in rooting out corruption rampant in these banks.

Sir, I would also like to say that an Advisory Committee should be set up in each branch and I would further like to add that such an arrangement should be made at panchayat level also. A list of persons who have been given loans should be displayed so that it could be known that the loans have actually been disbursed to the people. You should take effective steps in this regard so that corruption could be rooted out. The loan scheme to unemployed persons has not been successful. A committee should be set up to enquire into favouritism indulged in sanctioning loans and the officers found guilty should be punished and stringent action should be taken against them. The beneficiaries should be first imparted training in the trade for which they want to take loans so that they could be able to undertake the job successfully. It would be very beneficial. Such arrangements should be made that poor people benefit from this scheme. If 'no industry district scheme' is abolished, the industries set up in backward areas will not prosper. With these words, I support the Bill.

SHRI KEYUR BHUSHAN (Raipur): It is a matter of happiness that a number of good proposals have been put forward in the House today to bring changes in the quality of life in the country and these measures are being taken under the able guidance of our leader Shri Rajiv Gandhi. While expressing my happiness, I wholeheartedly support the Small Industries Development Bank of India Bill and would like to submit that we are setting up a Bank to uplift the people belonging to weaker sections through Small Scale Industries. This is a historic decision. I would

like to narrate before you the difficulties being faced by these people and suggest the facility which should be given to them and which they are not getting from the Banks, so that the weaker section could avail the benefit of this bank. Mostly, educated persons or persons with some knowledge of industries come forward for starting industrial ventures. But the persons belonging to weaker sections, specially Adivasis, Harijans and those living below the poverty line or little above it, though educated, are unable to manage one-fourth of the loan amount which they are required to deposit for setting up an industry. They become helpless. Could these people be given some relaxation in this regard? If you really want to help the weaker sections, this condition should be waived for them. Alternatively, the said amount should be contributed by the Government as has been done under the TRYSEM scheme and other schemes, in case of people living below the poverty line or its percentage for them should be reduced to the barest minimum. Only then these people would be able to avail of this facility.

Another difficulty is faced after getting first instalment of the loan. Suppose, an amount of Rs. 10 lakhs is paid in the first instalment with which he is asked to buy a complete set of machinery and he is not getting next instalment to expand his industry rather it gets delayed due to some legal technicalities, he becomes helpless in expanding his industry. The officers of the Bank, after evaluating the performance of the unit, do not recommend for further instalment of the loan as the production is not sufficient. He requires funds to expand his industry and due to shortage of funds he cannot expand his industry. Ultimately, his hope to expand his unit is shattered and he is badly drowned in debt and ultimately he has to part with even his small source of income and small holding of land owned by him in repaying the loan. Even then he cannot repay the full amount of the loan. This is the situation prevailing in Bastar which is a predominantly an Adivasi area. A cement industry was set up by an educated youth belonging to a Scheduled Caste of that area. But his unit

[Sh. Keyur Bhushan]

suffered heavy loss and he could do nothing to make it viable.

I would like to cite yet another example. A woman of Uttar Pradesh started an industry. She could not get money from the Bank in time, due to which she lost her entire property and her dream for setting up an industry was shattered.

You should pay attention to these difficulties also. Our leader and you have paid attention to small scale industries. Before I conclude, I would like to recite the following lines of a verse:

"Prabhuta Dekh Baden Ki, Laghu Na  
Dijiye Dar,,  
Jahan Kam Aave Suin, Kah Kare Tal-  
war"

[English]

(Interruptions)

MR. DEPUTY SPEAKER: No; there are many Bills pending. We have to finish them. We will take up the next Bill; you can participate then. Otherwise, after the Minister's reply if you want clarifications, you can seek them.

Now the Minister.

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): Though the House is rather depleted, being a week-end, and also by virtue of the other events known to the House which have taken place in the course of the week, the high quality of this debate has indeed been impressive. I thank all the Members who participated in this debate; I congratulate them for the high quality of the debate, for the valuable suggestions made, and I must also congratulate them for the criticisms that they have levelled against our activities, against our functioning, the functioning of our corporations, of

our financial institutions, of the banks, of the Government and even criticisms against me personally.

MR. DEPUTY SPEAKER: You are congratulating them for criticising you also; very good.

SHRI EDUARDO FALEIRO: We welcome criticisms, even if they are criticisms against us, because there is always scope for improvement. Though we are working to the best of our ability, criticism is welcome, and that is how we see the role of Parliament as a watch-dog, and a critical appreciator of the activities of the Government.

I will now attempt to answer the different queries and points raised by the hon. Members. I would also give some statistical data to throw light on some of the points raised. It has been rightly pointed out here that small scale industries and the tiny sector not merely contribute to the economic development in the strict sense, but they also make a major contribution in terms of creation of employment.

I would like to say that as on 1987-88, last year, for which the figures are available, the small scale sector provided employment to 107 lakh people. This is their contribution in terms of employment. They also made a major contribution in the context of exports which are great priorities today to improve our balance of payment position and to strengthen our national economy. In exports, the contribution of small scale sector has been to the tune of Rs. 3648 crores as per the latest figures available for 1986-87 representing 29 per cent of total exports. A concern has been expressed on the sickness of the industry. While I have been saying all these things about employment and how much is the contribution of the industrial sector, the question of industrial sickness is paramount in our mind. I am fully in accord with the hon. Members that this must be tackled not merely by words but by active deeds. Therefore, I would like to say at this time by way of statistical information that the number of sick units given by the RBI as

[Sh. Eduardo Faleiro]

on December 1987, which is the latest available, was 204,259. The outstanding bank credit was Rs. 1797.31 crores as on December 1987. Out of these sick units, a viability study has been carried out to find out whether they are viable and how they are to be rehabilitated or how they should be kept; and we have found that viable units are 12484; out of them, 8470 have been put under nursing for becoming viable. Non-viable units have been found—1,86,834; viability has not been decided at that point of time on 4941. A suggestion is there about the financial assistance given so far before we created this Institution. What is the financial assistance being given by IDBI to the small scale industries? I would like to say that when the IDBI was started, the quantum of assistance which was sanctioned to small scale industries vis-a-vis total operation of IDBI was very small between the year 1964 and 1970. It was just 2.9 per cent. The same percentage during the period July 1988 to March 1989 had grown to 31.4 per cent. Similarly, in actual quantum between the period 1964 and 1970, the small scale sector got Rs. 9.4 crores of assistance against almost Rs. 1500 crores for the period of July 1988 to March 1989. We have noted that the SSS portfolio in IDBI is now reaching almost one-third of its operation and total attention is required for this sector because of its growth and importance. The institution which it seeks to create has been contemplated by us.

Coming to SIDBI and the new Institution, there have been some suggestions on several aspects regarding them. We begin with the Headquarters. Some people say, why we want to set up in Lucknow; why should we not set it up in Bombay, Delhi and Madras? I would earnestly submit here that there is a contradiction between what this House has said and what was said earlier. This House has said what we must give more attention to the backward region. The House now says or I would like to say or some Members of the House came and say, don't keep this Institution in the backward

area; keep it in Bombay. We cannot keep it in Bombay because there is no space available. They may also say, if there is no space available in Bombay, then keep it in Delhi, but don't keep it in the backward region. Now, this is not the thinking of the House; I am sure, this is not the consensus of the House; the consensus of the House is that there should not be any concentration of the economic activities nor should for that matter be concentration of the institutions with financed economic activities.

15.00 hrs.

That is, this should be decentralised. This should be put in different parts of the country. We put it up in Lucknow, Uttar Pradesh because it is the largest backward State. However, suggestions were made that if you put it in Lucknow, have branches elsewhere. I assure this House that we will have a branch in every single State, big or small, for that care is taken.

Then, Sir, suggestions were made about the Board of Directors. On the suggestions that there must be a representative of women, and there must be a representative of scheduled castes, I will say this. Our leader, the Prime Minister has given an indication at the national level that all factions of the society must contribute to the national energy, they must be mobilised, they must be given equal opportunity, indeed they must make contribution like anybody else, so that the nation is strengthened and its economy is strengthened... (*Interruptions*)

PROF. N.G. RANGA (Guntur): Rural people also.

SHRI EDUARDO FALEIRO: We shall have rural people also. Therefore, in line with the thinking of our leader, we shall have representatives on the Board of Directors from amongst women, from the Scheduled Castes and from people with experience of what is happening at the grassroots in the rural areas.

Then, a question was raised, why do

you have the subsidiary of IDBI without any power of its own. I would like to assuage this misapprehension by saying that the Small Industries Development Bank of India, which we seek to create, will have independent powers of disbursement and sanction.

Then, another question was raised; why do you have the same Chairman for IDBI and for the new institution? I would like to say here, we are creating a new institution. This new institution is not coming from nowhere. The roots have been laid by the IDBI, by giving a lot of assistance to SIDBI, which I have already mentioned. A lot of programmes have already been done. And that is how the growth has contributed. So, it is a new baby, a new child and you cannot throwaway like that...*(Interruptions)*

MR. DEPUTY-SPEAKER: Then he has to travel from Bombay to Lucknow.

SHRI EDUARDO FALEIRO: Sir, we are travelling all the time, including yourself...*(Interruptions)*

I would like to say that we are very proud of a particular officer, who is amongst the outstanding officers in this country who has been given recognition recently by the Government of India, the highest level. However, let me take the point made by the House that we must review this. Therefore, the Government will review this, say one year after the institution becomes operational. Sir, when IDBI was constituted, we had Deputy Governor of the Reserve Bank as its Chairman and in the light of experience, a separate Chairman was created. So, there is no better example than that. We shall keep this point in our mind. In view of what the House has said, at the end of one year after the institution becomes operational, we will have a preliminary review to assess its requirements.

Sir, another point has been made about the involvement of Members of Parliament that the institutions tend to become too bureaucratic. Bureaucratic has nothing to do with the bureaucrats, who are very good people and outstanding people amongst the

best cream of our people. Bureaucracy is a system. Bureaucratic approach is an approach. As I see it, bureaucratic approach is an approach, where we would not like to have any change, we would not like to do anything innovative, which has really no feeling for the grassroots. Therefore, we have constituted this approach, under which for the first time, in the Review Committees of the Banks, Members of Parliament will participate. And again in the light of experience on how it works, we will include other financial institutions including the SIDBI in this approach.

DR. G.S. RAJHANS (Jhanjarpur): Why not put MPs in the Board of Directors?

SHRI EDUARDO FALEIRO: We have no objection in putting MPs in the Board of Directors, but your Office on Profit Committee will have objection and may disqualify the MPs to become members, who are called directors.

PROF. SAIFUDDIN SOZ (Baramulla): Without any honorarium.

MR. DEPUTY-SPEAKER: Our parliamentary committees and other committees can look after that. Why are you so particular about putting MPs in the Board of Directors?

SHRI EDUARDO FALEIRO: A point has been raised that more attention should be given to the backward areas. I would like to say that this is what is being done. This is the policy of the Government at the moment that thrust, particular emphasis, must be given on backward areas, backward regions for their development. IDBI assistance specifically to backward areas has increased from mere Rs. 21 crores in 1970-71 to Rs. 2336 crores in 1987-88 which represents over 40 per cent of its aggregate assistance.

PROF. SAIFUDDIN SOZ: Nothing has been done in Jammu & Kashmir.

SHRI EDUARDO FALEIRO: For Jammu & Kashmir we shall do it. You meet me and have a discussion. I had myself accompa-

[Sh. Eduardo Faleiro]

nied the Finance Minister to Srinagar recently where I had an opportunity to meet, outside our professional discussion, the hon. MP. We shall follow on what we have decided there and take other suggestions also.

The hon. Member from Jammu & Kashmir has mentioned some specific case where a particular Regional Manager did not act properly. I am unable to comment on that because I do not have the information. But I can assure the Member that I will call the Chairman of the Bank along with his concerned officer and sit with the Member of Parliament in the course of the session and then we shall see what actually can be done.

PROF. SAIFUDDIN SOZ: He has said that he is no answerable to the hon. Minister.

SHRI EDUARDO FALEIRO. A point has been made here, and I am grateful to the hon. Members for raising this point, that merely giving of money or financial assistance does not take us anywhere, that it must be seen that this credit which is being disbursed is properly utilised and in particular it must be seen that the entrepreneur who takes the money has the necessary skill to make utilisation of the credit; otherwise, he lands into trouble and he lands in trouble the financial institution and the bank. We have the entrepreneurship development programmes of the IDBI. We will continue them and we will give them utmost important. They are not merely to give academic information but also training in preparation of the feasibility report and soon and so forth.

I would specifically like to mention on the CU scheme to which a reference has been made by the hon. Members. Members have said that CU scheme is neither properly implemented nor is effective enough. On the proper implementation, the Members have said that sometimes DICs recommend some names and banks do not accept those recommendations. They want to have a second look at the whole thing and the Board does not coordinate. We have told the Reserve

Bank to look into this so that there is single window clearance for these schemes and also recommendations finally approved by the DICs are implemented by the banks. And before it is done, banks have an opportunity to look at it. But there will be a single window, one final approval, and that final approval is to be implemented by the bank. That is what we intended to do.

As far as the women sector is concerned, the two mahila schemes have been mentioned in the course of the debate. I am happy to tell the House that we have already percolated to the State financial institutions and corporation for implementation the two scheme—one for individual women entrepreneurs and the other for voluntary organisations which deal in these matters. Both these schemes have become operational from the end of June last and I hope, it will work properly.

SHRI VIRDHI CHANDER JAIN (Barmer): What about not having the headquarters in Lucknow?

SHRI EDUARDO FALEIRO: We shall have headquarters in Lucknow and we will have a branch in Rajasthan also.

SHRI VIRDHI CHANDER JAIN: We do not want the headquarters to be in Lucknow.

SHRI EDUARDO FALEIRO: What is wrong with having the headquarters in Lucknow?

SHRI VIRDHI CHANDER JAIN: We are utterly against it.

SHRI EDUARDO FALEIRO: We shall do something for Rajasthan also. We shall have all the facilities for Rajasthan on these lines so that there will not be any complaint...*(Interruptions)*

SHRI AZIZ QURESHI (Satna): Have it in Bhopal.

SHRI EDUARDO FALEIRO: Yes, we shall have a branch in Bhopal also. We shall

have one branch in every single State so that there will be no complaint.

While debating on this Bill, there have also been substantial references to the operation of the banks. We are celebrating this year the twentieth anniversary of the nationalisation of banks. On this occasion we remember the late Prime Minister Shrimati Indira Gandhi who had taken this bold step so that the money of the people goes to the people and for the development of the people, so that it goes not only of some of the people but to all those who are capable of utilising it properly. On this occasion we also call upon the banking industry to re-dedicate itself to the objectives and the social goals to develop banking, to make the nation prosperous, to make all the sections of the people avail of this opportunity, and to make the banking sector also prosperous because the strength of the banking sector is the strength of the nation and vice versa. However, while saying this, we must admit that in view of the large and enormous tasks imposed on the banking sector, sometimes there are delays, sometimes the guidelines are not followed. I am not mentioned this as an excuse. This is no excuse. It is the duty of our officers at all levels, right from the Chairman downwards, to see that the guidelines are strictly implemented.

Now, on the question of delay, the following are the guidelines: All applications for loans up to Rs. 25,000 should be disposed of by the banks within a fortnight and those for over Rs. 25,000 within eight to nine weeks. That is the outside limit, exclusive outside. It should be usually less time from the date of receipt of the application.

The Boards of Directors of the Banks have been enjoined to periodically review the position. Further guidelines are: Bank have been advised to follow the practice of issuing an acknowledgement with a date of receipt for all loan applications in all branches. After the receipt of the application, a definite date has to be indicated to the applicant for discussion, clarification, etc., if necessary. For monitoring the timely disposal of cases,

banks are required to introduce an appropriate system. Regional Managers should review the cases every month. Credit proposals of small-scale units not decided within three months from the date of receipt are to be reported on a quarterly basis to the Board of Directors for a review and effective follow up action. The Regional Managers are also required to visit the rural branches in such a manner that every rural branch is visited by an officer at least once in a period of three months.

I am mentioning these guidelines and I will give, with great pleasure, a copy of other guidelines to the hon. Members. I am mentioning them and I will give them a copy also so that they have this information and at the review meetings they can question and find out to what extent these guidelines are being implemented, and if not, why not....(Interruptions)

SHRI A. CHARLES (Trivandrum): May I point out one thing, Sir? It is a good arrangement but out experience is when a person approaches the bank with an application, the application is refused because there is a prescribed form kept in the bank. They will accept the application only on the prescribed form and, at the same time, they would not issue the form also. So, I request you to ensure that when a person applies for loan by writing an application, that should be accepted and thereafter processed.

SHRI EDUARDO FALEIRO: We shall either follow the suggestion of the hon. Member or issue instructions to the banks to issue the form. We shall see what is best. But if the prescribed form cannot be filled up by the man or the woman who seeks the loan, then the branch officer should help in filling up the form....(Interruptions)

MR. DEPUTY SPEAKER: That is not the problem. Why should it be necessary to fill up the particular form which is issued from the bank? Whatever columns are there in the prescribed form, they can be typed and the application can be submitted. Why should the printed form of the bank be necessary?

SHRI EDUARDO FALEIRO: You know, Sir, how the banks function...*(Interruptions)*

MR. DEPUTY-SPEAKER: The complaint is that getting the application forms is a problem.

SHRI EDUARDO FALEIRO: We will look into this.

SHRI A. CHARLES: My point is that forms should be issued without any difficulty.

DR. G.S. RAJHANS: They do not give the forms.

SHRI EDUARDO FALEIRO: If there is a demand for the forms, they will be issued definitely. If it is the requirement, we shall issue instructions that on a demand by a bona fide borrower forms should be issued. The other point arises here is that the purpose for which these banking systems have been nationalised is to avoid intermediaries and 'dalals'. To avoid intermediaries and 'dalals' the banking business has been nationalised. Now you are taking this outside the possibility of a person going to the bank and asking for forms and then he will circulate them among certain individuals and then collect them, bring them to the banks. This may not be good practice. Let the borrower himself go to the banks and get the forms. It will be definitely be given.

Now, Sir, a point has also been made that there should not be concentration of bank branches in the urban areas and they should be dispersed in the rural areas. This point is very well taken. I have myself found out that though the policy is to disperse the bank branches in the rural areas mostly because urban areas are already banked and sometimes even over-banked. There is a tendency to open more and more banks in the urban areas while rural areas themselves do not have banking facilities which are necessary. We shall take up this matter with the R.B.I. so that this is kept in mind and all areas will be properly banked which in effect is that more and more banking in the rural areas and less and less banks are

opened in the urban areas because there are already enough bank branches in the urban areas.

Similarly, on the question of Board of Directors in the bank, we have practically finalised this exercised and therefore the suggestion is that there must be a representation from the Scheduled Castes, from women and so on. This is a very good suggestion and to the maximum extent we shall do this and see that representation of Scheduled Castes is there in the Board of Directors of the Bank.

PROF. SAIFUDDIN SOZ: What about the 15-Point Programme?

SHRI EDUARDO FALEIRO: We are implementing the 15-Point Programme when I went to Srinagar. I had request the Chairman of the Minority Commission also to address the banking industry and he has had a talk with them and the things will move in the proper direction. As I have said, it is not in the context of minorities alone, but it is in the context of every section of society. Therefore, this programme has to go in this spirit that we are all one and we are all moving rightly, but it is also our duties to contribute to the economy and if the economy is strong, everybody would benefit. I would not like to say another more on different problems, but here is a point regarding lack of working capital which has been raised in this House. Delay in working capital is another point which has been raised, that is, once we sanction or approve of a particular industry for financial assistance, the complaint is that sometimes we delay the working capital and thereby contribute to the sickness of the industry and on other times, we do not give adequate working capital. For instance, the requirement is say 'X' number of lakhs of rupees, we start bargaining with them and give them 'X' minus so much lakhs of rupees. There is no question of bargaining, either money is necessary or it is not necessary. If it is not necessary, don't give anything. If it is necessary, give whatever is necessary. Otherwise sickness is there. We agree with this. We shall take it up with the R.B.I.

because they are the monitoring on this and I will convey to them the feelings of the hon. Members of Parliament. They are the Central Bank, they manage the banks. Government merely owns them. But your feelings will be conveyed to them. I thank you very much for your valuable suggestions on this bill.

SHRI RAM SINGH YADAV (Alwar): If you conduct a survey, you will find that comparatively small-scale industries are much more sick than the big industries. I want to know whether any survey has been conducted by the IDBI, or any other commercial banks which have interest in financing and refinancing those small scale industries.

SHRI EDUARDO FALEIRO: Yes, a number of small-scale industries are also sick. They are of course more than the large industries. Therefore, this is true that the sickness in the small-scale sector is particularly larger and even larger than the percentage of units, to large-scale sector, which is not saying that there is no security in the large scale sector also. Sickness unfortunately is more pervasive than one would like to see.

SHRI ANANTA PRASAD SETHI (Bhadrak): Sir, I want to know about the continuance of Director. We have amended the Banking Regulation Act. After the amendment, now this has become an Act and in the Act itself it is already there that one Director can continue continuously for a period not exceeding six years. But a Director in a particular bank that is already referred to is continuing since the last 13 years. I want to know why he is continuing like that although we have amended the Act to the effect that one cannot continue continuously for a period exceeding six years. What is the reasons for this continuance?

SHRI EDUARDO FALEIRO: I would say this much generally that we have passed an Act in Parliament. What the hon. Member say is, some provisions have not been brought into effect. All provisions will be brought into effect as soon as the preliminary

conditions to make the provision operative come into existence.

SHRI SRIBALLAV PANIGRAHI (Deogarh): Sir, I have something to know from the hon. Finance Minister. Of course, this a very welcome measure that the Government have taken a decision to set up a Bank exclusively for the small sector industry. It will definitely give a boost to the small-scale industries.

MR. DEPUTY-SPEAKER: No, no. You ask the question, whatever clarification you want to ask.

SHRI SRIBALLAV PANIGRAHI: It is also a fulfilment of the commitment made by the Government. The Finance Minister made a reference to this in this Budget Speech in 1989-90.

Sir, the point is, after the establishment of such a Bank, it will naturally take some time to set up its branches in the States. Probably, as I understand, one branch will be there in every State. Since it will not be able to take care of the entire requirement of the small-scale industries in the States initially, I would like to know whether the present arrangement of financing the small-scale industries through different commercial banks also. Will continue or it will be stopped forthwith. If that is going to be stopped, then naturally it will create problems. (*Interruptions*)

SHRI EDUARDO FALEIRO: What we are doing is for the benefit of the small-scale sector. Nothing will be done to reduce the facilities available. All will be done to increase the facilities. Therefore, the present arrangement will be continued until and unless a better arrangement is found for the benefit of small-scale industries.

MR. DEPUTY-SPEAKER: The question is:

"That the Bill to establish the Small Industries Development Bank of India as the principal financial institution for the promotion, financing and develop-

ment of industry in the small-scale sector and to co-ordinate the functions of the institutions engaged in the promotion, financing or developing industry in the small-scale sector and for matters connected therewith or incidental thereto, be taken into consideration."

*The motion was adopted*

MR. DEPUTY-SPEAKER: The House will now take up clause-by-clause consideration of the Bill. I shall now put clause 2 to 9 to the vote of the House.

"That clauses 2 to 9 stand part of the Bill."

*The motion was adopted*

*Clauses 2 to 9 were added to the Bill.*

*Clause 10—Casual vacancies in office of  
Managing Director*

*Amendment made:*

Page 6, line 8,—  
for "involving" substitute—  
"Not involving" (i)

(Shri Eduardo Faleiro)

MR. DEPUTY-SPEAKER: The question is:

"That clause 10, as amended, stand part of the Bill."

*The motion was adopted*

*Clause 10, as amended, was added to the  
Bill.*

MR. DEPUTY-SPEAKER: The question is:

"That clauses 11 to 54 stand part of the Bill"

*The motion was adopted*

*Clauses 11 to 54 were added to the Bill.*

MR. DEPUTY-SPEAKER: The question is:

"That the First Schedule and the Second Schedule stand part of the Bill".

The motion was adopted.

The First Schedule and the Second Schedule were added to the Bill.

MR. DEPUTY-SPEAKER: The question is:

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

*The motion was adopted*

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

SHRI EDUARDO FALEIRO: Sir, I move:

"That the Bill, as amended be passed"

MR. DEPUTY-SPEAKER. The question is:

"That the Bill, as amended, be passed"

*The motion was adopted*

15.25 hrs.

HIGH COURT AND SUPREME COURT  
JUDGES (CONDITIONS OF SERVICE)  
AMENDMENT BILL

[English]

MR. DEPUTY SPEAKER: Now we take up Item No. 13 for discussion. Shri B. Shankaranand to move the Bill.

THE MINISTER OF LAW AND JUSTICE (SHRI B. SHANKARANAND): I beg to move\* :—