

[Shri M. Arunachalam]

ance for the rehabilitation of potentiality viable sick units. The Government of India would contribute Rs. 5 crores towards this fund in 1987-88 and the IDBI would provide a matching contribution towards this.

The Small Industries Development Organisation under the Development Commissioner for Small Scale Industries has taken up a programme of rehabilitation of about 1,067 units all over the country during the current financial year and specific targets have been given to the Small Industries Service Institutes. Training programmes for officials and entrepreneurs are also being organised in order to improve their managerial skills.

Industrial sickness has to be constantly monitored as it undergoes both qualitative and quantitative changes over a period of time. A detailed study regarding the causes of sickness was carried out by the RBI in 1979. As this study has become too old, the Government have asked the RBI in March 1987 to undertake a fresh survey of industrial sickness which is expected to cover about 2,000 units in the large and medium scale sectors.

Government is thus fully aware of the gravity of the problem of sickness and have taken appropriate steps to tackle the problems. The fresh study which the RBI will be undertaking is sure to be useful to the Government in determining the further course of action. The Government would continue to make similar efforts in future to contain the problem of industrial sickness.

18.10 hrs.

**BUSINESS ADVISORY COMMITTEE**

[English]

**Fortieth Report**

**THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF FOOD AND**

**CIVIL SUPPLIES (SHRI H.K.L. BHAGAT):** I beg to present the Fortieth Report of the Business Advisory Committee.

18.11 hrs.

HALF-AN-HOUR DISCUSSION—Contd.

[English]

**Sick Industrial Units—Contd.**

MR DEPUTY SPEAKER: Dr. Chinta Mohan.

(Interruptions)\*\*

MR. DEPUTY SPEAKER: I cannot allow anyone else. This is Half-an-Hour discussion. Only the Members whose names are on the list can be allowed. The rule is like that. I cannot allow that to go.

AN HON. MEMBER: Our demand is different.

MR. DEPUTY SPEAKER: That cannot come during this Half-an-Hour discussion.

Dr. Chinta Mohan.

DR. CHINTA MOHAN (Tirupathi): Mr. Deputy-Speaker, Sir, I am happy that the Minister has given a lot of facts on behalf of the Government. He has also been trying to inculcate a lot of industrial culture which has not been in practice for such a long time. He is a young Minister and has been doing it very nicely.

However, in spite of the efforts of the Minister, the island of unemployment today in spite of forty years of independence is being washed away by the ocean of poverty. Ninety-nine per cent of our people are not able to take two square meals a day. That is the situation.

MR. DEPUTY SPEAKER: Please come to the points to be replied by the Minister.

**DR. CHINTA MOHAN:** The socio-economic inequalities in the country still continue in spite of forty years of independence. Till today, we have yet to diagnose, yet to cure and yet to prevent the socio-economic inequalities in the country. I do not know the reasons, but it appears to me that due to neo-colonial economy and due to semi-feudal political set up these things are still continuing in the country.

Now, coming to the sick industries, it appears to me that there are three main reasons for this. Firstly, it is due to erosion in the economy. Particularly, when a small scale unit starts an industry, it is not properly fed with finances, with the working capital and other things, though the Government has been saying that they give them all sorts of assistance. It is, however, not reaching the needy, but reaching the greedy. It is the greedy who is being lapped up. The efforts of the Government are not benefiting the deserving persons, particularly the unemployed and the poor person in the society.

Secondly, it is the mismanagement by some of the entrepreneurs. Yesterday, I tried to focus the attention of the Government to the public sector units in the country and how they are functioning. As I said, the Indian Rare Earth Ltd. was set up in the year 1982 with an estimated outlay of Rs. 50 crores. It escalated to Rs. 85 crores and then to Rs. 135 crores. They also tried to import machinery worth Rs. one hundred crores. They mismanaged it and imported second-hand rotten machinery which has been rotting in Orissa, and their turnover is not even one crores of rupees. Though the Government expected a turnover of Rs. 90 crores, they are not able to do much. This is all because of the mismanagement of the public sector unit. This is a typical example of the working of the public sector unit in our country.

The other important point is the industrial policy. Though the young Minister has tried to bring in industrial culture in the recent days, the Government do not have the right concept of a correct industrial policy. I would give you a typical example

how the industrial policy is working in this country. Take the jute industry on the one side and the synthetic manufacturers on the other. The Government said that they wanted to encourage the jute industry. About seventy thousand workers are involved in West Bengal in this.

But the Government say they wanted to do something for the poor jute workers but they are not able to do anything. The policy is not very clear. You have a very dual policy. You do not have clear concept. On the one hand your own Ministry is trying to encourage the synthetic manufacturers of bags and on the other hand you are trying to import high density polythene bags with the result the jute bag manufacturers are not able to compete with the synthetic bag manufacturers. There is a big competition between the synthetic bag manufacturers and the jute bag manufacturers. Your policy in this regard is thus trying to create sickness among the synthetic bag manufacturers and jute bag manufacturers but the trouble is that you are not able to understand it.

Now, coming to the cement industry, the Cement Corporation is trying to float tenders for getting the synthetic bags in the cement industry. Your own Department at the same time wanted to encourage Jute Packaging Act of 1987, saying that more and more jute bags should be used. If that is so then why are you trying to float tenders? I do not know whether there is any conflict between you and your department or is this an example of the mutual co-operation that you have?

It is said that Rs. 20,000 crores are involved in the sick industries. The Minister rightly said that about 1 lakh and odd industries have become sick. The same Minister who works in this Ministry says that 40,000 crore worth of money is going outside India every year. Keeping all these things in mind, I do not know how are you trying to bring industrial development? I do not know how will you improve the economy of this country?

Sir, in the end I would like to ask two questions. You had appointed a Bhargava Committee in 1974 and they gave some

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recommendations. I would like to know how many recommendations have been implemented so far?

Secondly, so many industries like Chemical, Pharmaceutical, Cement, etc. become sick. I would like to know how many sick units are there in each industry, particularly Jute and Rubber.

With these words, I would like to conclude.

SHRIMATI JAYANTI PATNAIK (Cut-tack): Sir, in spite of the various steps taken by the Government, we find the industrial sickness is on the increase. When we analyse the cause of sickness, it is said that the fault does not lie with the Government. But the Government cannot remain a silent spectator. Of course, the Minister has expressed concern for this industrial sickness. Sir, if you go through the word sickness, you will find that there is no uniform definition of industrial sickness. The Reserve Bank of India and other banks and financial institutions have varying definitions and this made the things worst. Sir, what is the Government's reaction towards this, especially about the uniform definition of the industrial sickness? Sir, is it not a fact that the banks which play a great role in the industrial activities have failed to introduce a comprehensive information system to constantly monitor and help all the sick units?

According to the new Act, the proposals with regard to sick units are to be sent to the Board of Industrial Financial Reconstruction. The Board then considers whether these sick units are fit to be revived or not. If it is not feasible to revive them, they will be liquidated. But if they are considered fit, they will be revived. But only large and medium industries can benefit by this arrangement. What is the arrangement for the small scale industries? Will the Government think of constituting a Board in every State to cure sickness in the small scale industries also?

There are certain restrictions with regard to production of certain items in the sense that some items are earmarked only for the small scale industries. But now there is a relaxation on these restrictions. This means, many people who can afford to go to the medium industries, can avail this opportunity and go to the small scale sector because there are certain concessions in the small scale sector such as excise relief, etc. People with big investments also can take advantage of these things. In this way, the real small scale industrialists will suffer. The Minister may answer as to what the wayout is in this regard.

The upper limit for finance in the small sector is Rs. 25 lakhs. But investment of 95 per cent of industries in the small scale sector is only upto Rs. 2 lakhs. Is it a fact that there is a proposal to increase even this limit of Rs. 35 lakhs? If it is so, some people who can opt for medium industries will get the benefit of going to the small scale sector. But the percentage of industrialists who are going to be benefited by this increase in the investment limit is not going to be more than 5 to 10 per cent. And the majority of the small industries are going to suffer on this count.

If in an industrial unit investment is made jointly by the private sector as well as the Government, there should be proper marketing facilities to sell the products of the unit. Here I would like to cite the example of an industrial unit which is in Orissa. The investment in this unit is shared by a private person and the Government of India. This unit produces certain inputs that are required in steel industry. It has produced huge quantities of its product by SAIL is not purchasing them, and the stocks are just lying unsold. So naturally, the unit will become sick because there is no marketing outlet. All the time the workers and labourers are apprehending retrenchment. Government should see that the products of these small units are bought by public enterprises such as SAIL, who use these products as inputs. So, there should be

proper marketing facilities. There should be this policy and it should be implemented.

I also want to know whether Government will give any tax relief to a healthy unit if that healthy unit is willing to take over a sick unit. If a sick unit is merged with a healthy one, extra relief should be given to the healthy unit.

Sir, when a unit becomes sick, industrial workers have to suffer the most. The issue has been discussed several times before also. I just want to raise a small point. Retrenched workers get their subsistence wage from the Workers' Rehabilitation Fund only after the unit is liquidated.

Before their retrenchment, whether such workers are given the scope of advance training, retraining under a scheme so that they may be otherwise engaged.

These are my points and these can be answered by the Minister.

SHRI SHARAD DIGHE (Bombay North Central): Mr. Deputy Speaker, Sir, from the reply which we got the other day to this Starred Question No. 129 and from the clarificatory statement which the hon. Minister had made today, I still feel that as far as the sick industrial units are concerned, the Government is either not serious about the problem or has not been appreciating the problem in a real sense. I do not want to go into the figures of the sick industrial units which are already available. The other day also while replying to the question, I had stated those figures. What I want to say is the Government is looking at this problem from the point of view of Reserve Bank—the advances, loss of finance, etc.—but the real problem is, when the sick units are closed, not only there is loss of revenue to the Government but it adds to the already large army of unemployed people. From this point of view, I would like to ask, when this Sick Industrial Companies' Special Provision Act was passed in December, 1985 and when the President's Assent was

given to it on 8 January, 1986, how is it that for such a serious problem we could not establish the Boards, which are contemplated under that Act—the Board for Industrial and Financial Reconstruction? These Boards were not established till 15 May, 1987. So when this was such a serious problem, why the Government took so much time to establish such Boards?

Further, I would like to ask, after establishing these Boards, which have got so many powers given under this Act, including the change of Directors, taking over of units and also preparing the scheme of reconstruction, revival, rehabilitation etc....

DR. DATTA SAMANT: That was done when Mr. V.P. Singh was there.

SHRI SHARAD DIGHE: ...and whether any single scheme has been prepared by the Board in respect of any unit for reconstruction, revival, rehabilitation or take over? If anything has been done, then we would like to know the same. Then only I can say that the Government is seriously tackling or serious taking adequate measures to meet the problem of sick units.

Therefore, I would like to know from hon. Minister the figures as to what has been done from 15 May till today as far as these reconstruction units or taking over the management is concerned?

Then I would also like to know why the finances which you are sometimes giving are being given to the large industrial units for modernisation or something like that and these small units which really require finances for rehabilitation are not given? I would like to have the figures, if there are any, from the hon. Minister.

The *modus operandi* at present as far as Bombay is concerned, we see, for closing the units, they have not to pay water and the electricity charges, so that automatically, the unit stops functioning. Nobody can do anything. Especially, in Srinivas Cotton Mills from Bombay the same

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*modus operandi* was followed. Everything was going on well but because of the differences and disputes between the partners, perhaps the real or the ostensible, just to show to the people or to the Government that there are some disputes and one day they did not pay the water charges, they did not pay the electricity charges and everything stopped functioning. Since that time, we have not been able to do anything. So a good unit has been stopped. A good unit has been stopped; and now it is rusting to such an extent that even if it is to be re-started, it will be difficult. Therefore, I would like to know whether Government is thinking of making any further legislation to meet such a situation, where the employers just do not pay electricity or water charges, and they stop the units. Therefore, you should be able to take immediate action in such cases, take them over and start the units.

I would like to have these clarifications from the hon. Minister.

MR. DEPUTY SPEAKER: Mr Acharia is not here Now the Minister.

THE MINISTER OF STATE IN THE DEPARTMENT OF INDUSTRIAL DEVELOPMENT IN THE MINISTRY OF INDUSTRY (SHRI M. ARUNACHALAM): I am starting my reply, from the last portion of the question asked by the hon. Members, namely the reason for the delay in the implementation of the Sick Industrial Companies (Special Provisions) Act, 1985.

The reasons are: The Sick Industrial Companies Act, 1985 got the accent of the President, as he rightly pointed out, in January 1986. Government thereafter made conscious efforts to set up BIFR, as per the provisions of the Act. As a first step, a nuclear cell was established in the Banking Division to take preliminary action for the setting up of the BIFR. The nuclear cell

took preliminary action for searching accommodation, appointment of staff and for framing of rules on various subjects for the smooth operation of BIFR. (*Interruptions*)

After the selection of the Chairman the names of some of the members of the Board were finalized, and the Board was constituted with effect from 12.1.1987. After its constitution, 85 cases of sickness have been registered with BIFR, and 188 cases have been already referred to BIFR.

Coming to the sick small scale units, Mrs. Jayanti Patnaik has asked for State-level committees. (*Interruptions*)

DR. DATTA SAMANT: They have just registered ..(*Interruptions*)

SHRI M. ARUNACHALAM: We have already established ..(*Interruptions*)

Already, there is an inter-institutional state level committee to tackle these problems.

DR. DATTA SAMANT: Nothing has been done.

SHRI M. ARUNACHALAM: Regarding the raising of the limits on the small scale sector...(*Interruptions*) there is a committee which is going into it in details.

Coming to the point raised by my colleague from Andhra Pradesh Dr. Chinta Mohan, Government is committed to its policy. It is having a constant policy. We are committed to removing the regional imbalances.

MR. DEPUTY SPEAKER: The House now stands adjourned till Monday, the 17th August 1987.

18.32 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Monday, August 17, 1987/Sravana 26, 1909 (Saka).*