

Minister recently made a statement expressing his concern about re-opening the settled issues like Maharashtra-Karnataka border issue after the Mahajan Commission has given its award.

To put an end to the long-standing dispute, it is necessary that the Government of India should take the initiative and see that the Mahajan Commission award is implemented so that the border areas of both the States could be improved.

I, therefore urge the Government of India to bring forward an amendment to SRC Act to incorporate the recommendations of the Mahajan Commission.

(viii) Negd. to rename 'Kittur Express' as 'Kittur Rani Channamma Express'.

SHRI G.S. BASAVARAJU (Tunkur) :
Sir, I would earnestly request the Hon'ble Minister for Railways to please immediately institute a change in the name of a well-known daily express train running between Bangalore to Miraz on Southern Railway, from *Kittur Express* to *Kittur Rani Channamma Express*, a well-known patriot, stalwart and intrepid fighter against British imperialism. She fought on behalf of her tiny kingdom in Kittur against overwhelming number of British forces, long before Rani Lakshmibai of Jhansi fought against the British. This is the least we could do to enshrine the memory of Rani Channamma of Kittur.

12.30 hrs.

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL-(Contd.)

[English]

MR. DEPUTY SPEAKER : Now we take up Item No. 5. I request Mr. E. Ayyapu Reddy to continue his speech. Please be brief.

SHRI E. AYYAPU REDDY (Kurnool) : As I was telling, we are facing a piecemeal type of legislation. I would

like to make a preliminary observation with regard to piecemeal legislation. With great respect to the hon. Minister, I would like to say that the present amending Bill is in the nature of a piecemeal Bill, a piecemeal legislation. The Finance Ministry must think of a comprehensive, an all-pervasive amendment in respect of all financial institutions which are governed by the enactment. In every session we have been having some amending Bill of an enactment relating to a financial institution. We had the State Finance Corporations Amendment Bill. Then we had the Unit Trust Amendment Bill. Then we had the Sick Companies Bill. Then we had the Banking Regulation Bill. Probably next time and the next time we will have an amendment Bill with regard to other financial institutions like the Industrial Development Bank and other Banks. Instead of that I suggest that it is necessary for the Finance Ministry to take a comprehensive outlook and bring about a harmonious legislation in respect of all these financial institutions which are governed by separate enactments.

The original objective of this IFC Act which was established in 1948 is to usher in a healthy growth of industrial development and construction of the infrastructure. But what is the position today? Now, in recent years there has been an upsurge in the incidence of sickness in the industrial scenario of India. An increasing number of undertakings, public and private, both in the large scale and small scale sectors, are getting into a financial mess called sickness. These undertakings in which millions of rupees worth of capital and equipment are sunk are even unable to service their debts. Continuous increase in the industrial sickness is an alarming situation in our industrial scenario. It is not only the hike in the number of units which are falling sick but the amount which is involved in these sick industries is also alarming. Now, according to a survey conducted, 94,282 sick industries have been identified and the total amount of investment in all these sick industries is Rs. 3688.39 crores. It must be much more than that though the papers say that this is the amount. Now, according to the data furnished by the Reserve Bank of India, the total number

of sick industries in the small scale sector as on January 1984 is 81,647. Actually it must be much more than that. Now, 66,000 sick units have been identified as economically non-viable. The amount which has to be written off by all the banks even according to the survey is more than Rs. 1000 crores. Strictly speaking or in my humble estimate the amount that has to be written off by these banks on all these sick industries will be more than Rs. 2000 crores.

What I am trying to submit is that we have various enactments to monitor the financing of these industries. There are a number of provisions in the enactment which enable these financial institutions to control the industries to whom financial help and aid is given. But in spite of all these, how is it that Rs. 2,000 crores had to be written off by all the banks and financial institutions as on today? How is it you have allowed so much of misuse of public funds? I request the hon. Minister to conduct an independent audit so that we may know what exactly is the amount of public money in the nationalised banks which has been lost for ever over these sick industries. There is an effort made to nurse back to health or to prevent this sickness. One year ago we passed what is called the Sick Companies (Special Provisions) Act. That was discussed in both Houses at length and it was expected to bring about the much-needed change. That Act was explained as one of the best reformative steps taken by the Finance Ministry to arrest the incidence and aggravation of sickness and to prevent the misuse of funds which have already been spent. That Act came into force in January, 1986; the President gave his assent on 6th or 8th January, 1986. More than six months have elapsed. Have you constituted the Board? Has the Board begun to function? Why was it necessary to take six months to constitute a Board? Now, after the constitution of the Board, what action has been taken to identify the industries which are falling sick? I may bring to the notice of the hon. Minister one particular case—one unit which is about to become sick or has already become sick or sinking into sickness that is, the Andhra Pradesh Carbide Factory located in Kurnool. All the

financial institutions have financed this unit—the Industrial Development Bank, the State Bank of India, and so on. But it has stopped working in the last seven months. It is a factory which had made a very good progress, where very good profits were reaped by the entrepreneurs, by the Managing Director, but it has been made sick in the last six or seven months. Every banking institution has been told that it is an economically viable unit and that it can be revived. But during the last seven months, all these financial institutions are merely looking at the unit. It is sinking, sinking and probably it will sink fathoms deep and we will not be able to revive it back into health. What I am trying to submit is that something is wrong with our monitoring system. Of course, the Reserve Bank of India has given instructions as to how the monitoring has to take place. But is any one of these financial institutions implementing the instructions given by the Reserve Bank of India? No. For instance, even under this Act, the IFC Act, there is a provision that the Corporation can take over any industry. But is there any one instance where the Corporation has taken over an industry? Similar provisions have been made in the other enactments also governing the financial institutions. But they have not been acting. After all, the Union Government has taken over about 30 units during all these six or seven years to nurse them back to health. But we have not heard of any sick industry which has been nursed back to health, stability, financial and economic viability and allowed to stand on its own legs.

So far as this Bill is concerned, of course, they have narrated all the objects, from (a) to (m). There can be no dispute with regard to the objects. But the main point is this. Why are you trying to bring piecemeal legislations? Why can't you think of a comprehensive legislation taking into consideration the prevailing financial condition of the industrial units, big, small or medium? A realistic approach is necessary and it is absolutely necessary because so far as the implementation of these various provisions are concerned, they are merely existing on the statute book, but they are not finding place in practice,

SHRI K. S. RAO (Machilipatnam) : Mr. Deputy Speaker Sir : I support this Bill for bringing an amendment to enlarge the area of operation and some other amendments to improve the working of the organisation.

While going through the clauses we find that leasing and sub-leasing mentioned in Clause 2 (xv) need not be the area where IFC need to loan. There are ample private organisations who are prepared to loan and lease. So, it may not be that lucrative for IFC keeping in view the principles for which it has been started. So, I would request the Hon. Minister to take note of this, not just leaving it like that. Let the Finance Corporation concentrate on areas where other private organisations are not coming forward.

Similarly, instead of increasing the capital time and again through Government resources, I think the Corporation can go to the public and raise through the bonds to meet its capital requirements. I am very happy that the organisation is running on sound line and generating resources year after year and has raised it substantially.

While mentioning the time period for the Chairman and Managing Director in Clause 5 (b)(2), not more than five years are fixed. But the Hon. Minister must take note that it can mean even six months or one year. I do not think any Chairman will be able to do substantial work unless a minimum period of three or four years is fixed. This must be ensured that the minimum period of three or four years must be given to any Managing Director or Chairman who is nominated.

I also request the Minister to find out whether, in the Board of Directors, one MP each from Rajya Sabha and Lok Sabha can be incorporated because it may not be difficult for them to go into the details of the functioning of IFC and suggest measures regularly instead of looking at the year end or at a later date when it is found going wrong.

While going through the details that are given for convening a meeting, in Clause 10, it is said that "any other Director nominated by the Chairman". But, to the best of my knowledge, in any nationalised banks, when the Chairman is not there, usually the man convening the Board meeting will be decided by the Board of Directors present. So, I request the Minister to check up whether this can be deleted.

Coming to the performance of the IFC, emphasis must be given to the technocrats and the new entrepreneurs who come from some of the industries with great experience in that particular line and who are short of resources, particularly financial.

There should not be over lapping of the loaning. A specific area must be allocated to Industrial Finance Corporation, so that there will not be any competition among these corporations and other financial institutions. Then, they can certainly concentrate on that particular field and gain expertise. So, this organisation can monitor these industries regularly with efficiency and show better results.

While recruiting the staff for the Industrial Finance Corporation priority must be given to technocrats and managerial people who are competent in that particular line. This will improve the functioning also.

Monopolies should not be allowed to take loan from this corporation. Monopolies may go to the public and get their own resources; they should not be allowed to utilise the public resources through this organisation. I do not think, under writing need be done in a big way by this corporation

Sir, I also wish that instead of making all the entrepreneurs to come to Delhi whether Minister can think in terms of decentralisation or opening of offices in various State headquarters. This will reduce embarrassment or the expenditure which is incurred in coming all the way to Delhi. This will also help proper

monitoring by the Corporation by keeping men close to the location of the industries.

It is mentioned in the Report that the cash balance is kept at 9.5 per cent of the total resources. As the number of concerns is less and as close monitoring can be done about the period of releasing loans or repayments, I do not think 9.5 per cent of the total money need be left in cash. I wish the Managing Director or the Minister to go into this whether they can use these funds also in a better way.

Coming to the premises I understand Rs. 12.54 crores has been spent on the premises. I wish to know whether this much amount is required to be spent on premises. This amount could have been lent to another industry. Then Sir, the overdue is shown as Rs. 50.78 crores from 184 units and most of them are textile units. So, the Finance Corporation must also think in terms of not lending to such organisations where there are great failures. In case it is inevitable in a particular area like one-industry then proper analysis must be made. Though it is written that emphasis is being given in identifying the industries, assessing and then monitoring also the effectiveness of this Corporation which is already reasonable and good can be multiplied and it can do wonderful work by concentrating and having a separate cell for monitoring and at regular intervals conducting meetings with concerned industrialists and also suggesting measures instead of allowing the industry to go sick and later on repent about it.

[Translation]

SHRI GIRDHARI LAL VYAS (Bhilwara): Mr. Deputy Speaker, Sir, I support the Industries Finance Corporation (Amendment) Bill, 1986. The intention behind the Bill is laudable but it is the responsibility of the Government and the people how these financial institutions are carried on. Has our Finance Minister ever tried to know the utilisation of the money invested in all the finance corporations working in States and at the Centre?

Have you ever taken action against the misuse of money by big capitalists due to mismanagement of the financial corporations. Just now the previous speaker told that three or four thousand crores of rupees have been held up there. The Government has not taken any action in this regard. But this has been seen even today that the units fall sick and you know how they fall sick. Your directors are there and they take crores of rupees. Even today the units are made sick by transferring the assets but you take no action against them. So, I say that you are forming financial corporations and through them helping the big capitalists to establish new industries and make the old ones sick. Is this system correct? Has our Finance Minister noticed how the industries or industrialists misuse its money and establish new financial concerns and after earning maximum profits make them sick?

You have not taken any steps so far to revive those units. I want to give you an example of our place. In our Bhilwara, there was one Rajasthan Spinning and Weaving Mills and the mill-owners earned huge profit from it. Your Industrial Development Corporation and other financial institutions granted it many loans. Even some banks advanced loans to this mill. With these profits, the owners established three or four new industries and by transferring its assets to them, this mill was declared sick. Consequently, thousands of workers became jobless, and the owner, feeling the least worried about it, is setting up new industries. The basic industry has been made sick and even then loans to the tune of crores of rupees have been paid to him. Besides, to deprive the shareholders of their shares, the name has been changed from Rajasthan Spinning and Weaving Mills to Bhilwara Spinners thereby depriving not only the shareholders but also financial institutions and banks. I had raised this question even in the Parliament but our hon. Finance Minister did not pay any attention to it and crores of rupees of the Government have been sunk. In this way these big industrialists cheat the Government, financial concerns and banks, and get their work done. So, I want to ask when 3,600 crores of rupees have been held up in sick

[Shri Girdhari Lal Vyas]

industries what is the justification of paying them more money. On the other hand, the small farmers who owe only 171 crores rupees are dealt with very strictly when they are not able to repay in time. But no action is taken against these sick units which have bungled 3,600 crores of rupees. The Government should take concrete steps to bring about a change in this system.

Just now one hon. member suggested that the terms of Directors, Managing Directors and General Managers should be longer. But I want to tell the hon. Minister that the longer he makes there term the more they will make the industries sick. There will be more losses and still more bungling. You have fixed 4 years, term for them but I would like to submit that it should be reduced to two years. No person should remain on any managerial post for more than two years. This rule should apply to all high ranking officers. Otherwise after being at one post for a long time they tend to become corrupt and spread corruption. So, you should provide for a maximum of 2 years term for Managing Directors and Directors. At some places you have made provision of two years term so the same may be applied here also. Besides, whenever it is proved that these people, in collusion with big people, have misused Government money then you should deal with them strictly. Until such provision is made, your system cannot work properly. I would like to make one more request that those officers under whose control the units fall sick should be dealt with strictly for negligence of duty irrespective of the fact whether they are from some financial institution, Industrial Development Bank or Finance Department. Upto now, against how many such persons, who have sunk crores of rupees of public money, actions have been taken by you. So the whole system needs change.

Mr. Deputy Speaker, it is a very lengthy Bill and I should be granted some more time to speak on.

In the last, I want to make one more point. You have also made provision in

it for health and medical facilities. I want to bring it to your notice that in the big cities of the country like Delhi and Calcutta etc, big persons like Tata and Birla have established very large hospitals. To get the operation or treatment facilities in these hospitals, one has to pay twenty-five to thirty thousand rupees. You want to provide funds through Corporations to such big institutions. If you do it, then you are creating difficulties for us and in this a new business of setting up big hospitals could be started. It should not be allowed. Health services should be provided by the Government. By allowing these health services to run by big industrialists, you are becoming instrumental to help them setting up such business. If this is allowed, the general public would be loser and only big people will be benefited. So, I would like to request you to use this money for establishing new factories. That will certainly lead to the progress of the country as is the intention of the leaders of the country. You should do nothing like this that funds are paid to big industrialists like Tatas and Birlas for opening hospitals while the public is deprived of its rights. This provision made by you is wrong. Please retrieve this wrong step so that this wrong step may not result in some untoward happening in the country. The big industrialists of the country should not be allowed to take the people for granted.

With these words I support this Bill.

[English]

SHRI THAMPAN THOMAS (Mavelikara) : Mr Deputy-Speaker, Sir. This amending Bill, in fact, is a new Act in itself. However, sufficient safeguards have not been provided in this Bill also. My friends, who spoke earlier, have pointed out how the public money, or the Government funds have been misused by the industrialists. No safeguards have been provided even in this Bill to check such situations. Instances have also been pointed out by the earlier speakers. I too can point out certain instances where the industrialists took public money and misused it. There is a factory called

Geonala Binny in Cochin. This belongs to one Mr. L. N. Dalmia, who claims to be a member of the Dalmia family, though he has nothing to do with them. This factory got money from the public institution and for the last four-five years it has not been working properly, and finally on one pretext or the other, they closed the factory and the money was used to acquire another factory called Pannalur Paper Mills, Pannalur. This also is not working now. The workers affected by it on enquiry found out that he has got industries even outside the country. It is, therefore, very clear that those people who have got influence in the Government, financial institutions or the banks get money in the name of some industry and use it elsewhere. There should be a drastic provision in this Act to see that where the public money is misused, to safeguard the money there should be no difficulty to take over that factory.

Now, the Government can take over a factory under the Industrial Development and Regulation Act. There is a very cumbersome procedure now. It should be provided that where the money is given to a company and if it is not utilised for the purpose for which it was given, the institution which provides the money should be able to take it over immediately. The private sector people get all this money by virtue of their influence and they do not utilise for the purpose for which it is taken. You are appointing Chairmen, full-time and part-time and are giving them wide powers for reorganising these industries, but the first thing that the Government should have in mind is that the public money should be safeguarded.

There is another point which is coming in the way of public financing and that is the growth of the private money lending.

MR. DEPUTY-SPEAKER : You may please continue after lunch.

13.00 hrs.

The Lok Sabha then adjourned for Lunch till Fourteen of the Clock.

The Lok Sabha re-assembled at Four minutes past Fourteen of the Clock.

[MR. DEPUTY SPEAKER *in the Chair*]

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL—CONTD.

[*English*]

MR. DEPUTY SPEAKER : Shri Thampans Thomas, you may please continue.

SHRI THAMPAN THOMAS : Sir, I was mentioning about the misuse of money which is taken by the private managements from financial corporations and the necessary provisions in this Act to prevent it. Sir, I would like to point out another important aspect which may very seriously affect the financial institutions themselves. There is a mushroom growth of private money lending institutions. These organisations get a lot of unaccounted money under various names. They give it to the industrialists or other people; and finally, they take the entire economic situation in the country to a precarious level. Unless there is some provision to prevent such activities which are indulged in by a large number of people in a big way it will ultimately affect these financial institutions. Also, the money of the Government which is taken by industrialists for the purpose of development of industries, may also be diverted into this channel. These who get money in the name of developing an industry can very well use it for other purposes, or without using it for industrial development, give it to others i. e. lend that money to other persons at a higher rate of interest. So, unless Government makes necessary provisions to cover such instances, the money given by these institutions will go undetected, and we may not be able to get it back. This is what was said earlier by some of the Speaker, viz. that Rs. 400 crores are to be collected by the institutions which had given loans. Finally this has to be written off.