

LOK SABHA DEBATES

LOK SABHA

Friday, August 17, 1990/Sravana 26.
1912 (Saka)

*The Lok Sabha met at Eleven of the
Clock*

[MR. SPEAKER *in the Chair*]

[English]

OBITUARY REFERENCE

MR. SPEAKER: I have to inform the House of the sad demise of one of our former colleagues Shri J. Matha Gowder, who was a member of the Fifth Lok Sabha during 1971-77, representing Nilgiris constituency of Tamil Nadu. Earlier he had been a member of Tamil Nadu Legislative Assembly during 1957-60.

An active trade unionist, Shri Gowder was associated with several organisations engaged in upliftment of the working class and weaker sections of the society.

An able parliamentarian, Shri Gowder actively participated in the proceedings of this House and made valuable contributions thereto.

Shri Gowder passed away at Coimbatore on 12 August, 1990 at the age of about 70.

We deeply mourn the loss of this friend and I am sure the House will join me in conveying our condolences to the bereaved family.

The House may now stand in silence for a short while as a mark of respect to the deceased.

(The Members then stood in silence for a short while.)

[English]

SHRI C. K. KUPPUSWAMY (Coimbatore): Sir, four Members have been arrested in Tamil Nadu and they have not been released. I will sit on the floor near the Table.

(At this stage Shri C. K. KUPPUSWAMY came and sat on the floor near the Table.)

THE MINISTER OF INFORMATION & BROADCASTING AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI P. UPENDRA): Sir, they have already been released.

MR. SPEAKER: Please go to your seat. This has never been done. I am told by the Parliamentary Affairs Minister that those friends of Lok Sabha, who were imprisoned in Tamil Nadu, have been released.

(At this stage Shri C. K. KUPPUSWAMY went back to his seat.)

11.04 Hrs.

ORAL ANSWERS TO QUESTIONS
[Translation]

**Directives to Financial Institutions
for Revival of Sick Units**

*123. SHRI SANTOSH KUMAR GANGWAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government have taken a decision to issue directives to the financial institutions for providing necessary financial assistance to revive the sick industrial units;

(b) if so, the steps being taken in this connection; and

(c) the number of sick units in Uttar Pradesh in regard to which instructions have been issued to provide financial assistance?

[*English*]

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE):

(a) to (c) A statement is laid on the Table of the House.

STATEMENT

(a) and (b) In line with the importance accorded by the Government to the aspect of revival of potentially viable sick units, the financial institutions do provide need based financial assistance towards rehabilitation of sick industrial units wherever such units are found to be technically and financially viable. However, Government have not issued any specific directives as such to the financial institutions.

Detailed guidelines have been issued by RBI from time to time regarding formulation and implementation of rehabilitation packages in respect of sick/weak units which are potentially viable. Broad parameters have also been evolved for providing reliefs/concessions under rehabilitation packages. These inter-alia include funding of existing dues of banks and financial institutions with the extended period for repayment thereof in a phased manner, interest concessions, grant of fresh term loans as also working capital facilities.

In addition, the Board for Industrial and Financial Reconstruction (BIFR) has been set up under the Sick Industrial Companies (Special Provisions) Act, 1985 for expeditious determination of the preventive, ameliorative, remedial and other mea-

asures that would need to be adopted with respect to such companies.

(c) No specific instructions have been issued for grant of financial assistance to sick units located in Uttar Pradesh.

[*Translation*]

SHRI SANTOSH KUMAR GANGWAR (Bareilly): Mr. Speaker, Sir, the question that I had raised regarding the sick industrial units is very important. The number of such units is increasing by leaps and bounds. In 1987, their number stood at about 1,58,226 in the small scale sector while in the non-small scale sector, it stood at 1,057. Their number has been on the rise ever since. In this regard, I contacted and met many officials dealing with such industries in order to get details about the rehabilitation packages formulated to revitalize these industries. The details given to me here are quite elaborate and many things are mentioned in that, but one thing that I am unable to comprehend is that despite provision of District Industries Centre, 'Udyog Bandhu' and many other State institutions in each district to make recommendations regarding rehabilitation of sick small scale industrial units and non-small scale units, why due weightage is not given to the recommendations by the District authorities or the financial institutions like banks, through whom loans are distributed and why decisions on such matters are taken arbitrarily by the financial institutions? It has been observed that banks provide financial assistance for rehabilitation to only those units which are in their good books. I would like to know whether due consideration is given to the recommendations made by the State level and District level institutions to rehabilitate such units?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, there is a set procedure for the rehabilitation of sick units. As I mentioned in my reply earlier, the Government does not is-

sue any specific directives as such to the financial institutions, but detailed guidelines have been issued by the Reserve Bank of India, from time to time regarding formulation and implementation of rehabilitation packages in respect of sick units. These guidelines are issued to various banks, financial institutions and the Board for Industrial and Financial Reconstruction (BIFR). Matters concerning industries other than those of the small scale sector and also those of the medium scale industries are dealt with by the B.I.F.R. This board has four benches working under it and each bench has got a Chairman and two members. Now, at many places, the responsibility of the Chairman has been entrusted to financial institutions, at one place it has been entrusted to trade union activists and at many other places, reputed people from the banking industry have been entrusted with this responsibility. On the basis of the recommendations made by these people all the cases are referred to the concerned banks, with the general consent of the Board and subsequently they provide the necessary assistance to the sick units. Matters concerning the small scale sector do not come under the purview of the B.I.F.R. Therefore, they are provided assistance through nationalised banks.

SHRI SANTOSH KUMAR GANGWAR: My question was mainly with reference to the small scale industrial units, because non-small scale units are able to manage themselves somehow. As far as I know, the Banks themselves take decisions about providing assistance to sick small scale units. I have not received an answer to the (C) part of my question. Through that question, I wanted to know the number of sick units in Uttar Pradesh in regard to which specific instructions have been issued to provide financial assistance. Further, I want to know the number of such small scale units in U.P. whose rehabilitation is under consideration of the Government and also the number of those units, which have been provided assistance, over the past few years.

PROF. MADHU DANDAVATE: I would like to answer both the questions. With regard to the number of such units, I would like to give the all India figures. The number of sick small scale industrial units stands at 2,17,436. The number of technically and financially viable units among them is 12,954 and the number of sick units which are being provided with assistance or reliefs/concessions through the Banks, in order to overcome their sickness, stands at 8,347. Your second question was in regard to Uttar Pradesh. The number of sick units there, in the small scale sector is 22,498, while the number of sick units in the non-small scale sector stands at 70. The number of weak units in the non-small scale sector is 72. Regarding the number of people who have been provided with such assistance, we don't have state wise figures with us. We have with us, only the all India figures. Therefore, I will send this last piece of information in writing to the hon. Member, later on.

(Interruptions)

PROF. MADHU DANDAVATE: You are mistaken. The number of sick small scale industrial units stands at 22499, while the number of sick and weak industrial units in the non small scale sector which includes medium and large scale industries as well, stands at 70 and 72 respectively.

SHRI HARISH RAWAT: Mr. Speaker, Sir, the figures quoted by the hon. Minister regarding the sick industrial units in Uttar Pradesh is indeed a matter of concern. In his statement, the hon. Minister has also referred to the benches working under the B.I.F.R. I would like to know from the hon. Minister, the number of such cases in which he has issued specific directives to the B.I.F.R. regarding the formulation of rehabilitation packages and I would also like to know as to how far they have been implemented by the banks. Is there any Cell in his Ministry to monitor all this? I am aware of many such cases where the various financial institutions have not implemented the

rehabilitation packages formulated by the B.I.F.R. If these packages are not implemented in time, then there are chances of their getting outdated. Therefore, I would like to know from the hon. Minister whether he has set up any monitoring cell in his Ministry to oversee whether the Banks and financial institutions are sincerely implementing the rehabilitation packages formulated by the B.I.F.R.?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, I am in possession of the information the hon. Member has sought. I have with me the latest figures upto 30-4-1990. 848 cases were referred to the B.I.F.R. Operating agencies were appointed and the number of units receiving assistance from financial institutions stands at 422.

[*English*]

The number of cases on which the report is already received from the operating agency.

[*Translation*]

The financial institutions, stands at 309. The number of such units, for whose rehabilitation, ameliorative, remedial and other measures have been approved and on which, work has started in right earnest is 94. There is a monitoring agency, which constantly monitors the proper functioning at such units even after assistance is provided to them by the financial institutions on the recommendations of the B.I.F.R.

[*English*]

SHRI SANTOSH MOHAN DEV: The hon. Finance Minister knows very well that in the eastern India i.e. West Bengal, Assam and Tripura, tea industry is one of the major industries. I do not know the latest position, but about six months back, I know there were 110 tea gardens which were sick; and the tea industry is labour-based.

The hon. Minister has referred to BIFR: unfortunately, according to

my information, of the projects that have been sent to BIFR from the tea industry, none has been accepted, on the ground that these are not viable. As a result, it is creating a very serious situation, and unemployment in the area. (*Interruptions*) Because tea industry is getting good prices in the internal as also international markets, this is the right time when it can be brought to health.

Considering this, may I know what is the feedback with him: how many tea industries have applied, and what is the action taken; or, if it is not there, will he kindly look into it and see that the tea industry is taken back to rails i.e. there is viability?

PROF. MADHU DANDAVATE: The hon. Member is right in assessing that the situation of the sick units in some of the States in the north-eastern region is very bad. For instance in Assam, as far as small scale units are concerned, the number of sick units is 11,438, and non-SI sick units are 4, and non-SSI weak units are 30. But generally we consider those units as sick, whereas in the major components we find that almost 100% erosion of the network at the peak, is there.

As far as weak units are concerned, they are those in which, in the course of a particular period, their peak network has been eroded by 50%—almost half.

So, like that the picture is very gloomy, as far as Assam is concerned. In Meghalaya, it is 657 and 1.24; in Mizoram, it is 154 and 75.26. So, from these figures, it is very clear that what you have stated is correct. We will concentrate on the northern region and ensure that BIFR as well as other agencies which are meant for small scale industries, they will attend to the problem and try to eradicate the sickness of the industry.

SHRIMATI MALINI BHATTACHARYA: The sickness in indus-

tries we find is more often due to mismanagement, diversion of funds on the part of people who ran them than for any other reason. And yet when such sickness occurs, the people who suffer most are the workers. The process of the workers getting their dues from the sick industry is so elaborate, so complicated that most often the workers do not get their dues at all. This happens particularly in cases where there is a new promoter of an industry who does not take in all the workers. So, we find widespread despair among the workers leading to suicide and death from semi-starvation and diseases. So, I would like to ask the Minister this question that in view of the fact that the Chairman of the BIFR, we know, has already offered a number of suggestions regarding the improvement and the working of the Board, what is the Government's response to these suggestions? Since there has been a fund also for the rehabilitation of workers in the textile sector, but its working again is so complicated that the workers cannot benefit from it. Is the Government thinking of setting up such boards in other sectors and simplifying their working?

PROF. MADHU DANDAVATE:
The first part of the question is regarding the various causes for the sickness. There are certain causes which are structural in nature and certain other causes which are operational, for instance, outmoded technology, mismanagement, certain frauds committed in the conduct of the industry, non-availability of appropriate technology. In addition to that, sometimes it is due to the wrong choice of a site for a particular project that heavy losses are occurred. Therefore, whenever sickness is sought to be removed as far as possible, these causes which are causing sickness, they are trying to be rooted out. As far as the second part is concerned, it deals with the conduct of the BIFR, that is Board. A lot of controversy is going on. On one side, even the Chairman of the BIFR has written articles making concrete suggestions; and one of the suggestions to which we had referred is actually a sugges-

tion from the Chairman of the BIFR. Another criticism is from the industrialists, those who have committed frauds, those who have mismanaged the affairs; and as a result of that either they are not given the assistance or they are asked to wind up their units. They themselves have raised this controversy; they say that injustice has been done to them. In fact, neither of these two allegations are correct. They are trying to take a balanced view.

As far as a suggestion made by the hon. Member is concerned, there is no question of setting up of different boards for different industries. BIFR is a nodal agency for all the industries. We are only to see to it that there can be various cells that can take care of various sectors of the industry and try to eradicate the sickness.

SHRI BASUDEB ACHARIA:
The sickness is more in the small scale sector. The Minister has stated that more than two lakh small scale industries are sick and a large number of small scale units have also been closed down. There is a Board (BIFR) for large and medium industries. But there is no such body or board for small scale industry to suggest the revival of small scale industries which are many more in numbers.

May I know from the hon. Minister whether the Government will consider the constitution of a board for small scale industries so that this board will suggest remedial measures for the revival of small scale industries which number more than two lakhs? The hon. Minister has stated that monitoring is being done. I know that in West Bengal, the revival of Titagarh Paper Mill was with the BIFR for a long time and the BIFR has suggested some measures. One of these measures is waiving of customs duty and this proposal is with the Ministry of Finance. This customs duty runs to the tune of thousands of lakhs of rupees. (*Interruptions*)

MR. SPEAKER: He is putting the question.

SHRI BASUDEB ACHARIA: This paper mill is one of the oldest paper mills of our country where more than five thousand workers are out of job. I want to know whether the Finance Ministry will consider the suggestion made by the BIFR to waive the customs duty which proposal has been lying for a number of years with them?

PROF. MADHU DANDAVATE: It is a long question. I may be permitted to give a short answer. As far as his first suggestion is concerned, since small scale industries are scattered over large number of rural areas we do not want to have a centralised machinery because that will make a mess of the problem of eradication of sickness. And what has been done is, various financial institutions which are entrusted with the responsibility and particularly the lead organisations, with the removal of sickness of big industries, they have set up various cells and it is these cells that will monitor the task and actually all the jointly financed units of the small scale sector do not take the assistance only from one bank. They take from more than one bank. And, therefore, that bank which has offered the maximum assistance, that is a lead organisation. They take the responsibility and generally all the jointly financed units are divided amongst the IDBI, ICI, IFCI, and IRBI on the basis of the lead concept, and whichever is the largest contributor that takes the responsibility and looks after them.

The last part of his question was his real question. He wants to know what will happen about the paper mill in West Bengal. Already suggestions have been made by the BIFR for waiving of the duty. We are already seized with the matter and you will be glad to know that we might very favourably consider that proposition.

[*English*]

PROF. N. G. RANGA: He wanted a board also to be appointed.

PROF. MADHU DANDAVATE: I have told him.

[*Translation*]

SHRI RAJENDRA AGNIHOTRI: Mr. Speaker, Sir, I just want an assurance from the hon. Minister. What he has said has been going on for a long time. There are virtually no industries in the backward districts of Uttar Pradesh like Jhansi, Lalitpur, Hamirpur, Banda, Jalaun etc. More than half of the industrial units, which were set up in these districts have been closed down. The most important reason for this sorry state of affairs is that financial assistance and other facilities are not made available to these units, as promised by the State Government. The financial institutions, no doubt, provide loans to these units, but other factors like the non-availability of water and power makes things worse and interest on the loans go on increasing to the extent that its repayment becomes impossible. Almost all the industries in those districts are lying sick due to these factors. I would like to get just an assurance from the hon. Minister that he would get the whole thing thoroughly examined and also that if the State Government is found responsible for the sickness of all the industries, then he would direct the State Government to once again provide financial assistance to the sick industrial units so as to help them overcome their sickness.

[*Translation*]

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, hon. Member has complained that due to lack of basic amenities, the sick industrial units are unable to get the benefit of the assistance provided by the financial institutions and the State Governments. I assure you that I would surely contact the Chief Minister of Uttar Pradesh and place your complaints before him so that the requisite basic amenities are made available and the financial institutions are able to help the sick industrial units.