

LOK SABHA DEBATES

LOK SABHA

Friday, December 16, 1994/Agrahayana 25, 1916 (Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

Banks Loans

*142. SHRI GUMAN MAL LODHA:
DR. MAHADEEPAK SINGH SHAKYA:

Will the Minister of FINANCE be pleased to state:

(a) Whether the nationalised banks provide a fixed percentage of their deposits as loans for industry, agriculture and trade sectors as per the guidelines of the Reserve Bank of India;

(b) if so, the amount of loans provided by the banks to the above sectors during each of the last three years alongwith its percentage to their total deposits, bank-wise.

(c) whether the loan provided by the banks to the above sectors was adequate to meet their requirements; and

(d) if not, steps proposed to be taken by the Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF

FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY):
(a) to (d) A Statement is laid on the Table of the House.

Statement

(a) and (b) The existing guidelines of Reserve Bank of India (RBI) do not provide any fixed percentage of deposits as loans for Industry, Agriculture and Trade Sectors. However, RBI has issued guidelines to all Indian Banks, including public sector banks, on lending to priority sector, in terms of which all Indian Banks are required to extend at least 40% of their net bank credit to priority sector consisting of Agriculture, small scale Industries, Weaker Sections, Retail Trade, Small Business etc. Finance extended to agriculture (including allied activities) by each bank should be 18 % of the net bank credit. No specific target has been stipulated in the guidelines of RBI for Small Scale Industries (SSI) and Trade Sectors. However, SSI, retail trade and small business form an important part of the priority sector for the purpose of providing loans by the banks. The bank-wise details of deposits of Public Sector Banks and the amount of outstanding loans extended by them to priority sector for the last three years ending as on March 1992, 1993 and 1994 alongwith its percentages to their deposits is given in the *Annexure*

(c) and (d) All banks have been advised by RBI to adhere to the priority sector targets and to take effective steps to correct any shortfall. The performance of public sector banks in the matter of extending credit assistance to priority sector is reviewed by the Government as well as RBI periodically and suitable steps are taken to make up the deficiencies noticed. The matter is also monitored by State Level Bankers' Committee (SLBC) and State Government on regular basis.

ANNEXURE

Outstanding Amount of Deposits and Priority Sector Advances of Public Sector Banks As At The End of March 1992, 1993 and 1994

(Rs. in crores.)

Public Sector Banks Name of the Bank	Outstanding Amount of Deposits as at the end of March			Outstanding Amount of Priority Sector Advances as at the end of March			Percentage of Priority Sector Advances to Deposits		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
1	2	3	4	5	6	7	8	9	10
1. State Bank of India	53620.42	59440.80	68540.96	11648.13 (39.02)	12490.80 (32.61)	13403.99 (35.09)	21.7	21.0	19.6
2. S.B. of Bikaner & Jaipur	2469.84	2875.34	3379.32	604.16 (37.64)	656.79 (34.12)	706.89 (36.35)	24.5	22.8	20.9
3. S.B. of Hyderabad	3021.08	3631.08	4530.51	737.53 (36.24)	906.50 (37.44)	974.60 (36.28)	24.9	25.1	21.5
4. S.B. of Indore	1228.81	1430.34	1715.88	341.42 (39.63)	365.63 (37.87)	398.80 (36.25)	27.6	25.6	23.2
5. S.B. of Mysore	1719.92	2108.79	2610.47	447.66 (38.04)	506.00 (37.26)	548.32 (35.62)	26.0	24.0	21.0
6. State Bank of Patiala	2716.77	3349.48	4410.57	716.40 (42.19)	772.00 (37.19)	903.00 (38.99)	26.4	23.0	20.5
7. State Bank of Saurashtra	1366.85	1668.62	2094.90	192.85 (42.20)	452.77 (40.40)	481.27 (38.53)	14.2	27.1	23.0
8. State Bank of Travancore	2588.66	3162.40	3965.47	616.28 (40.45)	656.15 (40.92)	793.15 (45.24)	23.9	20.7	20.0
9. Allahabad Bank	6584.24	7479.50	8212.29	1428.00 (43.19)	1558.00 (40.96)	1615.50 (39.32)	21.7	20.8	19.7
10. Andhra Bank	3762.01	4131.39	4886.13	708.72 (37.66)	781.70 (38.37)	787.47 (36.32)	18.8	18.4	16.1
11. Bank of Baroda	12806.12	16616.85	19183.66	2831.52 (41.38)	3363.96 (39.19)	4029.42 (40.30)	20.8	20.2	21.0
12. Bank of India	12805.10	14201.41	15943.02	2698.00 (39.87)	2553.00 (34.37)	2952.00 (35.26)	21.1	18.0	18.5
13. Bank of Maharashtra	3385.29	3883.89	4425.60	780.00 (42.04)	808.50 (40.02)	891.00 (38.57)	23.1	20.8	20.1

1	2	3	4	5	6	7	8	9	10
14. Canara Bank	13687.77	15640.45	19152.57	2950.88 (38.38)	3121.76 (38.20)	3289.54 (37.81)	21.6	20.0	17.2
15. Central Bank of India	12798.49	13576.61	15607.53	2881.52 (40.89)	2784.00 (38.22)	2730.86 (38.24)	21.0	20.5	17.5
16. Corporation Bank	2310.15	2803.30	4063.35	394.78 (40.94)	482.30 (38.26)	542.00 (37.86)	17.1	17.2	13.3
17. Dena Bank	3299.85	4012.05	4880.46	737.05 (42.05)	813.77 (37.11)	912.20 (37.01)	22.3	20.3	18.8
18. Indian Bank	7651.25	9385.03	10513.01	1990.77 (40.49)	2297.50 (43.76)	2239.00 (42.31)	26.0	24.5	21.3
19. Indian Overseas Bank	6254.13	7589.86	9118.53	1284.30 (42.42)	1388.80 (40.08)	1486.30 (42.27)	20.5	18.5	16.1
20. Central Bank of Commerce	2506.89	4221.00	5206.58	740.51 (41.34)	923.00 (40.41)	1125.32 (42.63)	29.5	21.9	21.6
21. Punjab National Bank	15950.23	18078.57	22146.86	3444.20 (43.44)	3780.70 (40.09)	4301.00 (40.08)	21.6	20.9	19.4
22. Punjab & Sind Bank	2777.12	3337.17	3949.92	530.77 (38.05)	635.98 (38.98)	835.01 (40.04)	19.1	19.1	21.1
23. Syndicate Bank	6528.65	7371.62	8523.36	1275.00 (37.40)	1310.00 (32.75)	1385.00 (34.51)	19.5	17.8	16.2
24. Union Bank of India	7921.39	9201.40	11803.44	1472.78 (38.82)	1650.47 (35.52)	2063.54 (40.06)	18.6	17.9	17.5
25. United Bank of India	5027.48	5883.34	6722.59	974.00 (35.35)	1140.00 (36.80)	1305.00 (40.70)	19.4	19.4	19.4
26. UCO Bank	6374.06	7110.11	7265.55	1230.38 (38.61)	1333.99 (37.31)	1380.72 (35.53)	19.3	18.8	19.6
27. Vijaya Bank	2716.42	3289.90	4277.43	664.50 (43.72)	691.90 (40.80)	710.42 (37.78)	24.5	21.0	16.6
28. New Bank of India	2135.71	2350.82	—	459.34 (43.72)	436.84 (40.00)	—	21.5	18.6	—

[English]

SHRI GUMAN MAL LODHA: Mr. Speaker, Sir, I would like to know from the hon. Finance Minister as to how he intends to make his bank credit policy more meaningful and useful for the agricultural sector and the small-scale industries sector to provide level playing with the international trade especially in view of this Government having taken up GATT as the future destiny of these sectors.

The second part of my question is, I would like to know whether this Government intends to increase the share of small-scale sector and the agricultural sector by reducing the share of big industries especially in view of the fact that the big industries have been given free access to capital market in India and abroad which is not available to the small-scale industries sector and the agricultural sector.

The third part of my question is as follows.

[Translation]

MR. SPEAKER: Shri Lodha, if you continue to ask like this, how would the reply come?

[English]

SHRI GUMAN MAL LODHA: Sir, this is the last part of my question.

I would like to know whether the Government have come across any matter which indicates the diversion of bank credits, by big industries, taken for productive use to non-productive use like share market and trading operations. Is the Government intending to take any action against the defaulters for such diversion of share market?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Speaker, Sir, our Government's policy is to meet the credit needs of production sectors and that includes agriculture, small-scale industry, other industries and other components of the priority sector. As far as agriculture is concerned, we have stipulated that a minimum of 18 per cent of net bank credit should be made available by the banks for agricultural purposes. If it turns out that this is inadequate, we will certainly review what

ever needs to be done to utilise the full potential of agricultural development. Already, banks are beginning to cater to the needs of hi-tech agriculture because of higher exports. At least one specialised branch is being set up by each bank in each State in order to cater to the needs of hi-tech agriculture.

[Translation]

SHRI GUMAN MAL LODHA: My second question is that India being an agricultural country, 99 per cent people of rural areas take rounds to the banks for getting loan. However, it is unfortunate that the Bank Manager and other staff do not supply the loan-form to these poor farmers who come there to seek loan for purchasing agricultural implements. I would like to know from the Hon'ble Minister whether any effective steps would be taken for its monitoring at apex level so as to enable the poor farmers to get loan from the banks?

[English]

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, our Government is committed to meeting all the genuine credit requirements of small and marginal farmers. As part of this process, we are revitalising the regional rural banks. In the Budget for the current year, I have taken up the first step in that direction. Fifty regional rural banks will be rehabilitated/revitalised and in the light of experience, we propose to deal with the remaining banks which today face great difficulties in expanding their credit flows.

With regard to the quality of service, I do appreciate that there are complaints that the smaller customers, in particular, do not get adequate attention. But for this, State Level Bankers Committees exist and if there are any complaints made by any section of society, I would suggest that these be brought to the notice of the State Level Bankers Committee or to the lead bank for that particular State:

[Translation]

DR. MAHADEEPAK SINGH SHAKYA: Mr. Speaker, Sir, I had asked the Hon'ble Minister as to whether RBI

issues any guidelines to the nationalised banks to provide fixed percentage of their deposits as loans for industry, agriculture and trade sectors? The Hon'ble Minister has stated that no special mention is made about it and on the other hand, he has stated that all the banks are required to extend at least 40% of their net bank credit to priority sector. Further, he has stated in reply to part (b) of the question.....

MR. SPEAKER: Not like this. Please come to your question.

DR. MAHADEEPAK SINGH SHAKYA: I am coming to that question.

MR. SPEAKER: You have been given a chance. You should utilise it properly.

DR. MAHADEEPAK SINGH SHAKYA: Sir, I am doing the same. The Hon'ble Minister has given data in his reply but I would like to draw your kind attention particularly towards Allahabad Bank.

[English]

MR. SPEAKER: I am not allowing it.

[Translation]

DR. MAHADEEPAK SINGH SHAKYA: The Hon'ble Minister has stated in his reply that no guidelines have been issued in regard to Small Scale Industries and retail traders. No development can be possible without any guidelines in this regard. Now, I would like to know from the Hon'ble Minister whether he would issue orders to fix any quota for small scale industries, small traders and farmers?

[English]

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, I have already mentioned.

MR. SPEAKER: Even then you can explain again.

SHRI MANMOHAN SINGH: Sir, I have already mentioned that the Reserve Bank has issued guidelines that 40 per cent of the total bank credit should go to the priority sector. The priority sector includes agriculture, small industry, retail trade, weaker sections and within this, 18 per cent of the net bank credit has to go to agriculture. So, agriculture's share has been prescribed already in terms of the instructions issued by the Reserve Bank of India.

[Translation]

SHRI SURYA NARAYAN YADAV: Mr. Speaker, Sir, the farmers constitute about 70 per cent of the total population. The Hon'ble Minister has stated in his reply to the starred question that 18 per cent loan facility provided to the farmers.....

MR. SPEAKER: It is not for farmers but for agriculture. There is a difference between agriculture and farmers.

SHRI SURYA NARAYAN YADAV: Mr. Speaker, Sir, through you, I would like to know from the Hon'ble Minister whether the Government propose to provide 40 per cent loan facility to agriculture sector keeping in view the large population of farmers and to enable them to make progress?

[English]

SHRI MANMOHAN SINGH: There is no fixed correlation between the proportion of population and credit needs. If, on investigation, it is found that agriculture needs a lot more credit, we are quite willing to expand the flow of credit. These are not ceilings. These are minimum requirements.

SHRI SOBHANADREESWARA RAO VADDE: Mr. Speaker, Sir, when we examine the reply given by the hon. Minister, we find that except in a few cases, in the case of most of the banks, the percentage of credit made available to the priority sector has come down as a percentage of the deposits. It is clear from the reply of the hon. Minister. I would like to know specifically, through you, from the hon. Minister whether the direct farm credit in the last three years has not declined in real terms. If so, to make available an estimated quantum of Rs. 53,000 crores to the farm sector, will the Government take necessary steps to increase this 18 per cent credit to 21 per cent to the agricultural sector so that the credit requirements of the agricultural sector will be met? I would also like to know from the hon. Minister of Finance whether the Government has assessed what is the credit requirement that is required to achieve the full potential of the Indian agricultural sector. If so, I would like to know about the details.

SHRI MANMOHAN SINGH: In the last three or four years, agricultural credit system in our country has been under great strain. As a result of the Loan Waiver Scheme, both the credit from the commercial banks and the credit from the cooperative banks has suffered. We have been trying to revitalise the system of agricultural credit. I am not claiming that we have achieved full success. But, today, the direct agricultural credit is like this. I have got the figure for the year ended March 1994. It was 13.7 per cent. So, there is, I think, scope for improvement. But now that all these problems connected with the Loan Waiver Scheme have been resolved, I have every reason to feel that more credit will be available. (Interruptions)

SHRI SOBHANADREESWARA RAO VADDE: Sir, we seek your protection. In the name of criticising the Loan Waiver Scheme to farmers, the Government is taking shelter. (Interruptions)

MR. SPEAKER: This is not going on record.

(Interruptions)

DR. VASANT NIWRUTTI PAWAR: Sir, I am glad that the RBI's policy is to give 18 per cent of bank credit to agricultural sector. In 1985-86, the lift Irrigation Schemes more implemented with a project scheme in my constituency with the interest rate of about 9-10 per cent. But now the interest rate has gone up. The RBI has added the guarantee fee also. Now, the schedule of repayment of that Lift Irrigation Schemes has been shattered because of the interest rate. My point is that agriculture is a priority sector.

MR. SPEAKER: Please understand that this is a question relating to the policy which the Government is following in giving the loans to industry, Agriculture, Small-Scale Industries and things like that.

DR. VASANT NIWRUTTI PAWAR: The Lift Irrigation Schemes are under Agriculture. If the Banks consider the demands of the promoters, will the RBI consider their request?

MR. SPEAKER: I do not think that it is correct. Even then, if the Minister wants to reply, I will allow it.

SHRI MANMOHAN SINGH: I need a separate motion for that.

[Translation]

SHRI RAM NAIK: Mr. Speaker, Sir, the statement of the deposits of various banks shows that State Bank of India had maximum deposit of Rs. 68,000 crore. The Punjab National Bank follows it with a deposit of Rs. 22,000 crore. However, it seems that in respect of State Bank of India the percentage of priority sector advances to net bank credit is 35 per cent and the ratio of deposit is 19 per cent. It means that State Bank of India is a defaulter and it is observed that this Bank's dealing with the customers and priority sector is not good. Whether the Government would take any action against this Bank so as to achieve the target of priority sector?

[English]

SHRI MANMOHAN SINGH: Sir, I aware that there have been in the last two or three years, problems with regard to priority sector credit. That is why, earlier this year, I had a meeting of all the Chief Executives of the banks. I have asked all banks to draw an action oriented time-bound programme to achieve the priority sector targets. I do not have the latest figures for the each bank as a whole. But the figures that I have.....

SHRI RAM NAIK: You have given the figures.

SHRI MANMOHAN SINGH: The figure of September 1994 which I have just received, show that there is a distinct improvement in the flow of credit to the priority sector. For the public sector banks the proportion has risen from 37.8 in March 1994 to 39 per cent. So we are very close to the target. Banks have drawn up a special action programme in the course of this year to achieve the target of flows.

SHRI RAM NAIK: What about State Bank?

SHRI MANMOHAN SINGH: That applies to State Bank as well as to other banks.

[Translation]

SHRI HARI KISHORE SINGH: Mr. Speaker, Sir, I would like to thank you and apologise in advance, if I commit a mistake.

MR. SPEAKER: It is a bit late.

(Interruptions)

SHRI HARI KISHORE SINGH: Mr. Speaker, Sir, I was carefully listening to the question of Shri Lodha. When he addressed the Hon'ble Finance Minister about the loan to poor farmers, the Hon'ble Minister stated that—

[English]

"Every need of the genuine farmers will be taken care of."

[Translation]

He talks about genuine farmers but the hon. Member had talked about poor farmers. However, the certificate of genuine farmers are being issued from other sources.

Mr. Speaker, Sir, through you, I would like to know from the Government whether it will make available loan to the farmers of rural backward areas in proposition to the net deposits of the banks? Now, I take a case of my State i.e. Bihar. During the last year, the poor people of that State deposited about Rs. 11,000 crore in the banks but they were only given loan to the tune of Rs. 4000 crore. Under the new agriculture policy and GATT agreement, a disparity has crept in agriculture field. Now, only the genuine farmers will be able to avail loan facility. But who will give the certificate of genuine farmer? Further, what steps the Government propose to take to extend this benefit to the neglected poor farmers?

Mr. Speaker, Sir, part (b) of my question is related to regional banks. It has been stated that the condition of these banks is very miserable. The Government had received a suggestion that these banks should be merged with a nationalised bank. Moreover, the employees of these banks have also demanded that they should be accommodated in the State Bank of India so that they can rise above the poverty line and contribute in the development of that bank. I would like to know about the policy the Government have adopted in this direction.

[English]

SHRI MANMOHAN SINGH: Sir, the hon. Member is right that there are today regional imbalances in the flow of credit. But for this, there are several factors. I have said in this House, I have said it outside, I have said in the State of Bihar. If only, for example, the State Electricity Board in Bihar were to function effectively, there would be a lot more credit available for productive purposes, for small irrigation works and allied agricultural activities. If fertiliser arrangement in the State of Bihar were to be made, a lot more credit will be available. I have gone to Bihar and I had said to the Chief Minister, I repeat it.

Simply because the credit deposit ratio is low, you cannot say that banks are at fault. The banks are not grant giving institutions. They take money from you and they lend it. Therefore, if that money has no chance of coming back and the banks go on lending money regardless of credit worthiness, then obviously banks will sink and the country will also sink. I am not going to be presiding over that sort of banking.

MR. SPEAKER: I do not think this is a correct question to answer. This is not coming out of this question, yet if Minister reply, he can. Yes, please.

SHRI MANMOHAN SINGH: I have figures about the total bank credit given to industry. The share of small scale industries is 13.46 per cent and the large and medium industries is 9.3 per cent.....

MR. SPEAKER: The question is regarding regional imbalance.

SHRI MANMOHAN SINGH: I do not have that figure, Sir.

MR. SPEAKER: This is not relevant also.

SHRI MANMOHAN SINGH: This is a suggestion for

action. I will ask the Reserve Bank of India to examine the feasibility of this suggestion.

MR. SPEAKER: Now, it becomes an assurance.

SHRI MANMOHAN SINGH: Sir, the Reserve Bank of India monitors the performance of the banks with regard to priority sector credit. These matters are also reviewed in the State level Banker's Committee at which the representative of the State Government are also present. I have, I think, reviewed on some occasions in various States taken meetings, particularly in the State like Bihar to find out as to what banks and the State Government working together can do to achieve the priority sector.

[English]

Export Growth Rate

*143. SHRI CHITTA BASU:

SHRI JANARDAN MISRA:

Will the Minister of COMMERCE be pleased to state:

(a) whether exports are expected to register a 20 percent growth rate during the current year;

(b) whether export growth rate has declined below the targetted growth rate during the current financial year;

(c) if so, the details of monthly/quarterly growth rate of exports during the current year in comparison to the corresponding period for the last year;

(d) the reasons for poor growth rate of exports; and

(e) the steps taken to remedy the situation?

THE MINISTER OF COMMERCE (SHRI PRANAB MUKHERJEE): (a) to (e) A statement is laid on the Table of the House.

Statement

(a) and (b) Exports during April-October in the current year, the latest period for which such statistics are available, have registered an increase of about 14% in US dollar terms. If the present trend is sustained, export growth of 15-20% is likely to be achieved during 1994-95. While no formal target was set, trade and industry were exhorted to aim at a 25% growth in exports in Dollar terms.

(c) Month-wise export growth rates in US dollar terms during April to October, 1994 and export growth rates during the first two quarters of 1994-95 in comparison with the corresponding periods of last year are as under:

(i) Year/Month	Percentage Growth Rate
1994-95	
April, 94	12.6
May, 94	6.7
June, 94	9.4
July, 94	6.0
August, 94	24.6
September, 94	24.9
October, 94	26.9
(ii) April-June, 94	9.6
July-Sept., 94	18.0

(d) and (e) Exports during October, 1994 are estimated to have increased by as much as nearly 27% over October, 1993. In order to increase exports the Govern-

ment have taken major steps for liberalisation of trade which include flexibility in export-linked imports, reduction in import licensing, removal of procedural irritants through simplification of policy and procedures and pruning of negative list of exports. Export promotion is a continuous and ongoing process and is a collaborative effort between Government and trade and industry. All possible steps are taken to boost exports in consultation with trade and industry. The States are also being increasingly involved in the export promotion process through schemes like EPIP, etc.

SHRI CHITTA BASU: From the Statement it appears that there has been wide fluctuations in the percentage growth rate of export during the months April 1994 to August 1994. Sir, sometime in July 1994 it declined to 6 per cent and in the next month it rose to 24.6 per cent.

To me this phenomenon seems to be unusual. That also indicates that there has been some fundamentally wrong and defective methods in the effort of the Government to step up the exports. May I know from the hon. Minister what are the fundamentally wrong defects in the systems; have those fundamentally wrong defects been identified; if identified, what steps the Government proposes to take to remove them, to remedy the thing, so that there may be sustained growth of export for our country?

SHRI PRANAB MUKHERJEE: Sustained growth has to be taken into account over a period of the average 12 months. It is true that there has been some decline of growth in the export in the month of April. In April it was 12 per cent. But in May, June and July it was in single digit. Thereafter it has started picking up. In August, September and October it has been more than 24, 25 and 27 per cent. If you compare it with the figure of 1992-93 and with 1993-94, you will get a much more fluctuation. For example, in April 1992-93, the export growth was minus 8 per cent. In 1993-94 it stepped up to plus 29 per cent. Therefore sometimes it happens. One of the reasons why it happened during this time is mainly because the engineering exports where once an incentive scheme was available to them, we replaced it because the cash subsidies we used to meet the difference between the international price and the domestic price was withdrawn from the 1st of April. So it has some impact. The contribution of engineering goods to the overall basket is about 12 per cent. Because of local levies our rice became less competitive. The export of agricultural products, particularly rice, came down. Because of shortage of cotton, we had to reduce the exports of cotton. Therefore there has been some decline. We are making the detailed analysis. In the case of oil cakes also it happened like that.

Therefore I do hope that at the end of the year there could be two scenarios. If I take the average of the first seven months, the export growth may not be more than 14 to 15 per cent. But, if the trend from August onwards continues and one good point is that the impact of plague which was thought to have some adverse impact, but from the figure of September-October it indicates that it is not so-so, if this trend continues, then we may end with 18 to 19 per cent growth. But there is nothing basically, fundamentally wrong in the system.