

(a) whether Income-tax Rules provide for an obligatory irrevocable trust for a superannuation scheme to be eligible for a deductible expense of contribution to the superannuation fund;

(b) if so, whether the said Rules also require purchase of an annuity policy from the LIC which offers negligible returns on the investment based on their out-moded tables; and

(c) if so, whether Government propose to modify the Income-tax Rules to allow investment in nationalised banks as well as Unit Trust of India to generate competition among the public sector financial institutions and improve return of the trust funds in the interest of a better working of the Social Security Scheme ?

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA) : (a) Yes, Sir.

(b) Yes, Sir. But, it is not correct to say that the annuity policies of the Life Insurance Corporation offer only negligible returns on investment. The Life Insurance Corporation has improved its scheme and the process of improvement is to continue in future also.

(c) Does not arise.

Profitability of Foreign Banks

1534. DR. B.L. SHAILESH : Will the Minister of FINANCE be pleased to state :

(a) whether the profitability of foreign banks is higher than that of the Indian banks mainly because they do not have to do any priority sector lending at present;

(b) whether the foreign banks have preferred to serve big industry; and

(c) the steps Government propose to take in consultation with the Reserve Bank of India to bring foreign banks into the net of priority sector lending ;

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI

EDUARDO FALEIRO) ? (a) to (c). Unlike in the case of Indian banks, targeted lending to priority sector is not being insisted upon in the case of foreign banks operating in India. These banks function mainly in metropolitan/port towns and have a comparatively more selective clientele/profitable business. Reserve Bank of India has, however, advised these banks to increase their involvement in financing small scale industry, retail trade, self-employed persons etc.

Hire Purchase Finance by Leasing Companies

1535. DR. B.L. SHAILESH : Will the Minister of FINANCE be pleased to state :

(a) whether the leasing has presently lost much of its glitter and many leasing companies are now diversifying to hire purchase finance and other new areas of activities, which offer better margins than leasing business.

(b) whether hire-purchase finance has become a booming business, especially in consumer goods; and

(c) if so, what changes have been or are being contemplated in the guidelines formulated for functioning of the leasing companies which would enable them to diversify into new areas of activities ?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO) : (a) and (c). In terms of Non-Banking Financial Companies (Reserve Bank) Directions 1977 an "Equipment Leasing Company" means any company which is a financial institution carrying on as its principal business, the activity of leasing of equipment or the financing of such activity. A "Hire Purchase Finance Company" has been defined as any company which is a financial institution carrying on as its principal business hire purchase transactions or the financing of such transactions. Only one facet of the activities of these companies, namely, acceptance of deposits by these companies from public is regulated by the Reserve Bank of India under the above mentioned Directions. Reserve Bank of India has reported that no changes in

the existing directions to regulate the deposit acceptance by equipment leasing/hire purchase finance companies are considered necessary.

Revival of Sick Units in West Bengal

1536. SHRI PIYUS TIRAKY: Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Government of West Bengal has been pursuing the financial institutions including Industrial Development Bank of India, Industrial Reconstruction Bank of India, Industrial Credit and Investment Corporation of India etc., to initiate steps to revive/revitalise sick or closed units in West Bengal;

(b) if so, the details of the financial assistance needed by West Bengal;

(c) details of the steps taken by Union Government during the last three years; and

(d) the steps being contemplated by Union Government in this regard ?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) and (b). All-India term lending financial institutions i.e. IDBI, IFCI, ICICI and IRBI have reported that they have not received any general reference from the Government of West Bengal to initiate steps for revitalisation/revival of sick or closed units in West Bengal. However, in individual cases, some of these institutions have interacted with West Bengal Government.

(c) and (d). RBI has laid down guidelines for close monitoring of all borrowal accounts by banks and to draw rehabilitation packages in respect of such sick industrial units as are found to be potentially viable. The packages may provide, *inter-alia*, for phased repayment to banks with reliefs/concessions like reduced rates of interest, funding of overdues, waiving of penal interest, etc. As regards non-viable units, banks undertake action as appropriate for the recovery of dues which include, *inter-alia*, sale of goods hypothecated, enforcement of security available against the borrower/guarantor, etc.

Rise in Inflation in 1986 and 1987

1537. SHRI SYED MASUDAL HOSSAIN: Will the Minister of FINANCE be pleased to state :

(a) whether inflation touched an alarming double digit figure in 25 cities in the year that ended October, 1987;

(b) if so, city-wise details thereof; and

(c) the corresponding figure during October, 1986; city-wise details thereof ?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) to (c). The All India Consumer Price Index of Industrial Workers is the weighted average of 50 industrial centres. The annual inflation rate in October, 1987 in terms of CPI was 9.5 per cent. While 25 centres recorded a higher than the average rate of inflation, remaining 25 experienced a lower inflation rate as may be seen in the statement below.

Statement

Centre-wise Inflation Rate in CPI

(Base 1960=100)

Name of cities	Centre showing above average rate of inflation		Name of cities	Centre showing below average rate of inflation	
	October, 87	October, 86		October, 87	October, 86
1	2	3	4	5	6
1. Guntur	10.8	12.2	1. Gudur	8.1	3.5