

### Recessionary trends in Indian Economy

737. SHRI P. M. SAYEED: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware of the prevailing fears that Indian economy is facing serious recessionary trends;

(b) if so, the facts thereof; and

(c) the steps taken by Government in this regard?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI SUSHILA ROHATGI): (a) and (b). The Government does not subscribe to the view that the Indian Economy is facing a serious recessionary trend. The output of capital goods and a number of intermediate products shows a rising trend, although certain industries connected with the construction and transport sectors, cotton textiles and some consumer durables have been faced with difficulties of a temporary nature.

(c) The Government having made a careful review of the existing industrial situation announced a package of measures on November 13, 1975 to stimulate production. These measures, *inter alia*, aimed at the stepping up of construction activity so as to improve the offtake of steel, cement and other construction materials and create employment, revitalising the urban transport system in order to help the commercial vehicles industry and other ancillary industries, reducing the financial burden on the textile industry arising from accumulation of stocks of controlled cloth, and encouraging the capital market, e.g., by relaxing the conditions for issue of bonus shares.

### Hindustan Lever Ltd.

738. SHRI S. M. BANERJEE: Will the Minister of FINANCE be pleased to state:

(a) whether two C.O.B. applications of Hindustan Lever Limited un-

der Foreign Exchange Regulation Act have been rejected;

(b) whether M/s Hindustan Lever Limited have not only been carrying on their business year after year but also recording huge excesses in production over their installed capacity;

(c) whether even after remitting as much as Rs. 146.2 lakhs, during the year 1973, the Company has registered very enormous increases in profits in 1974 and 1975, thereby increasing the drainage of the precious foreign exchange abroad; and

(d) if so, why this concern is being allowed to continue manufacture and trading despite the provisions of Foreign Exchange Regulation Act 1973; and

(e) what action Government propose to take to avoid loss of foreign exchange in future?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI SUSHILA ROHATGI): (a) The application of M/s. Hindustan Lever Ltd. under Section 29(2)(a) of the Foreign Exchange Regulation Act 1973 received by the Reserve Bank of India is still under consideration. No rejection letter has so far been issued to the company.

(b) According to the information readily available with Government, M/s. Hindustan Lever Ltd. have crossed their approved capacity only in respect of their production of soap.

(c) It is observed from the balance sheet of the company that the company's profit after tax was Rs. 3.63 crores for the year 1974. The particulars of their profit for the year 1975 are not yet available.

(d) and (e). It is expected that with the implementation of the decision which will be taken on the company's application under the Foreign Exchange Regulation Act 1973, the foreign exchange remittances by the

company on account of their existing activities would be progressively reduced.

### Submission of Report by Tandon Committee

739. SHRI VASANT SATHE: Will the Minister of FINANCE be pleased to state:

(a) whether the Tandon Committee has submitted its report to Government;

(b) if so, what are its important recommendations in general and regarding the structure of Bank Credit in particular;

(c) the reaction of Government thereto; and

(d) the decision taken in the matter?

THE MINISTER OF STATE IN-CHARGE OF THE DEPARTMENT OF REVENUE AND BANKING (SHRI PRANAB KUMAR MUKHERJEE):

(a) The Study Group to frame guidelines for follow-up of Bank Credit, otherwise known as Tandon Committee, submitted its report to Reserve Bank of India in August, 1975.

(b) The enclosed statement gives a summary of the main recommendations.

(c) and (d), Reserve Bank of India has accepted the main recommendations of the Study Group and has advised commercial banks suitably for smooth and speedy implementation of the recommendations. It has been impressed upon the banks that they should gear up their organisational set up through appropriate delegation and de-centralisation, by providing adequate staff and updating the credit appraisal skills of the bank personnel on an extensive scale at different levels through suitable training programmes. RBI has also set up a

Committee of Direction for an on-going review of the problems that may arise from the implementation of the recommendations of the Study Group.

### Statement

#### Main Recommendations of the Study Group to Frame Guidelines for Follow-up of Bank Credit.

Main recommendations of the Group which relate to such aspects as approach to lending, norms for inventory and receivables information system, style of credit, follow-up and supervision of credit and financial structure of the borrowers, are as follows:

- (i) The Committee has visualised that the main function of a bank as a lender is to supplement the borrower's resources in carrying a reasonable level of current assets in relation to his production requirements. In the light of the above, the Committee has suggested three methods for working out the maximum permissible bank borrowings to meet the working capital gap (excess of current assets over current liabilities). In the first method, the borrower is required to contribute a minimum of 25 per cent of the working capital gap; in the second method, the borrower will have to provide a minimum of 25 per cent of total current assets from owned and longterm funds; in the third method, the borrower's contribution from long-term funds will be to the extent of the entire 'core' current assets and a minimum of 25 per cent of the balance of current assets. Each successive method will increase the involvement of the long-term funds comprising borrower's own funds and term borrowings to support the current assets. To avoid hardship to the borrowers, the Committee has recommended that a begin-