

Advance Licences (QBAL), wrongful availment of MODVT under VBAL; import of goods not covered by the relevant Customs notification, mis-declaration of value of export of inferior or junk materials. Allegation of diversion of export consignments meant for Russia to third country destinations have also come to light.

Various measures have been taken by the Government to plug the loopholes and to prevent such misuse. These measures, *inter alia*, include streamlining the procedure of verification for availing MODVAT, etc. VBAL scheme has been discontinued with effect from 1st April, 1997 in the new Exim Policy.

The Government of Russian Federation has also introduced a new scheme called the "Passbook Scheme for Import" for preventing loss of revenue due to switch trade and this measure is expected to curb diversion of export consignments meant for Russia.

Due to various steps taken, reduction of misuse of the Russian debt Payment Arrangements has taken place.

The damage caused to the Indian economy on this account has consequently also been reduced.

Credit Policy

591. SHRI G.M. BANATWALLA : Will the Minister of FINANCE be pleased to state:

(a) whether the Government have taken note of the general disappointment on the failure to lower the cash reserve ratios (CRR) for banks when the present credit policy was announced;

(b) whether the failure to do so is likely to effect adversely the difficult liquidity position and if not, the reasons therefor;

(c) whether the Government propose to reconsider it and appropriate reduction is likely to be announced;

(d) if so, the details thereof; and

(e) the steps taken to ensure that the one percentage cut in lending rate does not lead to cut in deposit rate and effect savings adversely?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) Policy with regard to Cash Reserve Ratio (CRR) is decided by Reserve Bank of India keeping in view the macro economic and monetary policy needs of the economy.

(b) No, Sir. The banks are not experiencing a difficult liquidity position.

(c) and (d) It is for the Reserve Bank of India (RBI) and not the Government to make changes in Cash Reserve Ratio (CRR) in the light of liquidity conditions and financial market developments.

(e) Banks have the freedom to fix their Prime Lending Rate (PLR) and this is determined by each bank after taking into account its cost of funds, transaction costs and other relevant factors.

Grants to Financial Institutions

592. SHRI RATILAL KALIDAS VARMA : Will the Minister of FINANCE be pleased to state:

(a) whether some Financial Institutions of Gujarat have represented/urged the Union Government to sanction various loans, aid and grants to serve better to the public and various small, medium and large scale Industrial Units;

(b) if so, the details thereof;

(c) the action taken on each of these; and

(d) the total amount of loans and grants provided to the State and disbursed to each such Financial Institution from 1.1.1995 till date and the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) to (d) The information is being collected and will be laid on the Table of the House to the extent available.

[Translation]

Pulp and Paper Plants

593. SHRI BACHI SINGH RAWAT 'BACHDA':
SHRI P. SANKARAN:

Will the Minister of INDUSTRY be pleased to state:

(a) whether Pulp and Paper Plants are on the verge of closures in the country;

(b) if so, the details thereof and the reasons therefore;

(c) whether thousands of workers are facing unemployment as a result thereof;

(d) if so, the details thereof; and

(e) the steps being taken by the Government to remedy the situation?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT) : (a) to (d) The Paper Industry has witnessed a steady increase in installed capacity and production over

the decades. The demand is estimated to be around 54.80 lakh tonnes in 2005-2006 on the basis of growth rate of 6.5% for the period 2000-20001 to 2005-2006. The Paper industry which grew at the rate of 7.9% in the year 1995-96 witnessed a slump in the year 1996-97 when the growth rate of paper industry came down to 3.1%. The paper industry reported a growth rate of 4.89% in the year 1997-98 which is marginally better than the performance of the last year. The share of imports is still below 10% of the total production of paper and paper board industry in India and the indigenous paper industry enjoys a dominant position in the domestic market.

(e) In order to improve the viability of paper mills in India, Government has provided a fiscal framework which allows import of pulp and waste paper at a basic duty 5%. Further import of wood logs and wood chips are permitted at 'zero' duty. Concessional excise duty is levied on mills using 75% or more non-conventional raw material.

Promote tourism in Indian ocean countries

594. SHRI RAMPAL SINGH : Will the Minister of TOURISM be pleased to state:

(a) whether the countries of Indian ocean have been arrived at an agreement to promote mutual tourism;

(b) if so, details thereof; and

(c) the time by which this agreement come into force?

THE MINISTER OF STATE IN THE MINISTRY OF TOURISM (SHRI OMAK APANG) : (a) No, Sir.

(b) and (c) Does not arise.

[English]

Non-Banking Financial Companies

595. SHRI SANDIPAN THORAT : Will the Minister of FINANCE be pleased to state:

(a) the total number of Non-Banking Financial Companies in Maharashtra and their performance as per quarterly return for the year ending on March 31, 1998;

(b) the general emerging trend in performance in terms of anticipation of securing financial targets set;

(c) the response of the Non-Banking Financial Institution to the newly introduced reporting system of quarterly returns to the Reserve Bank of India for the period upto March 31, 1998;

(d) the total number of non-responding NBFC in the country State-wise; and

(e) the details of action being taken against the defaulting NBFCs with a view to bring them under financial discipline?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) According to Reserve Bank of India (RBI), the data on the number of Non-Banking Financial Companies in the State of Maharashtra is as under:

No. of companies which have applied for registration with RBI

(a) Net owned Fund (NOF) more than 25 lakhs - 1225

(b) NOF less than 25 lakhs - 3887

Total - 5112

The present format of the quarterly return on maintenance of liquid assets (i.e. investment in approved securities) has been recently revised and the first return in the revised format relates to March, 1998. Pending scrutiny of returns by the RBI, it is not possible to comment on the general emerging trends in the performance of the NBFCs.

(b) According to RBI they have not set any financial targets to be achieved by NBFCs.

(c) According to RBI under the extants Directions issued by them only those Non-Banking Financial Companies which hold/accept public deposits are required to submit to the Bank a quarterly return in the specified format showing therein the liquid assets required to be maintained (@ 15 percent of the amount of public deposits outstanding), and the amount of liquid assets actually held. The quarterly return has been specified for monitoring the maintenance of liquid assets by NBFCs. The compliance by NBFCs in respect of submission of the quarterly return is generally satisfactory.

(d) Unless the process of registration of NBFCs with the RBI is completed, it will not be possible to assess the number of non responding NBFCs.

(e) Under the provisions of Section 45 IB, of Reserve Bank of India Act, 1934, the Reserve Bank has been vested with power to require the NBFC which fail to maintain liquid assets, to pay penal interest at the rate of 3 percent per annum above the Bank Rate on the amount of shortfall in maintenance of liquid assets. With a view to ensuring the discipline in regard to maintenance of liquid assets, the RBI recovers penal interest from the defaulting NBFCs.