

Title: Discussion on the Small Industries Development Bank of India (Amendment) Bill, 1999. (Bill passed).

1852 hours

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Mr. Chairman Sir, I beg to move:

"That the Bill to amend the Small Industries Development Bank of India Act, 1989, be taken into consideration."

This Bill is neither a surprise nor is it complicated. It is a very simple Bill. I had promised in my Budget speech of 1998-99 in this House that SIDBI will be delinked from IDBI and make it an independent body. This Bill contains a provision to delink SIDBI from IDBI. The main features of the proposed amendments are:

Enhance the authorised capital of SIDBI from existing Rs.250 crore to Rs.1,000 crore with an enabling provision for further increase up to Rs.2,000 crore.

Enlarge the shareholders base of SIDBI by enabling IDBI to transfer at least 51 per cent of equity share capital of SIDBI held by IDBI to public sector banks, insurance companies and such other institutions owned or controlled by the Central Government.

Enable SIDBI to offer up to 49 per cent of its shareholding to public

Restructure the Board of Directors and empower the Board of Directors of SIDBI to exercise the powers relating to borrowings, acceptance of deposits and investment of surplus funds.

Empower the General Body of shareholders for appointment of Auditors, approval of rate of dividend and approval of annual accounts.

Empower SIDBI to reduce its share capital with prior approval of Central Government and to issue redeemable preference shares and/or to convert part of its existing share capital into redeemable preference shares.

Enable SIDBI to meet the entire refinance requirements of State Financial Corporations and State Industrial Development Corporations.

These are the provisions which have been included in the Bill. I submit that this Bill be taken up for consideration.

MR. SPEAKER : Motion moved:

"That the Bill to amend the Small Industries Development Bank of India Act, 1989, be taken into consideration."

"> SHRI MOINUL HASSAN (MURSHIDABAD): Mr. Speaker Sir, there was a principle when financial institutions like that of SIDBI was established. I would like to recollect that principle of the Small Industries Development Bank of India. I would like to quote:

"> "...for the purpose of promoting, financing and development of industrial concerns in the small scale sector and for coordinating the functions of the institutions engaged in promoting, financing or developing the industrial concerns and for matters connected therewith."

"> In this situation, I would like to say, to some extent, that the performance of SIDBI is not up to the mark today. The hon. Finance Minister has already mentioned in his Budget speech that SIDBI would be delinked from IDBI. Delinking of SIDBI from IDBI is a long pending demand from different quarters. Everybody wants to look SIDBI as an independent financial institution in our country because it should play a more effective role in the overall development of small scale industries in our country. I suppose this independent position of SIDBI would raise resources in a big way in the domestic as well as international markets.

"> I have gone through the Bill. There is a new provision to strengthen the small scale industries through SIDBI. The hon. Finance Minister has also told in a similar way.

"> I would like to say something about the small scale industries based on a report submitted by the SIDBI. I suppose the hon. Finance Minister had published that report. That report claims that SSI in our country is expected to grow by 8.5 per cent by 1999-2000, employment is expected to grow by 4.5 per cent by March, 2000 and it will be 18.30 millions within this stipulated period. I think this is very ambitious. But it may come true or may not become true because everybody knows about the recession which is going on in the Indian industry for the last two years. What is the position of unemployment in the country? There are nearly four crores of registered unemployed youth. Small scale industries and employment generation are closely linked. Everybody knows the present situation about employment market. What is going on in that market? Traditional PSUs are closing down day-by-day and large number of employees who are working in the PSUs are becoming unemployed. They, alongwith other unemployed people, are standing in queue in front of employment exchanges.

">19.00 hrs.

"> In this situation, the setting up of a new SSI, through the SIDBI, to provide some relief is very much required. I suppose the SIDBI will do this in a proper manner. It will take into account the grave situation of unemployment faced by the Indian youth. It will also take into account those who are becoming unemployed every day. We find only a long queue which is becoming bigger and bigger every day in front of the Employment Exchanges. The SIDBI should take the initiative to invest the SSI with powers and it should promote the SSIs wherein the unemployed youth can take up some jobs throughout the country. The SIDBI should take the initiative through direct investment. It should also take the initiative through refinancing. So far as the SSIs are concerned, they are covering the sectors of

textiles, food processing, printing, engineering and these types of SSIs are suffering from shortage of resources. In this situation, I would like to request the hon. Finance Minister to help them. The SIDBI should take into consideration certain things. It should promote this sector properly in a big way.

"> I would like to go through the performance that the SIDBI has performed during the last couple of years. So far as refinance is concerned, it is an important sector. The SIDBI refinances banks, State Financial Corporations, SIDC and so on. I would like to raise this point because, I suppose, there is a lacuna. There is a difference between sanction and disbursement.

"> Now, I would like to mention here only two or three data so far as the State Financial Corporations are concerned. In 1996-97, sanction was Rs.1310.03 crore and the disbursement was Rs.883.69 crore. So far as 1997-98 is concerned, Rs.1158.05 crore was the sanctioned amount and the disbursement was only Rs.835.57 crore. The point is that the disbursement is on the lower side. Sanction is on the higher side. Of course, disbursement also increased but it is on the lower side. I would like to say here that suitable policies must be framed to meet the demands of the primary lending institutions. Refinance availed by the banks, SFCs and the SIDC is not up to the mark. So, the SIDBI should take care of it.

"> There is another point. It is about the development of the backward areas. SIDBI should do a lot to develop the backward areas throughout the country. I do not want to go into the details of what type of backward areas are in our country. I would like to say that the loan sanctions and disbursements should improve in order to help the backward areas. It is now declining so far as the percentage is concerned. In 1997-98, it was 33.8 per cent of the total amount sanctioned by the SIDBI. In 1996-97, it was 37 per cent. In absolute terms, the amount has increased but percentage-wise it is declining. The Government should look into the matter properly.

"> Another important section of SIDBI is the resource support to the institution. I suppose the resource support institutions are engaged in promotion and development of small-scale industries in our country. What is the performance of SIDBI in this area? In 1996-97, the amount sanctioned was Rs. 1,406.06 crore and only Rs. 660.53 crore were disbursed. In 1997-98, the amount sanctioned was Rs. 1,447.70 crore and Rs. 677.70 crore were disbursed. It is marginally high. I request the hon. Minister of Finance to take care of this situation.

"> There is ample scope to do it in a big way for further development of small-scale industries. It is an important sector where SIDBI should provide resource support for the institutions, that is, those institutions which are engaged in promotion and development of the small-scale industries. That is the Project Finance Scheme. I have seen the Report. The Project Finance Scheme has declined. I do not know the reasons but it is declining. It was 28.8 per cent in 1997-98 and 13.8 per cent during 1996-97. Both under 'sanctioned' and 'disbursement' heads, it is declining.

"> I will not take much time of the House. But I would like to say that there is ample scope to strengthen the State Financial Corporations on behalf of the SIDBI. There is also an ample scope to strengthen SIDBI. Hon. Minister of Finance has already announced it in his speech also. So, I would like to conclude my speech by supporting this Bill.

"> SHRI V.P. SINGH BADNORE (BHILWARA): Sir, I rise to support the Bill. I think, it is a welcome Bill that SIDBI gets an entity of its own. It should have been done quite a few years ago. There are only two or three points that I want to put on record. Number one is that there are a lot of sick industries in the small-scale sector. It was required that some sort of an agency, that is, of the type of BIFR should be there to look after, revamp, reorganise and rehabilitate them. That was missing for a long time. I do not know if the hon. Minister will make SIDBI also responsible to be an agency to look after the sick small-scale industries.

"> The other thing is that a lot of small industries, which come up in the rural areas are by the side of the highways. It may be National Highways. It might also be big district roads. You know that environment problem comes in. The National Highways are already over-polluted with the industries coming up next to them. That is another problem. You have been travelling abroad. You must have noticed that one does not see any industry on the 'freeways'. They are all put quite a few kilometres away. You go to Jaipur or you go from Baroda to Ahmedabad. The industries are on both sides of the highways. Why should a small industry be on the roadside of the National Highways polluting the already polluted National Highways and big roads.

"> I hope this would also be considered. I would request the hon. Minister to consider having two Members of Parliament as Directors of SIDBI also.

"> Thank you very much.

"> SHRI P.H. PANDIYAN (TIRUNELVELI): Hon. Speaker Sir, I submit my views on the Small Industries Development Bank of India (Amendment) Bill, 1999.

"> Sir, the enhancement of authorised capital of SIDBI from Rs.250 crore to Rs.1000 crore with an enabling provision for further increase to Rs.2,000 crore. In clause 45, there is a protection accorded under this Act.

"> "45. No suit or other legal proceeding shall lie against the Small Industries Bank, Chairman or any Director or any officer or other employee of such Bank or any other person authorised by that Bank to discharge any functions under this Act for any loss or damage caused..."

">How will we know whether he acted in good faith or bad faith. Rs.2000 crore, without any accountability, if this House is voting to establish a new bank, it is quite unheard of. There should be a controlling provision to control the Chairman or Director.

"> The Finance Minister knows how the nationalised banks are in a mess. Are we able to recover the dues? Now, here the small industries obtain loans, start a small industry and they do not repay. They resort to State Financial Corporation Act. They file a petition. It is being dragged and they do not pay, normally... (Interruptions)

">SHRI M.V.V.S. MURTHI (VISAKHAPATNAM): You have to think about their sickness.

">SHRI P.H. PANDIYAN : Who is healthy? Normally, they go by sickness. After getting the money, they become sick. Before getting the money, they healthy. There are so many small industries which have received loans and have not repaid. So, if this amount of Rs.2000 crore, even sums drawn from General Insurance Corporation of India and LIC, etc. that is intended for social projects for rural sector, is appropriated by the Small Industries Development Bank of India without any penal provision, without any restraint or constraint, will the Finance Minister move this Bill? How is he going to help the development of small industries?

"> There are banks. Now, every bank is empty and he is going to start another bank. This is also going to be empty. So I appeal to the hon. Finance Minister to reconsider this. I would like to know whether this bank is necessary at this juncture. Maybe for small industries it is drafted well because it is being drafted by the Law Department. But, will it achieve a purpose?... (Interruptions)

">SHRI M.V.V.S. MURTHI : Sir, he should not condemn it as a whole.

">SHRI P.H. PANDIYAN : The object sought to be achieved will not be achieved. So, I appeal the hon. Finance Minister, at least, to screen the borrowers. There should be a provision before this clause 45 and there should be a Screening Committee as to whom the loan should be given and the antecedents of the borrowers are to be verified. Now, he has said about 'good faith'. Here he says, 'whether the officials have acted in good faith?'"

"> In clause 45 it is stated:

"> "...to discharge any functions under this Act for any loss or damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act or any other law or provision having the force of law."

">Now, whether the borrower acted in good faith while applying for loan, in receiving the money or in repaying the money, there should be a clause. Let there be an amendment moved by the hon. Minister to correct it.

"> I support the idea but not the contents.

"> SHRI M.V.V.S. MURTHI (VISAKHAPATNAM): Mr. Speaker, Sir, though it is belated, it is one of the best things that the Finance Minister is doing in this Session. I congratulate him for having considered the development of the small scale industries in India.

"> Today, the Indian economy is mostly dependent on small scale industries and agriculture. Nobody can deny that. All the big industries have gone to the hands of the multinational companies. They are not in our hands. Whatever little number of big industries that we are having, most of them are in default. One big industry defaults Rs.1,000 crore, and another big industry defaults Rs.2,000 crore. We have to look into that aspect. Compared to that, the risk factor in respect of small scale industries is very much limited. Even if somebody defaults, the loss to the bank is only a few crores of rupees. But when you reap good things, you will have good fruits out of the small scale industries. So, I suggest that the Minister can increase the share capital to Rs.5,000 crore and not limit it to Rs.2,000 crore by making a provision for going up to Rs.5,000 crore. So, initially it can subscribe to Rs.1,000 crore. Afterwards, the Minister need not come again for making it to Rs.5,000 crore.

"> A few crores of small scale industries are there all over India. In every State, there are a few lakhs of small scale industries. Why are they becoming sick today? I can tell you that it is because they have not been provided in time either with the share capital or the working capital or the term loan.

"> I beg to differ with my previous speaker, Shri P.H. Pandiyan on one thing. There is a difference between the other banks and SIDBI. This is a development bank, a share-capital issue bank. This is a bank which promotes the industry; whereas the other banks give only the working capital. If that working capital is not being properly utilised, then there is no further limit. Either they have to pay or close the industry. That is why, many of the small scale industries located in Tamil Nadu, Andhra Pradesh or in other parts of the country are being closed down. So, the distinction between a development bank and a commercial bank has been drawn very carefully by the hon. Finance Minister here. So, the risk factor here is scattered. More beneficiaries are going to be benefited. The country is going to depend ultimately on the small scale industries only.

"> Technology-wise, ours is a developing country. India is not a developed country. A developing country has to depend on the small scale industries and not on the large industries. The large industries are only in the hands of the multinationals.

"> So, I support this Bill. I would like to tell the hon. Finance Minister one thing that in the last Budget he has promised to give some sops to the small scale industries which are located in the rural areas. I think, that is yet to come. Again, next Budget is coming. I am sure that the rural small scale industries are looking forward to the Finance Minister and hope that he would give some concessions in Central Excise and Sales Tax matters. Sales tax is a State subject. As far as the Central Excise is concerned, they are hoping that some sops would be provided to rural small scale industries. I am sure that the hon. Finance Minister will fulfil his promise along with the passing of this Bill.

"> With these few words, I congratulate the hon. Finance Minister and I fully support this Bill.

"> THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Mr. Speaker, Sir, I am grateful to the hon. Members for the all-round support that this Bill has received from this House.

">MR. SPEAKER: Now, you have to thank them.

">SHRI YASHWANT SINHA: Sir, as was rightly mentioned by the hon. Members, the basic purpose of this Bill is to ensure that the small scale industries in this country prosper. SIDBI has a major refinance role. Therefore, we are increasing the capital base of SIDBI four-fold with a further provision that we can further have one hundred per cent increase from Rs.1,000 crore to Rs.2,000 crore, if that

were to become necessary.

"> Now, a few specific points have been raised. This is found general acceptance from all sections of the House. The basic purpose of the Bill is not in question. One or two issues have been raised by hon. Members. One is in regard to sanctions and disbursements. I find from the figures that I have that in 1998-99, as far as sanctions are concerned, the growth was 18.6 per cent; and as far as disbursements are concerned, the growth was 19.9 per cent. These are quite impressive growths despite the fact that there were recessionary conditions and the economy was in a slow down phase in 1998-99, but small scale industries were doing well.

The other issue which has been raised is in regard to having some Members of Parliament on the Board of SIDBI. It is a suggestion for action. When we are constituting it, I would certainly like to keep this in mind. The Members of Parliament do make a very significant contribution to the functioning of any such agency especially a development agency like SIDBI. Sir, I would only like to say that ever since it was set up in 1990, SIDBI has done excellent work. All the indices of its performance show that it has not only come up, but it has come up very well. What is of particular interest is that out of the total refinance assistance, about 39 per cent has gone to projects in backward areas. The percentage of assistance which has gone to the tiny sector, by number of units, is about 89 per cent and by amount, it is 36 per cent. So, SIDBI has been taking special care of the backward areas and of the tiny units where we want to lay emphasis. I would like to assure the hon. House that the promise that I made in my Budget speech this year about excise concession to rural areas, being a commitment, we will certainly implement it. There is no doubt about that.

There is the problem of sickness in the small scale sector. It is a very major problem. The SIDBI has a number of schemes where we are improving their technology, where we are improving their marketing, improving their export performance and we are already trying to take out the level of sickness of the small scale units. But I do not know whether a body like BIFR for small scale industries will serve any purpose. In fact, the BIFR itself is under a re-think because the whole Sick Industries Act is under a re-think at the present moment.

The final point was in regard to Clause 45 which Shri Pandiyan has raised. I would only like to inform him that this is absolutely in accordance with the old provision. All that we are doing is replacing the words because we will have now a Chairman, as Managing Director. So, there is nothing which I am trying to create afresh or anew. This is in line with the provision which exists in banks and financial institutions. This is to prevent unnecessary harassment of the officials in case they have acted in good faith. Good faith, as you know, is a question which can always be challenged in a court of law. So, it does not completely bar the jurisdiction of the courts of law. So, I will suggest that in view of the all round support that this Bill has found, this Bill may now be passed.

MR. SPEAKER: There is one small clarification by Shri Narayan Datt Tiwari

"> SHRI NARAYAN DATT TIWARI (NAINITAL): While I compliment the hon. Minister for bringing forward this Bill, I think it should have been done earlier. But while I compliment him for bringing this Bill to de-link the Small Industries Development Bank from the IDBI, to give it a more authority and to have its own functioning, I would generally like to say that the major problem with the small industries is not just the question of financing or project financing or operating capital from State financial corporations. The major problem is sickness. I am informed authoritatively that more than seven lakh small scale industrial units are sick or very sick.

"> According to my information, lakhs of units have been closed down. Earlier, the Reserve Bank had a scheme; rather it was the responsibility of the commercial banks to not only look into the sickness of the small scale sector at the bank level but also the banks had to look into the sickness problem of each and every unit, as per the laid down procedure. But recently the banks are looking into and taking more care of the bigger units and the heavy industrial units. The focus on small-scale industries is not there. The earlier focus is no longer there. The lead bank scheme has more or less slowed down. The Banking Committees do not meet at the State level. The Reserve Bank has to convene a meeting of the bankers to discuss all these problems of small-scale industries at the State level. The District Industries Centres are non-functional in many districts of the country. The question of meeting the problem of sickness is having a very alarming dimension in many parts of the country.

"> I think, it would not be too late if some sort of a project is formulated by which SIDBI interacts with the banks to come to the succour of the small-scale industries which are closing down or have been closed down. Therefore, it is mostly in the States that the Financial Corporations provide help in setting up new units or helping earlier units. I do not have here in the report any account of how the State Financial Corporations are functioning because there is no monitoring that way. SIDBI does monitor and help the State Financial Corporations. But have we gone into the structuring of the different State Financial Corporations? They had a very important meeting a few years ago in Kerala where they had given their suggestions to the Financial Corporations. The Chairmen of the Financial Corporations throughout the country met in Kerala and gave certain suggestions. I think, with the more autonomous SIDBI, operations of the State Financial Corporations will improve. But what is their report? What advice has the SIDBI given to the Financial Corporations?

"> I find that the sanctions to the State Financial Corporations are Rs. 808 crore and disbursement is only Rs. 340 crore. In 1997-98, for assistance for leasing of the State Financial Corporations, the sanction was Rs. 38 crore, but disbursement was zero. Then, again the disbursement to the small-scale industrial Corporations is satisfactory.

"> Regarding the gap between sanctions and disbursements, I think, the SIDBI will be well-advised to look into these things.

"> Sir, I will request you to give me some time later on to say all these things.

"> Then, what about job creation? Now, the Government set up a target that one crore jobs will be created every year.

"> How will these ten million jobs be created every year? What would be the role of the banks and specially of the small industries in this regard?

"> While the SIDBI made a good beginning by itself, it should be a part of the overall thrust of the Government and these new jobs are created through small industries. Already there is a large scale retrenchment after the closing down of industries. Semi-skilled and unskilled people are moving around the country who are jobless. Therefore, we must project a plan for it and SIDBI's role should be

very specifically mentioned. I would like to know about the steps that are being taken, well, in the field of development and small scale sectors. What are the State-wise figures of sick units and small scale industries round the country? What steps have been taken? Have we held any meeting of the Industries Ministers or that of the Small Scale Ministers or of the Chief Ministers in this regard by which we can come to the succour of the small scale industries which are getting sicker and sicker and which are closing down?

"> I was told that this Bill would be taken up tomorrow. As soon as I got a phone call I came here, a little late. I would have spoken at length. But now, because it is time only to seek clarification, I conclude.

"> Sir, I am very thankful to you for having allowed me this time to seek clarifications. I hope that the hon. Minister will suitably respond to my queries. He might like to give any supplementary information in this context.

">THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, the hon. Member, Shri Narayan Datt Tiwari has raised some very important issues and I would certainly like to respond to them to the best of my ability. The problem of sickness is something which had been raised earlier and I have responded to that. But I will respond in some greater detail.

"> The total number of sick units in the small scale sector at the end of March, 1997 was 2,35,032. It came down marginally by March, 1998 to 2,21,536. Now I am not reporting this as a matter of great satisfaction. But these are statistics. Now the SIDBI has a special programme as directed by the Reserve Bank of India. Hon. Members will appreciate that one of the major reasons for sickness in the small scale sector has traditionally been lack of timely and adequate finance - especially working capital finance. SIDBI is giving project assistance and re-financing for project assistance. Working capital is the responsibility of the other lending institutions, especially the banks. Recognising this that this is the main reason for sickness, SIDBI has decided to create an exclusive re-finance scheme for rehabilitation of sick units under which assistance is provided to potentially viable SSI units, cottage and village industries and tiny industries with a proper rehabilitation package.

"> This is something which is already in operation and SIDBI is at it. I must confess that I am also concerned at this situation. Therefore, I have personally gone out, Mr. Speaker, Sir, and attended meetings of State-level Bankers' Committees in some of the States wherever I find time so that we could look at how the banks are financing the small scale and tiny units.

"> I am taking personal interest in that matter and I have gone to some of the more backward States to ensure this and in future, between my colleagues in the Ministry and I, we will multiply these visits so that we keep a check or some kind of surveillance and monitoring on the functioning of the banks also.

"> Now, the other issue which was raised by Shri Tiwari was in regard to the functioning of the State Finance Corporations. The State Finance Corporations, unfortunately, have fallen upon bad days in many States. Their net worth has been eroded. In many cases they are not in a position to re-finance and, therefore, this whole matter of the restructuring of the State Finance Corporations is also under consideration.

"> I hope that very soon, may be by the next Session of Parliament, we will be coming back to the House with a restructuring proposal of the State Finance Corporations.

"> But Sir, the House will appreciate that as far as the State Finance Corporations are concerned, we will have to take the State Governments with us. Whatever we wish to do, we must have the support of the State Governments. So, that is the direction in which we are working.

"> Now, Shri Tiwari sought another clarification and that was in respect of the job creation, the ten million jobs that we have promised to create in this country every year. I would like to say that this is not wrestling in the dark. We have a definite plan of action for creation of these job opportunities, and the small-scale sector, the village and rural industries, the tiny sector will play a very important role in the creation of these newer job opportunities. We already have, the SIDBI has a number of schemes to help our small-scale and tiny industries. They are of all kinds. I can take Project Finance Schemes, Venture Capital Schemes. In fact, Members will recall that recently, we have set up a Rs. 100 crore Venture Capital Fund, where SIDBI's contribution has also been made, for development of the information technology industry in this country. Venture capital is going to assume an increasingly important role in the development of industries, especially small-scale industries. We want to bring in a new generation of entrepreneurship in this country. So, it is very important that we create our venture capital funds.

"> Then, we have schemes for activities relating to marketing of SSI products, assistance for development of industrial infrastructure, equipment finance schemes, integrated infrastructure development schemes, scheme of assistance for ISO 9000 certification, foreign currency term loans, schemes for pre-shipment and credit financing. Then, we have technology development, modernisation, technology upgradation fund scheme for domestic factoring, direct discounting of bills, scheme of bills. So, a number of schemes have been prepared by SIDBI to suit requirements in each and every sector. That is why, I ventured, Sir, to say that in the nine years of its existence, SIDBI has played a very important role. They have met the Eighth Plan target of financing of the small-scale sector and I am quite confident that they will be able to meet the Ninth Plan target of financing of the small-scale sector also.

">MR. SPEAKER: The question is:

"> "That the Bill to amend the Small Industries Development Bank of India Act, 1989, be taken into consideration."

">The motion was adopted.

">MR. SPEAKER: The House will now take up clause-by-clause consideration of the Bill.

"> The question is:

"> "That clauses 2 to 25 stand part of the Bill."

"> The motion was adopted.

"> Clauses 2 to 25 were added to the Bill.

"> Clause 1, the Enacting Formula and the Title were added to the Bill.

"> -----

">SHRI YASHWANT SINHA: Sir, I beg to move:

"> "That the Bill be passed."

">MR. SPEAKER: The question is:

"> "That the Bill be passed."

"> The motion was adopted.

"> The House now stands adjourned to meet tomorrow at 11.00 a.m.

">1939 hours

"> The Lok Sabha then adjourned till Eleven of the Clock on

"> Thursday, December 23, 1999/Pausa 2, 1921 (Saka)

"> -----