

[Shri P.A. Sangma]

abolish U.P., Jammu & Kashmir, Orissa and Rajasthan Governments have said 'No, we will not abolish contract labour'. Well, hon. Members from West Bengal spoke very much that "We are trying to take away their power", but for my information, West Bengal Government has not taken a decision in spite of a direction of the Supreme Court to take a decision. If the Government of India is not for the welfare of the workers, it was very convenient for us -- the Supreme Court judgment was very convenient for us -- say "I cannot do anything State Government is the appropriate Government". I could have easily shirked my responsibility. But we do not want it. We want uniformity of laws in this country, uniformity of policy in this country and if the workers of one state get the benefit, we do not want that the same benefits are denied in another state. That is the reason why we want that the appropriate Government, under the Contract Labour Regulation and Abolition Act and the Industrial Disputes Act should be the same. This is the reason why we have come with this proposal.

Mr. Reddy raised the point about Supreme Court ruling about CPWD. Of course, it is absolutely correct. The Supreme Court ruling about CPWD is on the casual workers of the Department and here we are talking about the contract labour. You know what is engaged by the contractor. So it does not go. You have to implicate some motive that maybe we try to get rid of Supreme Court ruling of the CPWD. It is absolutely different. It has nothing to do with that.

Mr. Sonnath Rath has raised a specific question about the corruption of construction companies. I will certainly look into it. I will certainly enquire into it. I will certainly look into some of the specific cases which the hon Member has mentioned.....
(Interruptions)

MR. CHAIRMAN : This is not the way. You cannot interrupt him at every sentence.

SHRI P. A. SANGMA : With these few words, I once again thank all the hon. Members and I commend the Bill to the hon House.

MR. CHAIRMAN : Now the question is :

"That the Bill to amend the Contract Labour (Regulation and Abolition) Act, 1970, as passed by Rajya Sabha, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN : Now we take up clause consideration. The question is :

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3 was added to the Bill.

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

SHRI P. A. SANGMA : Sir, I beg to move :

"That the Bill be passed."

MR. CHAIRMAN : The question is :

"That the Bill be passed."

The motion was adopted.

15.42 hrs.

INDUSTRIAL DEVELOPMENT BANK OF INDIA (AMENDMENT) BILL—Contd.

[English]

MR. CHAIRMAN : Now we take up further consideration of the motion moved by Shri Janardhana Poojari on 21st February 86.

Shri Madhav Reddi.

SHRI C. MADHAV REDDI (Adilabad) : I rise to extend my qualified support to this Bill amending the Industrial Development Bank of India Act.

The object of the Bill is very laudable because the Act was in force for the last several years and it was found that it requires some modifications. During the last one year we had passed several amendments to the various financial institutions legislations. While some were desirable, but many of these amendments actually

were motivated to introduce a new economic philosophy of the Government without anybody knowing about it. This has happened in the case of Unit Trust of India. Now this is happening in the case of the Industrial Development Bank of India. I will come to that point later. But for such of those amendments which are welcome amendments, I congratulate the Minister for bringing them.

Originally when this Act was passed, the authorised capital was only Rs. 100 crores and that was changed by the Government by a notification and increased to Rs. 500 crores and to-day the paid up capital of the Bank is around Rs. 440 crores. So there is a great need for increasing the authorised capital of this Bank and now it is being extended to Rs. 1000 crores with powers to the Central Government to increase this to the extent of another Rs. 1000 crores—that is Rs. 2000 crores. Now, when we are going to agree for the increase of the authorised capital of the this corporation, it is presumed, it presupposes that you are going to subscribe to the paid up capital of the Bank if not to-day but at a later date. In your financial memorandum you did mention this. This Bank is wholly owned by the Government. No private subscribers are permitted. But when you are going to increase the authorised capital, certainly you are going to increase the paid up capital of the Bank and the paid up capital is to be subscribed only by the Government. Where is the provision? At least, I have not found it. I was trying to find out where the provision is—in the current year's budget; the next year's budget. There is no such provision. If you are going to increase the authorised capital by Rs. 1000 crores, we at least expect that you are going to subscribe Rs. 300 crores or Rs. 400 crores this year. I do not find any provision. I would have been happy if you would have allowed the Industrial Development Bank of India to throw open some shares to the public. There is nothing wrong in that because many of our Public Sector. Undertakings are being permitted to go public. Why should you not allow the people of this country to participate in the industrial development of this country? That would have given you easily about Rs. 500 crores from the public. You could have always had more than 50 per

cent of the equity shares of the Government. Anyway, that is for the consideration of the Government.

Regarding the other amendments such as enlarging the scope of the functioning of the Bank, allowing the Bank to make investment in certain areas which were not permitted before, I have reservations. Some of them, such as, the mining operation financing or re-financing the banks for mining operations or for such activities as service activities, consultancy services, these are all right. We are being asked to amend the definition in Clause 2. But we are also permitting the Bank to go into several other activities which are not very desirable such as leasing. Leasing has become very popular these days. Every prosperous Company in this country is going in for leasing business. You are allowing the premier financial institution of this country which is charged with the responsibility of promoting industries to go into certain areas which are not wholly developmental. In the true sense they are not meant for the actual industrial development; at the most they are peripheral activities.

(Interruptions)

It is true. No capital is lacking for that type of activity. An organisation of this type should go into such areas where the private capital is shy; where the capital is not coming. Leasing has become so popular that every prosperous Company, industrial or business, company, is going in for leasing business, financing business. During the last Session, you have permitted the UTI to go into financing business. Now you are permitting the IDBI. I think this is an activity of low priority though it may be desirable, yet it is an activity in which the industrial development Bank of India need not go into because the private capital is not shy of this type of activity because more funds should be available for the promotion of industries. This type of activity is not needed. Leasing activity is not needed.

There are other things also such as the Merchant Banking. It is very good that we are going in for Merchant Banking. But whatever service, we want to render, like underwriting of public issue the IDBI is

[*Shri C. Madhav Reddi*]

liberal in giving under-writing facilities. That you have been giving already. IDBI is already doing that. Then, you are taking up such un-important services, like Merchant Banking which every bank today is doing. I do not think this is desirable. This is unnecessary deviation and it amounts to washing your energy, resources in an activity which is not needed. For such activity, there is no dearth of enterprise in this country.

Coming to some of the activities of the Industrial Development Bank of India, which has become a premier Industrial Development Bank promoting the industrial development of the country, I feel activities are laudable. The functioning of the Bank is also very good. But there are certain areas where the Bank is not very realistic of the industrial situation in the country.

Coming to the question of the reduction of the debt-equity ratio for industrial finance, the hon. Minister knows that earlier we had a debt-equity ratio of 3 : 1 in the case of the small scale sector and 2 : 1 in the case of the medium sector. Now that has been reduced to 2.5 : 1 and 1.5 : 1 respectively. What was the effect of this ? The immediate effect of this was slowing down the pace of industrialisation in the country. If you take the statistics since this has been changed for the last four months, you will notice several industries which were to come on the basis capital of their own to set up industries. Consequent on this, the entrepreneur's participation in the project has been increased. Earlier it was 17.5 per cent of the total cost of the project. That was the minimum contribution of the entrepreneur, his own capital. It has now been increased to 2.5 per cent of the total cost of the project. In the case of medium scale it was found that the entrepreneurs had to mobilise resources of Rs. 20 to 30 lakhs extra which was not possible and for this reason some of the industries could not come. Where is the necessity for this ? The necessity arose because of the assumption of the Government of India that the capital market is very buoyant, capital is available in the country. Every company has to go to the public for public subscription for raising resources. It is very good, Who does not

want to go to the public for public subscription ? But what about the small companies, not having any impage of their own or new companies which are now being floated to take up medium scale or small scale industries ? What is their image ? How can they go to the public ? How can they mobilise more resources through public subscription ? For going to the public, the first requirement is that the financial institutions or the brokers or the bankers have to underwrite the public issues. Unless the public issue for which the company is going to the public is underwritten, they cannot go to the public.

[*Translation*]

It is like this that God is willing but the priest does not permit.

[*English*]

The public is prepared to subscribe ; of course, if the project is good and if the entrepreneur is good. But then for going to the public, there is a condition ; underwriters will not underwrite the equity capital. How to go to the public ? As a matter of fact, for small companies, particularly in the small scale sector and in the middle sector, public issue is almost closed. You cannot expect any subscription because you are not permitted to go to the public.

Another point I wish to mention is that recently the Credit Guarantee Corporation has changed the scheme of credit guarantee system. They have modified their scheme. I am raising this matter because credit guarantee is directly linked with industrial development in the small sector, and the Industrial Development Bank is refinancing all the loans given to the small scale sector. Now they have made a condition that unless there is a credit guarantee system in operation, unless the State financial institutions or the State Financial Corporations are taking advantage of the guarantee coverage under the Credit Guarantee system, no refinance will be permitted. Why is there this condition ? The State Financial Corporations are mainly responsible for financing the small scale sector and getting refinance from the IDBI. This flow should be properly maintained.

But today such financial corporation as are not adopting the modified credit

guarantee scheme are suffering because they cannot get refinance. You say that refinance is available if you take the coverage of the credit guarantee system. Why is it that these financial corporations at the state level are not adopting the new credit guarantee system? There is a reason for this. The main reason is that when this credit guarantee system was enforced some fifteen years ago in the country, the credit guarantee fee was nominal. It was 1/10 of 1%. That was the nominal fee. Today it has now risen to 1%. In addition to the interest which the small scale industrialists will have to pay, they will have to pay 1% more because of the credit guarantee.

Earlier we thought is that this is going to be paid by the financial institutions. But today it is being passed on to the entrepreneurs. Because of this, the loan to the small scale industrialists has become costlier than the loan to the medium industries which are not covered under the credit guarantee system.

I would make this point further clear by telling that if the small scale industrialist has to take loans for setting up an industry in a non-backward area he has to pay an interest @ 14% which includes 1 percent guarantee commission. For the same, the medium scale industrialist has to pay only 13—1/2%. You may kindly calculate and tell me if I am wrong. The small scale industrialist will have to pay more for the loan that he has taken from the financial institutions than the medium scale industrialist. Why should you, therefore, insist that the credit guarantee system must be adopted by all the State financial corporations? Whichever corporation wants that it should be adopted, it will adopt. But such of those good corporations as are functioning very well, such as in Andhra Pradesh, if they say that they don't want to adopt this, why should you insist. Why should you say that refinance is not available to you by the IDBI? That is wrong.

The third point I would like to make is regarding the special fund which has been created or which is likely to be created under the new budget which is going to be operated by the IDBI for developing small scale sector. I don't know what use this

fund is going to be put to. It is only a budget declaration that there is going to be such a special fund created which will be operated by the IDBI. I am interested to know as to what is the amount provided for this. What is the amount the fund which is talked about so much to help the small scale sector? What is the need today, so that we may try to put that fund to that particular use?

Today, the small scale sector, of course, with some, constraints are getting their funds their finance from the state financial corporations and from the IDBI as a refinance. They are getting their credit requirements such as the working capital funds from the banks. There is no need for them for any other special fund only to give them normal loans. The only difficulty with which the small scale sector suffering in this country today is that there is no institution to help a small scale industry effectively if it become sick. There is the Industrial Reconstruction Bank of India for major and medium industries with its headquarters at Calcutta. The medium and major industry are enjoying this facility. The Industrial Reconstruction Bank of India is in a position to come to their rescue if the industry requires further finance etc. But such facilities are not available for the small scale industries.

There are about one lakh scale units in the country which are today sick. That is the report of the Ministry itself.

Now who is to help them? Will this fund be utilised for rehabilitating the small scale units which have become sick? If that is going to be so then certainly it will be a very useful fund. No details have been provided as to what agency will be created and how the fund is going to be utilised.

16.00 hrs.

When, Sir, there is lack of coordination between the IDBI and the Ministry of Industrial Development particularly DGTD. This has come to light recently in respect of several cases which had come to light and it was found that IDBI is not exactly toeing the line of Ministry of Industrial Development. The IDBI has its own assessment of capacities. Supposing the

[*Shri C. Madhav Reddi*]

IDBI feels that a particular line of production has become congested they stop financing that particular sector simply because they have come to the conclusion that that particular sector is choked. I do not want to mention several recent regulatory circulars issued by IDBI but I would tell you that a number of such instances could be quoted in which the DGTD had taken one view and letter of registration given but the IDBI took another view and said that this line is congested and they are not going to refinance any loan for this. Why should the IDBI which is a financial institution working under the Ministry of Finance should take a view contrary to the policy of the Central Government but in a different Ministry? Why don't you have somebody like the DGTD on the Board of IDBI itself? I know the Secretary (Industries) is on the board of IDBI but sometimes it so happens that these Secretaries are so busy that they do not go and attend the meetings and in their absence decisions are taken by the IDBI of which they come to know only after four-five months of the sufferings undergone by the entrepreneurs on account of lack of finance from IDBI. There should be proper coordination between the various Ministries. In the Consultative Committee for Industries Department we have been told several such cases where there was lack of coordination on the part of these two and because of this there has been a lot of harassment to the entrepreneurs.

Sir, I welcome the scheme of single window clearance of loans. The idea is very good. Today the loan applications are being sanctioned on the basis of coordination between various agencies like IDBI, IFCI or any other agency involved. They have sort of institutional committee meetings and there they discuss. It so happens inspite of this coordination there is possibility of lack of coordination. There is lack of cooperation between all these institutions. How this provision has been inserted which I welcome, I am happy about it and I support this clause of the Bill. But I think some instructions must be given to see that this type of single window clearance of loan is taken up immediately and there is no delay in sanctioning the applications for the industrial finance. There should be smooth flow of funds from IDBI to the

industrial sector.

16.04 hrs.

[*SHRI ZAINUL BASHER in the chair*]

SHRI Y. S. MAHAJAN (Jaigaon) : Mr. Chairman, Sir, in the field of Industrial finance, the Industrial Development Bank of India ranks the first in the whole world, and if one takes all the activities, then it ranks second, the first being the Korean Development Bank.

The Bank has made a big contribution to the development and diversification of our industrial structure. It has a wide range of functions combined with a considerable measure of operational flexibility.

It is an apex bank whose function is to coordinate the activities of the State financial institutions and also to promote and provide direct financial assistance to different types of industrial concerns ranging from the manufacture or processing of goods to the generation and distribution of power both in the private and public sectors, and there are no restrictions as regards the nature and type of security that may be accepted from the industrial concerns, nor are there any limits, maximum or minimum, for assistance to a concern or for the size of the concern itself. Thus it exercises a large amount of discretion in its operations.

This amending Bill seeks to widen the definition of industrial concern so as to enable the Bank to provide financial assistance to certain sectors like storage of energy, development of mines, medical and health services. Other important activities included in the amendment are the information technology, telecommunications, electronics and research and development activities. All these activities are of crucial importance in the development of industry. It is in fact the revolution which has taken place in these three important activities which is responsible for the second industrial revolution which we are having in our country. It is not possible to exaggerate their importance in this context.

Leasing and sub-leasing companies can also be financed as a result of this amendment to which Shri Reddy has taken objection. The leasing business has expanded during the last three years. In fact, it did not exist in this country three years ago. The number of companies doing this sort of

business is now about hundred. Even some of the banks are itching to get into this business. At least two Banks, Canara Bank and the State Bank of India are reported to have plans to set up wholly-owned subsidiaries and the rest desire to set up joint ventures for this purpose. This business has great prospects in view of the financial constraints and the massive investment contemplated in the private Sector in the 7th Plan.

Finally, there is a sort of omnibus amendment which says that the Government can include any new activities which it deems proper. This is an omnibus provision which I wish, the Government had resisted the temptation to add.

In view of the increased expected volume of the bank's business and the responsibility cast upon it by this amendment, it is but natural that we should increase the capital resources. It has, therefore, been proposed that the authorised capital of the Bank be increased from Rs. 500 crores to Rs. 1000, crores, a limit which could be raised further by the Central Government to Rs. 2000 crores, if thought fit by it.

The Act has provisions to ensure adequate resources for bank's developmental works, since they can be augmented as in the case of other term-lending institutions through sale of its bonds and debentures with or without Government guarantee and acceptance of deposits from the public on terms and conditions approved by the Reserve Bank.

The IDBI can also borrow from the Reserve Bank with the approval of the Central Government or from any other Bank or financial institutions in any foreign country.

With the proposed amendment, the Bank should be able to discharge its increasing responsibilities without any difficulties.

This Bill also proposes amendments to Section 9 of the principal Act to enable the IDBI to perform its promotional and developmental activities more effectively. The changes proposed will enable the Bank to grant lines of credit or loans and advances to the Industrial Financial Corporation and also State Financial Corporations; to grant

loans and advances to any person for purposes of investment in any industrial concern; and thirdly to grant, issue, confirm or endorse letters of credit and negotiate or collect bills and other documents which are drawn thereunder.

These changes will make for a significant improvement in its functioning. The amendment also makes clear or states explicitly what it has already been doing by implication, namely it would provide consultancy and merchant banking services not only in the country but also outside India. This increases the area of its operation.

These changes will strengthen the position of the Bank as the principal financial agency and enable it to discharge its role more effectively.

Finally, the Bank has been of great service in the development of Indian industry. In particular, it has helped in reducing the regional imbalances in the industrial development of the country. Assistance to units set up in backward areas, particularly in non-industry districts has increased from year to year. It has coordinated the work of State level agencies in these regions to encourage, train, and assist small and medium entrepreneurs and set up technical and consultancy services in these areas.

The small scale industry sector will be a special beneficiary because it will benefit substantially from the refinance operations of the Bank. 30 per cent of the credit flows goes to the small scale industries through the State Financial Corporations. These units are bound to get a boost as a result of the recent decision of the Bank to liberalise the seed capital scheme, to widen the scope of its refinance scheme to cover modernisation and rehabilitation of small scale units and to make available for the smaller of the small scale units, assistance upto Rs. one lakh inclusive of its working capital requirements.

With these words, I support the Bill.

[*Translation*]

DR. G. S. RAJHANS (Jhanjharpur): Mr. Chairman, Sir, I think all the amendments in the Bill are conducive to the growth of

[*Dr. G.S. Rajhans*]

industry and there cannot be a better thing.

I have to submit two or three points. You have increased its authorised capital from Rs. 500 crores to Rs. 1000 crores and have made provision for Rs. 2000 crores. The manner in which industrial activities in the country are increasing, I would say even Rs. 2000 crores are inadequate. This amount should have been more. It should have been Rs. 4,000 or Rs. 5,000 crores. I have to say two or three things in this connection. You have increased the scope of its functioning. Earlier IDBI used to give loans to the industry. You have, for the first time, considered service industry as an industry and now you are trying to bring hospitals, consultancy and several other similar services under it. I would say that even now in our country there is a sizeable section which is not aware of the manner in which loans can be taken from the financial institutions—be they state financial institutions or IDBI—how industry can be set up or how services industry or consultancy can be set up and what assistance is available from the Government. Many people are not able to set up industry or consultancy or service industry on account of ignorance. I would request that the way advertisements about the Life Insurance Corporation, Unit Trust of India, and State Financial Institutions are inserted in the newspapers, advertisements about IDBI should also be inserted so that a person after getting a degree in engineering or medicine may know how to set up an industry or consultancy? After that your effort should be to make available all the facilities at one place.

I do not want to name any particular State but at many places when someone approaches the financial institutions for setting up an industry, he is asked by the officers about their share. Please try to understand. I do not want to go into details. The prospective entrepreneur replies how can he give his share when production has not started and the industry itself has not been set up? The system should be so devised as to preclude any scope for corruption because the people are fed up with it.

Secondly, you have made provision for the leasing business also. You have made provision to finance the medium and small scale industry also. You must be seeing

daily in the newspapers that two four leasing companies are being opened daily. Leasing or sub-leasing both have become a lucrative business. I want to say that if you want to finance the leasing companies, then do it very cautiously. I have come to know that many leasing companies are engaged in shady dealings. Leasing is a good thing but there has been unprecipitated boom in the leasing trade. It seems that earlier no one had the idea of its potentiality. It is similar to video boom. Therefore, you must finance the leasing companies cautiously.

In the end, I would conclude with one thing. Our sole objective should be the welfare of the people. Even at present there are several districts in our country which are no industry districts. There is no industry in those places. Even where there is large scope of setting up of industry, people for certain reasons do not have the courage to open industry at those places. It is possible that there may be no rail or power facility or that area may be flood-prone area, or drought-prone area or otherwise without proper arrangement of water.

Ours is a backward country but even in this backward country, certain areas are relatively more backward where people out of compulsion migrate to other places in search of livelihood and live like bonded labourers. I request you kindly to compel I.D.B.I. and State Financial Institutions to invest more funds in the No Industry Districts, which may be in any part of the country, so that the poorest of the poor may be benefited. Those people may be benefited who are resigned to their fate that they would live and die in poverty. They are leading a life of slavery. For the first time, there is a sense of euphoria in the people under the leadership of Shri Rajiv Gandhi. I would, therefore, request you that if I.D.B.I. and the State Financial Institutions provide assistance to set up industries in backward areas, only then it will strengthen the hands of our national leadership.

With these words I conclude.

[*English*]

SHRI R.P. DAS (Krishnagar) : Our good friend Mr. Mahajan expressed his

hope that the IDBI would play a big role in bringing about the second industrial revolution in India. But he conveniently forgets in the meantime that after the first industrial revolution, more than 90,000 industrial units have either been closed down, or have become sick, and lakhs of employees have become jobless. So, before expressing such high hopes, I would like to say: Let IDBI play a big role in revitalizing the sick units and other industries which are lacking in funds.

Industries in the eastern and north-eastern parts of the country, particularly in West Bengal, lack funds. The jute industry has become almost sick during the last 2 or 3 years. There are many reasons for it. But there is no doubt that there is no dearth of raw jute or of enthusiasm in the jute industry sector. Still it is a fact that these industries are lacking in funds for modernization. So, I would suggest that IDBI can play a big role in providing funds to the jute industry, tea industry, and also some other industries which are going to be set up in West Bengal.

It is a known fact that IDBI so far has invested more funds in the western part of the country, particularly Maharashtra and Gujarat. So, it may seem to some that there is a tinge of discrimination in favour one State, against another.

IDBI is now going to be strengthened by providing Rs. 1,000 crores of authorized capital and it may go up to Rs. 2,000 crores by an official notification. In this manner, IDBI will become more powerful in the coming years. So, its power for making friends on the one side, and enemies on the other will also go up. Concentration of economic power in one particular place would ultimately tell upon the health of the nation's economy. So, I suggest that IDBI, with its zonal offices in Calcutta, Delhi, Madras and elsewhere should act in such a manner that the zonal offices can take decisions on the spot. They can finance industries they deem proper. Such zonal offices should not always look to the headquarters for further clarification. If IDBI works in the manner it now does, the entire economic power now concentrated in the hands of IDBI may go

against the interests of the industries in some parts of the country. So, IDBI should be made powerful in such a way that it may do justice to every part and every industry of the country.

Sir, in this Bill, one important provision has been made with regard to the energy sector, which includes generation, storage and distribution of electricity or any other form of energy. I do not know whether each State Electricity Board would get its own share. But IDBI should pay its due attention to these Boards and provide funds so that they may come out from the constraint of funds and can go for further expansion of electricity generation, storage and distribution in all parts.

This Bill has further proposed several good points in the form of an amendment to the principal Act by widening the definition of the industrial policy like development of mines, medical health and allied services, etc; and it has also included telecommunication and electronics. This would certainly help to expand these industries in different parts of the country if IDBI so desires. If the bank can work under this set up properly, if due attention is paid to these industries, particularly to the telecommunication and electronics, then this sector, like many other sectors like State Electricity Boards or mines or electronics, those who are in the public sector having shortage of capital, can expand further. Therefore, these industries require fund from a bank like IDBI, and IDBI should go in for those industries which do not raise funds from the public or are not so easily available to these industries from the public. Therefore, the main business of the IDBI should be to look after these industries.

Sir, I would also support the proposal of raising the authorised capital from Rs. 500 crores to Rs. 1000 crores and Rs. 2000 crores; this will be very much required for the development of the industry. Its other objective is to enlarge the scope of business: and unless the authorised capital is raised, there is no possibility of enlarging its scope of business. IDBI can enlarge and should enlarge its scope of

[Shri R. P. Das]

business in different fields. Therefore, these provisions are all welcome.

Let this bank work in a fashion that it may be helpful in all parts of the country to all industries. It should also like to remained the Minister that we would like to forget all what has been done in the meantime by this bank. Let this bank work and let it distribute this fund evenly in all parts of the country, particularly both north and north-eastern parts of the country.

With these words, I conclude my speech.

[Translation]

*SHRIMATI BASAVARAJESWARI (Bellary) : Mr. Chairman, Sir, we are discussing the Industrial Development Bank of India (Amendment) Bill, 1985. I wholeheartedly welcome this Bill and express my views on it. The Government is helping the industrial development throughout the country through the industrial development bank of India. We have achieved good progress in the field of industry and we are in the 8th position in the world in industrial progress. I congratulate the hon. Minister for this. It is gratifying to note that NABARD in helping the farmers to bring green revolution in the field of agriculture in this country.

I am very happy that the sub clause "mining including development of mines" has been substituted for sub clause (iii), in Section 2 of the Industrial Development Bank of India Act, 1964. Our country has huge deposits of ores of manganese copper, silver, iron etc. In Karnataka we have ores of gold, manganese, iron, lime stone etc. In abundance. These ores have to be extracted and they have to be utilised to the maximum extent. But there are financial constraints and our Government is coming forward to help such ventures by this Amendment.

Generation, storage and distribution of energy play a vital role in the development of industries. The hon. Minister has said during question hour today in this House that the Government had no objection to the private sector entering the field

of power generation. I would request the hon. Minister to extend all assistance to such sectors who generate energy. This must be given utmost importance as there is shortage of electricity throughout the country.

Another interesting aspect of this bill is that in Section 4 of the principal Act the authorised capital has been increased from 500 crores to 1000 crores and if Central Government feels it can be increased to two thousand crores. I congratulate the hon. Minister for this measure.

While proceeding towards a bright 21st century we should be able to utilise all the raw materials that are available in the country. The Government has taken proper steps in this regard and it is extending financial assistance for the rapid growth of industrialisation. But a large amount has not been recovered. I would like to know the action taken by the financial institutions and the Government in this regard.

Some entrepreneurs take loan and later become defaulters. Again the same persons would like to avail of loans. Such persons have to be identified and all measures have to be taken by the Government for recovering the loans.

Many companies in big cities like Bombay, Delhi and Calcutta are getting the maximum help from IDBI. But the liberal help of IDBI should also reach different areas of Karnataka, Andhra Pradesh etc. Some injustice has been done to Karnataka in this regard. Therefore, my humble request to our Government is to see that IDBI extends all help to Karnataka which is reeling under unprecedented drought at present. For such areas priority should be fixed to provide financial assistance.

Hon. Member Shri Madhava Reddy was mentioning about lack of coordination between the Ministry of Industry and the Ministry of Finance. The Planning Commission decides about the required quantum of fertilizers, cement etc. to the country for a period of five years. Then licences are issued. When entrepreneurs

*The speech was originally delivered in Kannada.

approach IDBI their requests are rejected under the plea that the production has increased. This should not happen. The entrepreneurs should not be deprived of financial assistance after obtaining licences from the Ministry of Industry.

The Ministry of Industry issues licences but the IDBI department comes under the Ministry of Finance. There is no coordination between departments and this has created a lot of problems in the establishment of projects throughout the country. Hence there should be proper understanding between the parent department and the I.D.B.I.

In Karnataka and Andhra Pradesh only one district in each State has been declared as no industry district. In some States 13 to 14 districts have been declared as no industry districts. In Karnataka there are many districts without any industry but strangely only one district has been declared as a no industry district. The Chief Ministers and the Ministers of Industry held a conference in this regard. They have suggested to the Centre to consider each block as one unit at the time of declaring the industries districts. I appeal to our Government not to differentiate states while declaring no industry districts. The availability of raw materials have to be taken into consideration to start new projects.

In the Budget of 1986-87 the Government has announced special provision for the development of small scale industries. This is commendable and I welcome this move. Industries have to be established in rural areas and at the taluk level to get the optimum utilisation of raw materials. Then only the industrialisation can progress rapidly and unemployment in rural areas will come to an end.

These days the prices of raw materials are rising. The exchange rate of rupee is subjected to many changes. Therefore, the banks have to give the financial assistance within the shortest period. But we find inordinate delay in IDBI to replenish to the banks. At the stage of appraisal also there is a long delay. Therefore, immediate steps have to be taken to avoid such delays at all levels.

There may be many reasons for an industry to become sick. It may be due to

mismanagement, or lack of funds or labourer trouble. These factors have to be gone into carefully and then the sick industries have to be restructured and revived. All precautions must be taken to see that such revived industries will never go sick again. Sufficient financial assistance should be extended for marketing and for the purposes of export.

I hope the hon. Minister in his reply would give answer to my points that I have raised. I also believe that IDBI would extend maximum help to my State of Karnataka in the process of rapid industrialisation.

Sir, I thank you for giving me this opportunity to speak and with these words I conclude my speech.

[English]

SHRI G. L. DOGRA (Udhampur) : I am grateful to you, Sir, for allotting me time to speak. I would not take much time of the House. At the outset, I support this Bill. Nobody can find fault with the provisions of this Bill as they are. But, Sir, after getting this money and increasing the capital of the Bank for covering more activities, you have to take care of one thing as to whether the developed areas are going to develop or the under-developed areas are going to develop. The amount of money that has been released through these banks is not actually calculated in your budget. Inflation is not caused by deficit financing, inflation is caused by the money that is released by these banks and which is concentrated in a very small area. The result is that they give the money, people produce goods with this money and their margin of profit is at least 20 per cent and the prices shoot up. Profit is not less than that, it is beyond that. They give the money but they never see who are the people who actually benefit. After all, it is people's money. It is nobody's personal money. The benefit of this money should go to the people. When you finance those industries, you must fix the fair prices of the commodities produced by them. Why should you allow them more than four per cent or five per cent profit? Why should you allow them to have their employees only

[*Shri G.L. Dogra*]

from a particular area? Why should you not distribute the benefit all over? Are they national institutions or they are institutions belonging to a particular area or a particular city or a developed city? Therefore these things are to be seen. NABARD is giving money to the big farmers. It is because of this expansion of money that the poor farmer, the small farmer and the marginal farmer is making distress sales to purchase seeds, to purchase fertilizers. Similarly, the small-scale industry is being crushed by the big industry. So, you must specifically control all these things. The money should be given to produce basic and essential things and not anything and everything. What can be produced by the small-scale sector should not be allowed to be produced by big industries, particularly by those industries which are being financed by these banks. Those of us who come from rural areas, from backward areas, from hilly areas, they know that this short of development is causing hardship to our people.

The prices of articles are going on increasing day after day. Whatever articles are produced by the hills people do not find a market, do not find an outlet. If you are really bothered about the development of industries, you must have a balanced development. What are you doing with regard to these hilly areas and the backward areas which are there in the north, south, east and west of the country? Whenever any difficulty or any distress comes to this country, it is they who face it. Therefore, I wish to submit that this is a good measure provided the money is utilised in a proper manner and it is utilised for development evenly throughout the country. Every part of India is entitled to have the benefit of all these things and not only those living in Delhi, Bombay, Calcutta and Madras. Why do you forget about other people, who are as good citizens as these people living in big cities? Therefore, I support the Bill and I make a request to the Minister to see that this money is utilised in such a way that even development takes place throughout the country. With these words I support the Bill. Thank you.

SHRI K.S. RAO (Machilipatnam) : Sir, I support this Bill, While going through this Bill and the Annual Report, it is clearly

visible that IDBI is doing yeoman service for the development of industry in this country, particularly the large scale sector directly, and the small scale sector, through the financial institutions and the scheduled banks. The transactions are to the extent of Rs. eight thousand crores with a lending of Rs. 5200 crores. Now, increasing the capital once again from the Consolidated Fund of India may not be correct, because, the banking institutions must be in a position to generate funds from their own transactions rather than taking it from the Government of India or from the Budget. Sir, we know that Banks used to make lot of money earlier when they were in the hands of private individuals. But with a pious motive of bringing all these benefits within the reach of the common man and to curb concentration of wealth in a few hands we nationalised all their institutions but at the same time efficiency and generation of wealth should be ensured. It is true that Rs. 32 crores have been transferred last year to Government of India by IDBI as a profit. But with Rs. 415 crores of capital investment it is only a return of just eight per cent. With proper monitoring and possibly constant check on the borrowers I hope they will be able to generate much more from their internal resources alone not necessitating further investment from the Consolidated Fund of India. I support increasing the field of activities of the IDBI. I am also of the opinion that leasing and sub-leasing and hire purchasing should not be included within the purview of the IDBI lending because already enough concessions are given to these sectors through tax concessions whereby number of people are ready to invest in that sector taking advantage of the tax concessions. So, IDBI need not invest this money which can otherwise be invested in some other production-oriented industry. Now I am coming to Clause 7 (de) in page 3 which says :

Granting of loans and advances to any person for purpose of investment in any industrial concern...'

That means that IDBI is prepared to lend money to all individuals who want to invest in industry which may not be correct. This is not the objective of the IDBI and hence it becomes a deviation from the objects of the IDBI.

I would request the hon. Minister once again to go into that as to what purpose is going to be served, whether it is in tune with the IDBI objectives.

PROF. N. G. RANGA (Guntur): For the self-employed persons, I think.

SHRI K. S. RAO : It is not written as 'self-employed persons'. And if it is so, it is O.K. Lending to individuals will only become a trade and not encouraging production.

Housing is one which is not included in the purview of IDBI lending. It has been time and again expressed in the Parliament that housing is one sector where employment potential can be increased considerably and it is also felt that housing is in great shortage in this Country. So, when we all feel that housing is one basic requisite for any man, lending in housing will enable him to have a house for himself at a lesser cost. So, IDBI must go in a big way considering housing as one priority sector.

Monopolists, particularly those big concerns, who are in a position to invest should not be encouraged to take loans from IDBI. They should raise their loans either from the public or from their internal generation. So, once and for all, lending to monopolists must be deleted from IDBI's purview. To the extent of giving industrial licences to start industries in 'no-industry' areas or in sectors where the Government of India may lose is all right, but not lending also by IDBI. It is not enough simply to lend money, but it must be monitored as to whether the funds are being re-cycled many a time increasing the generation of wealth manifold or not. If this money lent were to be made idle, the results would be very poor. When the IDBI is investing thousands of crores of rupees, it must come forward in its own interest as well as in the interest of the nation to train competent men in their own professions for effective management.

Priority in lending must be given to those competent persons who have spent much of their career in some industry, who have got enough knowledge, efficiency and abilities to start an industry of their own except for the reasons that they do not have money. They must be given priority

because we have seen enough number of people who have spent much of their time in industry, came out and then started their own industry by which they have generated crores of rupees of wealth for the nation. So, they must be given priority in lending.

Out of the thousands of crores of rupees which are being lent, a good percentage is getting locked up in sick industries. So, it must be ensured that in respect of those industries which are likely to go into sickness immediate action is taken by the IDBI enabling the Government to take action through the recently passed Bill for taking over of sick industrial undertakings.

About promoter's share in the capital, we have been observing many a time that some promoters are coming forward into industry with a view to take back their money before the industry comes into production. Such industrialists should not be encouraged. If at any time it is observed that a particular industrialist is of that type, he should not be encouraged to take loan either in his name or in some other name in which he is interested, to check such tendencies in the industry.

Re-cycling of funds is very important. It is not only going to multiply the generation of wealth, but also increase the margins. It must be checked as to whether the funds given by the IDBI are operated and recycled many a time or only once. Re-cycling of funds will increase the utility and the magnitude of the benefits of the wealth.

Availability of funds must be made in time by the IDBI. If there is over-run due to escalation in prices or due to change in tax or excise structure, the IDBI must take these factors into account and make the extra funds required available in time to the industrialists so that the industry will not become further sick.

Instead of taking long time and making it further sick, funds be provided. Funds must be provided immediately and in time, in case the unit is to be revived.

If all these measures have been taken by this institution, I am sure, we will have not only 4.5% or 5% growth but we can have

[*Shri K S. Rao*]

much more. These banks have got a greater role to play in increasing the gross national product of this country to more than what has been envisaged in the general budget.

With these words, I support the Bill.

[*Translation*]

SHRI MOOL CHAND DAGA (Pali) : Mr. Chairman, Sir, the Government wants to grab some powers through devious means. It has ignored the Parliament and assumed some powers with the help of this Bill. What can we say to Shri Poojary. He said that he could increase the authorised capital from Rs. 500 crores to Rs. 1000 crores and from Rs. 2000 crores to Rs. 3000 crores. If you want to increase it, then in my opinion, you need not get the sanction of the Parliament. I can only say that this is an assault on the powers of the Parliament.

(*Interruptions*)

If you so desire you can develop the area of Mr. Rawat or any other area. You are trying to get this Bill passed in haste. When the spokesmen of the hill areas were raising their demands, I was doubtful of the utility of investing money there.

(*Interruptions*)

Rajasthan has a very fertile soil and if funds had been sanctioned in time for the construction of the canal, it could have fed the whole country. In India there 108 on going projects. A project, on which the initial cost was Rs. 2460 crores, would now cost as much as Rs. 14,000 crores. The fault his with the banks and the institutions who failed to provide funds on time.

You have ignored the Parliament and assumed all the powers through this Bill. The Parliament should not tolerate it. The Industrial Development Bank of India provides funds to the Finance Corporation. The Government have never tried to find out about the bunglings of the Finance Corporation. I would say that the funds do not belong to the Industrial Development Bank but to the poor people of the country.

The Finance Corporation adopts a partisan attitude in the matter of sanctioning

loans to the states. It is entermely difficult to get a loan sanctioned. Technical officers have been appointed in the Corporation to scrutinise loan application. But they do not take decision on their own and await instructions from the high ups. If the Chief Minister of Uttar Pradesh recommends the case of Shri Rawat, the loan would at once be granted to him.

(*Interruptions*)

Shri Poojary has taken a number of steps to check smuggling activities, but I think it is more important to pay attention to more than one lakh sick industries in which an investment of to the tune of Rs. 4000 crores is tiedup. Whose responsibility is it to check this huge wastage of funds? I think there are some 95,000 sick industries in this country. If I say that the number is one lakh, I would not be wrong. Today there are one lakh sick industries in this country on which an investment of Rs. 4,000 crores has gone waste.

MR. CHAIRMAN : Shri Dagaji, please resume your seat, Shri Shankaranand will now make a statement.

[*English*]

Shri B. Shankaranand, the Minister of Water Resources, will now make a statement.

17.00 hrs.

STATEMENT GIVING REASONS
FOR WITHDRAWAL OF RAVI AND
BEAS WATER TRIBUNAL BILL

[*English*]

THE MINISTER OF WATER RESOURCES (SHRI B. SHANKARANAND) : Paragraph 9 of the Punjab Memorandum of Settlement envisages a Tribunal for verification and adjudication of the matters referred to therein. This Tribunal could not be set up earlier due to certain unavoidable administrative reasons. As the intention was to give effect to all the terms of the Punjab settlement from the 26th January, 1986, the