

MR. DEPUTY-SPEAKER : Have you given in writing to get permission for quoting these things. Without permission, how can you quote all these things ?

(Interruptions)

KUMARI MAMATA BANERJEE : I can quote something. This is not a parliamentary question.

MR. DEPUTY-SPEAKER : Even for that, you have to get permission.

(Interruptions)

KUMARI MAMATA BANERJEE : He has stated that the Prime Minister has created a commotion. It is a false allegation. The Prime Minister has categorically denied that; he had never said anything regarding the Chief Minister of Karnataka, but some political party members are trying to malign our government and malign our Ministers. So, I would like to support wholeheartedly this and also I deny all types of allegations coming from the Marxist Party.

(Interruptions)

THE MINISTER OF PARLIAMENTARY AFFAIRS AND TOURISM (SHRI H. K. L. BHAGAT) : The matter is quite simple. This Parliament has already unanimously passed a Bill relating to amendments in regard to which is an Act now-salaries and allowances of the Ministers. This Parliament, this House itself had passed that Bill and that was passed unanimously. wherein certain amendments were made providing for some more sumptuary allowances, the amount was raised. The present motion before this House is a procedural consequence of the same asking for an omission of something. I think, this is a matter, which, to my mind, needs debate. All the same, some hon. members thought it fit to raise the matter which was raised in other discussions also the Prime Minister's visit to Karnataka, what he said and what he

had not said. This was raised in other debates in various manners, but, all the same, some hon. members thought it fit to bring it. Well, it has been said already that there is no substance in the observations or allegations made in regard to that. Then certain other things were brought about ministers in a general way, which to my mind, also..... I do not want to join issues these are not correct. I do not want to join issues with them over this matter, which is a procedurally consequential matter of a Bill which has already been passed by this House without any difference of opinion. Therefore, I would say that this be supported.

SHRI MOOL CHAND DAGA : I want to say a word.

MR. DEPUTY SPEAKER : The question is :

"That this House approves the draft Ministers' (Allowances, Medical Treatment and other Privileges) Amendment Rules, 1986 framed under sub-section (1) of section 11 of the Salaries and Allowances of Ministers Act, 1952 (58 of 1952) and laid on the Table of the House on 2nd April, 1986."

The motion was adopted.

12-40 hrs.

INDUSTRIAL FINANCE CORPORATION (AMENDMENT) BILL, 1986

[English]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : I beg to move :

*That the Bill further to amend the Industrial Finance Corporation Act, 1948, be taken into consideration."

As hon. Members are aware, the Industrial Finance Corporation of India was the first development institution established in the country in 1948, by an Act of parliament. Industrial Finance Corporation of India provides various types of assistance to eligible medium and large sized projects. This assistance could be in the form of rupee and foreign currency loans, underwriting or direct subscription to shares/debentures as also guarantees for deferred payments and foreign loans. IFCI has also increasingly taken up promotional work so as to facilitate industrial development.

The cumulative financial assistance sanctioned and disbursed by IFCI since its inception upto December 31, 1985 aggregated to Rs. 2777.83 crores and Rs. 2084.30 crores respectively. About 52 per cent of this assistance has gone to projects located in backward areas.

It is felt that certain amendments are now necessary in the Industrial Finance Corporation Act in order to enable it to continue to discharge its functions smoothly. These amendments are mainly aimed at enlarging the area of operations of the Corporation, augmenting its resources for future expansion of its business, reorganising its management pattern and removing some restrictions in the procedural and operational matters of the Corporation.

The underlying objectives and reasons for bringing this legislation before this august House have been set out in the Statement of Objects and Reasons appended to the Bill.

The main activities of IFCI pertain to providing various types of facilities to industrial concerns. It is proposed to enlarge the definition of 'industrial concern' in the Industrial Finance Corporation Act so that some new activities could be taken up. These include medical health and other allied services, leasing and sub-leasing activities, services relating to information technology, telecommunication and electronics, etc. etc.

It is also proposed to incorporate an enabling provision so as to confer powers

on Central Government to direct IFCI to take up new activities which the Central Government may approve from time to time. The definition as amended would enable financial assistance to be made available to these essential activities.

It is also proposed to enlarge the scope of functions of IFCI so that it could play its role in a more meaningful manner. The main amendments which are being proposed regarding this pertain to empowering the IFCI to open accounts outside the country with the approval of Reserve Bank of India for better management of its operations of borrowings, lending and repaying in foreign currency and to enable IFCI to invest in shares; bonds and debentures of any financial and development institution or any other institution/organisation. A provision is also proposed to be made to authorise IFCI to provide technical and administrative assistance as well as consultancy and merchant banking services to industrial concerns.

The activities and operations of the IFCI have been increasing steadily over the years. It is considered essential to expand its financial base and also remove certain restrictions regarding its borrowing etc. so that it can meet its commitments during the Seventh plan. Presently the authorised share capital of IFCI is Rs. 100 crores. It is proposed to increase it to Rs. 250 crores. Further it is proposed to provide that IFCI could borrow money from LIC, GIC and UTI besides borrowing from the IDBI and the Government of India. It is also proposed to drop the ceiling of Rs. 15 crores on the borrowings of the IFCI from Reserve Bank of India to provide more flexibility in the operations of the IFCI.

The Industrial Finance Corporation Act, at present envisages appointment of a Chairman, besides other directors but there is no provision for appointment of a Managing Director. With a view to bring the management pattern of IFCI on the same lines as it exists in the IDBI and nationalised banks, it is proposed to provide for both the Chairman and Managing Director with the provision

[Shri Janardhan Poojary]

that the same person may hold these two posts. This will provide greater flexibility to Government to appoint a separate Managing Director if felt necessary.

It is also proposed that Reserve Bank of India may have a director on the Board of IFCI.

All these amendments, it is hoped, would provide operational flexibility to the IFCI and also increase the scope of its business and activities so that it can play its role effectively as an All-India term lending institution. I am sure that these proposals would receive the support from all sections of this House. With these remarks I commend the Bill for the consideration of this House.

MR. DEPUTY SPEAKER : Motion moved :

"That the Bill further to amend the Industrial Finance Corporation Act, 1984, be taken into consideration."

SHRI C. MADHAV REDDI (Adilabad) : Sir, I raise to extend my qualified support to this Bill. On the face of it, this Bill looks a very simple one as the hon. Minister has just now explained the Objects and Reasons of this Bill. First, it seeks to define the industrial concern to widen the scope of assistance by the IFCI.

This is one of the series of financial Bills which have been passed by this House during the last one year. It is, more or less, on the lines of the IDBI amending Bill which had been passed during the last session.

Going by the clauses, it looks to me that even though it is a simple amendment; but it is likely to open up the floodgates and the funds are likely to be diverted to non-industrial and non-productive lines. It is said that the IFCI would be able now, after this amendment, to take up the leasing business, higher-purchase of machines, etc., building of hospitals and several other services. Is it really needed? Are we not having enough financial institutions or banks in the country which are

taking up this particular function? why should we divert the funds which are meant for the industrial development of this country to such undesirable lines of investment? I strongly object to this particular clause. I feel that this should be deleted from the Bill.

Coming to the management aspect of it, it is very good that we are now going to have a Managing Director. Though the Bill does not say that it is going to automatically create the post of a Managing Director yet the Government is being given powers to authorise the IFCI, by notification, to have a Managing Director. Today, the management set up of the IFCI is such that we have a Chairman appointed by the Government, then we have two Directors appointed by the Government from the Industry Department and the Finance Department. Then, there are four Directors appointed by the IDBI and six Directors are elected by various financial institutions and banks. This is the set up. There is another Director who is called the Executive Director who is a whole-time Director. But he is not a Director on the Board of Directors. He does not have the status of a Director on the Board of Directors. Now, Sir, we have 13 directors. This Bill says that we will have 2 more directors, one is M. D. and another is Director to be appointed by the Reserve Bank of India. This is the position. Sir, I have no objection to this. But the fact of the matter is this. Government is putting four nominees on the Board after this Bill. We are having three nominees now, and that is, including the Chairman. There will be another one nominee. A total of four directors will be appointed by the Government. Why not the Government subscribe to the paid-up capital of the company? Sir, way back in 1964 or so, when the IDBI was incorporated, the Govt. gave up its share-holding, it transferred its share-holding to the IDBI. The Govt. of India has no shares on this particular corporation. Today the paid up capital of the company I am surprised to know-is only Rs 35 crores. Originally it was only Rs. 27 crores. But because of certain reserves being converted into equity, it is only Rs. 35 crores which is a meagre sum. What we are doing is this : We are only

increasing the subscribed capital of the company from Rs. 100 to Rs 250 crores. This is what is being done. What are you going to gain out of it? Already you have Rs. 100 crore of authorised capital out of which only Rs. 35 crore is paid up. We don't know what the plans of the Government are regarding increasing the paid up capital. I say this because this is more important. Because, the capital base of this corporation has to be enlarged. Today the corporation is feeling utterly suffocated because it does not have the funds to invest in various schemes which they have taken up. Something should be done to see that more and more capital is invested in this corporation which is charged with the responsibility of promoting industrial growth in this country. I have no dispute with the increase of capital base from Rs. 100 to Rs. 250 crores but I would like to say this. This corporation, as you know, was established in 1948 soon after our Independence. For a very long time it was a handmaid of the private sector right from the days when the late Lala Shri Ram was its Chairman. It has been catering to the needs of the big business and private sector for a very long time. That is a matter of record. Nobody will dispute it. But what is the position today? Of course, it has changed a lot. Since the present Chairman Mr Davar has come, it has improved a lot and it has changed its character also. I have to pay my compliments to the untiring efforts with which he is trying to put the corporation on an even keel. But, Sir, even today I feel that this corporation is mostly catering to the needs of the private sector. Sir, I don't find fault with that type of functioning. After all, the private sector is a part of our economy. The institution has certainly to look to the needs of the private sector. But even within the private sector which takes today more than 60% of its total investment every year, the monopoly houses are taking 21%. Why not we have a directive to tell them that 50% of funds should be earmarked for the public sector, cooperative sector and joint sector? Why should we not allow public sector companies to go to IFCI to raise loans for their expansion and

diversification schemes? I am pointing this out from the figures given in the Annual Report for the year 1984-85.

I find that in 1983-84 the monopoly houses got about Rs. 22 crores only. In 1984-85 the total assistance given was about Rs. 87 crores and the cumulative assistance received since the inception of the Corporation by the big business is Rs. 543.52 crores which forms about 21 per cent. This is in respect of monopoly houses. My point is that there is a very strong case for directing this Corporation to reserve 50 per cent of its funds to the public sector and the cooperative sector.

Sir, the other point which I would like to mention about this Corporation is that there are some very important and very useful schemes which they have taken up during the last 10 years. One such scheme is the risk capital foundation scheme. The working of the risk capital foundation scheme requires a little careful consideration. Yet, I feel that this is a good scheme which is being implemented by the Corporation, but which requires certain modifications. What happens today is that under the risk capital foundation scheme, when an application is received, no action is taken on the application until the term loan application is finalised and loan is sanctioned by other institutions or by IFCI itself. Under this scheme the engineers or professionals having experience, who want to set up their own industry but they do not have enough funds of their own to contribute to their own equity, promoters' equity, they are eligible to get 50 per cent of the promoters' equity as soft loan without any interest though they are charging 1 per cent service charges without interest. (*Interruptions*).

After all, 1 per cent interest is as good as no interest. 1 per cent is a very nominal interest. You can say that it is without interest they are getting. Similarly, IDBI is operating a scheme which is called the seed capital scheme. But the difficulty comes where the entrepreneur has to wait

[Shri C. Madhav Reddi]

for the financial assistance to be sanctioned by other financial institutions regarding term loan I am talking. Until that is done, no application will be processed here. What happens is, suppose finally if the term lending institution takes into account Rs. 15 lakhs or Rs. 30 lakhs which is likely to be given under this scheme and ultimately if it is rejected, then that sanction becomes infructuous because the capital cost has been firming up by financial institution; i. e., IDBI or ICICI or any other institution, and in that firming up of the capital this particular aspect that the entrepreneur has to bring about Rs 30 lakhs, is taken into consideration already, and once the risk capital application is rejected by the IFCI, what will happen to the entrepreneur? My suggestion would be that this should be taken up simultaneously and there should be greater cooperation between the term lending institutions as also between the IFCI which gives this risk capital to the entrepreneur. Unless this is done, the difficulty will certainly come. Another point is that it takes a very long time in getting the application processed and finally sanctioned. There should be no such undue delay for getting applications sanctioned. Even for loans also I find that it is taking 4 to 6 months after all the information is given to the IFCI and after everything is completed for processing and then finally for sanctioning the application, there are several cases in which it went on for more than six months and up to one year and there is a need for improving the working out system to see that there is no delay in sanctioning of these applications.

Regarding other promotional activities which this Corporation has been undertaking, I am very happy that they have taken up the consultancy services and they have also taken up the organisation of Seminars etc. for entrepreneurship building schemes etc. These are all very good but they touch only the fringe of the problem. There is much need today to enlarge the base of entrepreneurs. Just conducting a few Seminars and publishing a few brochures on the subject or, identifying a few projects and stating that we have identified projects and we have given the

feasibility reports, will not solve the problem. All these institutions, whether it is IDBI or IFCI or ICICI, are having a lot of information at their disposal regarding the projects and their marketability etc., so much information they have today that they are in a position to utilise that information to prepare a number of project studies and reports every year and see that these reports are made available to the entrepreneurs in large numbers. That is possible to them. Even though we have a large number of industrial consultants in the country, yet, we feel that there is dearth of real consultants who can really help the entrepreneurs. Today the entrepreneurs are going from pillar to post, first in project identification, and then to know what promising line of production they should undertake and what industry is to be established, how it should be established and where it is to be established. These are the questions which worry the entrepreneur always and I feel that such an activity must be taken up on a very extensive scale by institution of this type which has got all the information at its command.

Coming to the question of the convertibility clause, I do not take much time on this. But we have to look into this and we must insist that the convertibility clause is to be enforced, we must see that the agreed percentage of the loan is converted into equity whenever and wherever it is possible it should be seen that the industry or company management runs properly. I say this because I find the IFCI is not having a very good monitoring system. Once it gives the loan, it forgets it. Sometimes they appoint a Director and that Director does not go there. He does not attend the meetings. Even if he attends the meetings, he only takes the TA and DA and comes back and there is not much of feed back. There is no proper feed-back and no proper monitoring from the IFCI to the loaning companies existing today and unless that is done, there is a possibility of the unit going sick and again you have to think of reviving it by going to other institutions.

These are some of the suggestions which I would like to make and, at the same

time, I would like to support some of amendments which have been taken up.

Particularly I would like to support the activities which are proposed to be taken up, such as the merchant banking activity. In a number of institutions, the merchant banking activity should be taken up. After all, our capital market is very buoyant. Lot of funds are available with public. We require agents, brokers, several financial institutions and others which can take up this work on a specialised basis and to see that the public issues which are coming out these days are made a success and public contribute more and more to the development of the country.

MR. DEPUTY-SPEAKER : We adjourn for Lunch now and re-assemble at 2-00 p.m.

13.05 hours.

*The Lok Sabha then Adjourned for
Lunch till Fourteen of the Clock*

*The Lok Sabha Reassembled after
Lunch at Four Minutes Past
Fourteen of the Clock.*

[MR. DEPUTY SPEAKER in the
Chair]

INDUSTRIAL FINANCE CORPORA-
TION (AMENDMENT) BILL, 1986
CONTD.

[Translation]

DR. G. S. RAJHANS (Jhanjharpur) : Mr Deputy Speaker, Sir, I support the Bill and would like to mention a few points in this regard. The scope of this Bill has been enlarged to cover other industries and other activities such as leasing, hospitals etc. An hon. Member of the opposition has suggested that leasing should not have been included in this because a number of companies are doing this business in the country. I would like to submit in this regard that during the last three years, leasing business has grown in the country in the same way as video

business has picked up. One can come across a V. C. R. in every house these days. Three or four years back nobody knew about a V. C. R but today it has reached even those places where television has not. Similarly, leasing companies have been set up in every big town. Three or four years back there were hardly one or two leasing companies and nobody knew that investment in a leasing company could be so profitable. If you take a look at the statistics, you will find that there are thousands of leasing companies in the country today and many of them are trying to dupe and mislead the masses. In view of the fact that the private leasing companies are exploiting the people, what is the harm if the Industrial Finance Corporation takes up leasing business. At least the people will feel confident and assured that they will get right type of machines. Therefore, taking up of leasing business by the Industrial Finance Corporation is a healthy sign. In this connection, I would like to point out that ever since the Managing agency system was abolished in the country, there has been no organisation to provide guidance to the entrepreneurs I am fully aware of the drawbacks of the managing agency system. I also know why the Government abolished this system. It is sad that the services which the managing agency system used to provide are not available anymore. The Industrial Finance Corporation will provide that service without inheriting the drawbacks of managing agency system besides providing consultancy service. This is a good thing in itself. You may be aware how the private consultants all over the world are indulging in malpractices. Only bills are made in the name of consultancy service and the money is pocketed by someone else. Consultancy service is not provided in the real sense and people earn a lot of money. Under these circumstances if the Industrial Finance Corporation provides consultancy service it is a matter of satisfaction to us.

The Bill provides for the appointment of a managing director apart from the Chairman for whom a provision is already there. My experience is that wherever the post of managing director and chairman have been separated in the Public Sector Undertaking, it has caused problems and