

## LOK SABHA DEBATES

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### LOK SABHA

### STATEMENT

Friday, March 16, 1990/Phalgun 25, 1911  
(Saka)

*The Lok Sabha met at Eleven of the Clock*

[MR. SPEAKER *in the Chair*]

#### ORAL ANSWERS TO QUESTIONS

[*English*]

#### **Small Industries Development Bank and Public Deposits by Small Entrepreneurs**

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\*61. DR. K. KALIMUTHU:  
SHRI BANWARILAL PURO-  
HIT:

Will the Minister of FINANCE be pleased to state:

(a) whether Government propose by law to establish a Small Industries Development Bank; if so, the details thereof;

(b) whether Government also propose to frame a policy to allow small private entrepreneurs to collect deposits from public for industrial purposes; and

(c) if so, the details thereof?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (c). A Statement is given below.

Small Industries Development Bank of India Act, 1989 has come into force with effect from 7th of March, 1990. The Small Industries Development Bank of India (SIDBI) will start its operations from 2nd of April, 1990. SIDBI will function as the principal financial institution for the promotion, financing and development of small scale industries including tiny and cottage industries and also coordinate the functions of existing institutions engaged in similar activities, SIDBI will be a wholly owned subsidiary of IDBI.

Enterprises which are companies under the Companies' Act, 1956 are regulated in the matter of acceptance of deposits in terms of that Act and the rules framed thereunder.

DR. K. KALIMUTHU: Mr. Speaker, Sir, may I know from the hon. Minister whether the Government proposes to set up a branch of the Small Scale Industries Development Bank at Sivakasi in Tamil Nadu in view of a large number of small scale industrial units there? I would also like to know from the Government the locations identified by the Government for setting up of the bank.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, all the arrangements regarding the bank have already been made and from 2nd of April, 1990, the banks will start operating as far as all its transactions are concerned. As far as the physical locations are concerned, I will let you know about the exact places.

DR. K. KALIMUTHU: Sir, as the Government is keen in promoting small scale

industries, will it allow small scale hand-made match industrialists to accept deposits from the public to enable them to compete with machine-made match industries though they do not come under the Companies' Act and the rules framed thereunder, as a special concession?

PROF. MADHU DANDAVATE: Sir, as the hon. Member has rightly pointed out, it does not fall under the jurisdiction of the Companies' Act, but at the same time, we will try to sort out the issue and find out ways and means by which we can give the accessories.

[*Translation*]

SHRI BANWARILAL PUROHIT: Mr. Speaker, Sir, since independence, it has always been the policy of the Government to promote and encourage small-scale and village industries. However, today the circumstances are such that while large monopoly houses have increased their capital from Rs. 2 crore to Rs. 4,000 crore small-scale industries become sick, soon after they are set-up. They don't get the requisite finance in time. Even after the money is sanctioned, the banks and financial institutions do not provide the working capital to these industries. The banks have all along been following a conservative approach. As a result, in Maharashtra, particularly in Nagpur, at least 30 to 40 per cent of the small scale industries have become sick because they do not get finance in time.

MR. SPEAKER: Please put your question, do not deliver a long speech.

SHRI BANWARILAL PUROHIT: There are many examples, where after sanctioning a working capital of five lakh rupees, they release only one lakh rupees and withhold the rest saying that the progress of the small scale industry is not satisfactory. Why is there such a policy of harassment, when our policy is to encourage small-scale and village industries so that the requirements of the up coming new units are met.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, I am assure the hon. Member that the Bank will start transacting business w.e.f. 2nd April and it shall strice to achieve the objectives for which it has been established. As far as the sick units are concerned the bank would be playing a preventive role and not remedial one and you would be delighted to know that, it has been decided:

[*English*]

The authorised capital of the bank would be Rs. 250 crores which can be increased to Rs. 1,000 crores in due course of time. The entire share capital will be subscribed by the IDBI.

SHRI A. CHARLES: The Small Industries Development Bank when it starts functioning will really be a great blessing to small industries which are now facing a serious crisis. As you know, 80% of the entire small industrial units all over the country is sick. At the time of discussion of this Bill in the House, I remember that a categorical assurance was given in this House that one bank will be established in every State. Now it is located only at Lucknow, at its head office.

May I know from the hon. Minister whether that categorical assurance will be kept up so that new branches of the bank are opened in every State and whether priority will be given for the revival of sick units. As Shri Purohit has said, sickness in the industry is a serious matter and with the change in the policy of Government they have to wait for five years continuously when the unit was incurring losses continuously, with the result it may not be possible to revive the unit at all. I would like to know whether one bank will be established in each State and priority will be given for the revival of sick units?

PROF. MADHU DANDAVATE: I would like to assure the hon. Member that the purpose of this Bank is to give genuine help and assistance and credit facilities to the small scale sector. Rather than starting with the multiplicity of such banks, it is better to effectively start one bank which will be

completely a subsidiary of the IDBI and adequate share capital is being given.

All the tasks which you have mentioned or have been implied in your question, I assure you, they will be fully satisfied. I would also like to remind him, whatever demand he had made in relation to the small scale sector regarding credit facilities, during the discussion of that Bill, I myself had raised these issues and fortunately I have had the opportunity to answer my own question from this side and I will do it effectively.

[*Translation*]

**SHRI SANTOSH KUMAR GANGWAR:** Sir, I would like to ask the hon. Minister of Finance, when do small-scale industries get the credit. Even after paying ten to twenty per cent of the sanctioned amount as Commission, the small scale industries do not get finance in time. I would like to ask the Finance Minister whether he would take any measures to ensure that the small-scale industrialists get money smoothly and in time.

**PROF. MADHU DANDAVATE:** Mr. Speaker, Sir, I shall answer this question.

[*English*]

Sir, the hon. Member who preceded him asked a question. I am happy to announce that now a decision has been taken to have the branches of this Bank in different states also.

[*Translation*]

The hon. Member has pointed out that even though the banks may started functioning, things may get delayed and this may affect the efficiency. I would like to assure the hon. Member that once these banks commence start functioning w.e.f. 2nd April, arrangement would be made to make available to the small units expeditiously all the facilities he wants.

[*English*]

**SHRI BASUDEV ACHARIA:** In view of a large number of small and medium industrial units becoming sick, setting up of Small Industry Development Bank is a right step in this direction; to help the small industry to set up small industry. But there was a scheme earlier to help the small industry and small entrepreneurs to set up small industry. That scheme has been withdrawn, particularly in the backward areas. This was a subsidy scheme. Two years back this scheme was withdrawn and no new scheme has been introduced.

May I know from the hon. Minister whether any new scheme is proposed to be introduced to help the small entrepreneurs to set up industries particularly in backward areas of our country?

**PROF. MADHU DANDAVATE:** As far as the thrust of the question is concerned, the idea is that whether some concessions in the past were available for sick industries to remove their sickness and whether there will be any facilities available to small industries to be set up. I am very happy to inform the hon. Member that the scope of this bank will be widened. Refinance of industrial loans are extended by primary or intermediary lending institutions to SSI sector, discounting and rediscounting of bills, granting loans and advances to SSI units, providing services like factoring, leasing etc to SSI sector; devising suitable schemes to encourage primary or intermediary lending institutions to provide loans for fixed assets and working capital through single window system to small and tiny units—this will help you—subscription to bonds and debentures of eligible lending institutions. With these facilities made available, I am sure the difficulty which the hon. Member has pointed out, can be removed.

**SHRI NIRMAL CHATTERJEE:** Will the small scale units owned by large companies also be able to receive funds from this bank?

**PROF. MADHU DANDAVATE:** In re-

sponse to the non-official supplementary, I may tell the hon. Member that he has rightly stated that those who come from the backward area always come across such situations that the big units take advantage through the backdoor of the facilities made available to the small-scale sector. I can assure the hon. Member that we shall try our best to plug the loopholes and see that the facilities meant for small-scale sector are available only to the small-scale sector.

**SHRI KHEMCHANDBHAI SOMABHAI CHAVDA:** There are over 2 lakh sick small scale units in our country. May I know whether Government intends to bring all these small-scale sick units out of the red? Is there any special scheme before the Government?

**PROF. MADHU DANDAVATE:** The new banks will not start dealing with the sickness first. They will try their best to prevent sickness and at a later stage this may be taken up by the additional activity but, basically this development activity is meant to help the small-scale units to develop and to transact their business.

**SHRI JANARDHANA POOJARY:** We are very glad the hon. Finance Minister has stated that the branches would be started in States also. It is better if the hon. Finance Minister takes into consideration the setting up of branches in small towns instead of starting them in State capitals. The expectations of the people are very high. The problems are numerous. I would like to know whether there is any thinking in the Government to give them working capital through this bank only, or they are going to follow the old procedure of giving working capital through the banks.

**SHRI BASUDEB ACHARIA:** We hold loan melas. (*Interruptions*)

**SHRI JANARDHANA POOJARY:** You are not running away from that. (*Interruptions*) I would like to know whether the Government is having any thinking on this? I would like to know from the hon. Minister whether there is any thinking on the part of

the Government of having experts and not taking them from IDBI but by recruiting experts newly to have expertise in the institution to give a new thrust to the policies for which this Bill was passed by Parliament. It should come up to the expectation of the people. (*Interruptions*)

**PROF. MADHU DANDAVATE:** Sir, as far as the first suggestion is concerned, it would be acceptable to us. He has suggested that these banks should not be located in large cities but they should be in towns. In fact, the entire thrust and emphasis of the new Government will be to have decentralisation of industries. We would like the Cottage Industries and Small Scale Industries to be set up not in the metropolitan cities but they should be in the backward areas, rural areas and also mofussil areas. Therefore, his suggestion is perfectly acceptable.

As far as the capital is concerned, we have already said that by the same methodology by which the capital was made available so far, the IDBI has already agreed to give the share capital. That will be available. No difficulty will be posed for any bank in any State. All the States will have the banks.

**SHRI JANARDHANA POOJARY:** Is it working capital?

**PROF. MADHU DANDAVATE:** Yes, it is working capital. I have read that. Probably he was not attentive. I said that working capital will be provided by IDBI. The third question was: Will you have fresh recruitment or will you rely only on the IDBI? There, we will have the recruitment at two stages. Whenever a new institution is set up, it is always better to have some expertise which is already available from the established banking system. If that is made available, preliminary works will become more easy. Therefore, expertise and other staff will be available. But at the same time by the usual method the staff will be recruited, The SID bank will also operate the existing single window scheme which actually provides working capital to all the tiny as well as small

scale industries. Therefore that system will be continued.

**SHRI INDRAJIT GUPTA:** Sir, of course we all welcome the setting up of this Bank. But does it mean that once this bank starts operating, the Small Scale Industries can go for financial assistance only to this bank and they cannot go to the other nationalised banks?

**PROF. MADHU DANDAVATE:** No.

**SHRI INDRAJIT GUPTA:** Why I am asking is because I think in reply to another question today, I find that some Rs. 13,000 crores have been advanced by the nationalised banks to the small scale sector. So, I would like to know from him the details because he has said a little while ago that the purpose of this bank, as far as sick industry is concerned, will be preventive and not remedial, not curative. The hon. Minister knows that the overwhelming majority of sick units in the country—some over two lakh units—are closed. They are sick. The overwhelming majority of industries are small scale units. Studies have shows that the banks, when giving them loans and credits, have in many cases not taken sufficient trouble to go into the viability or not of such units which are being floated. A large number of units which were non-viable from the very beginning were encouraged by nationalised banks to be set up and they were given credit. I would like to know from the hon. Minister whether under the new scheme there will be some preventive machinery to check up and verify the nature of these units. Many of them could never have been viable. Now they have become sick.

[Translation]

**SHRI BABURAO PARANJPE:** Mr. Speaker, Sir, through you, I would like to draw the attention of the hon. Minister to the much talked about corruption in banks. I would like these banks to have time bound programme. (Interruptions)

[English]

**PROF. MADHU DANDAVATE:** Sir, as far as the first question from Shri Indrajit Gupta is concerned, I would like to say that there will be choice to all the Small Scale Units to go to any agency to take the loans and credit facilities. In English, there is a famous saying that beggars are not choosers. I will say that the borrowers are not choosers. But we change that. We will give them facility to choose from any institution whether it is the rural bank or the regional bank or the nationalised bank or for that matter banks which are likely to be set up. Secondly the import of his question is perfectly right. It is experienced that many units which are not likely to be viable even in the years to come are actually inspired by some of the large scale units and they manage to get the necessary finances from the banks. Therefore, the new development bank which is to be set up will set up a monitoring agency to find out whether the loan demanded or the credit facilities demanded by the Small Scale Sector are likely to help them in becoming viable. If they feel that they are non-viable, in that case we will not fritter away our financial resources.

[Translation]

**SHRI BABURAO PRANJPE:** The Banks should be given one month or fifteen days time to dispose of a case. If they fail to dispose of the case within the stipulated time, the Government should intervene in the matter. In the absence of any time-schedule, applications are delayed for years. Applicants are called time and again and are sent back empty handed. Will you frame a time-schedule to be adhered to by banks?

**PROF. MADHU DANDAVATE:** I would like to inform the hon. Member that many things get delayed in banks and other institutions. One of the reasons for delay is the complexity of the present rules and regulations as result of which matters get delayed some time. We have already announced that we would try to simplify all rules and regulations of banking system and other

financial institutions. In a number of cases we will introduce 'single window system' so that clients do not have to waste time in banks. Rules will not be allowed to become bottlenecks. The suggestions made will be taken into account and we will monitor their implementation.

[*English*]

MR. SPEAKER: Q.No.62 has been postponed and Q.No.63 has been transferred. Now Q.No.64.

### **Tripartite Share Deal by a Nationalised Bank**

[*Translation*]

\*64. SHRI BRJ BHUSHAN TIWARI: Will the Minister of FINANCE be pleased to state:

(a) whether Government have received a complaint about one of the nationalised banks having entered into a tripartite deal in which shares belonging to a Tea Estate Sterling Company mortgaged with the London Branch of that bank would be sold out to another Company which in turn would further transfer those shares to a third Company, with the knowledge of the bank, and

(b) if so, the action taken by Government in this regard?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) and (b). A Statement is given below.

### **STATEMENT**

Presumably, the Hon'ble Member is referring to the sale agreement entered into by the Punjab National Bank for the sale of shares of Jokai Tea Holdings Ltd. which were held as security against the facilities granted by the erstwhile London branch of the bank to one of its constituents. The Bank held these shares, Nigerian & Sudanese Bills and some immovable properties in the advances made in the account of Esal (Commodities) Ltd. (now under liquidation).

While the Bank has recovered part of its outstanding dues in the account, it is taking steps to realise the remaining dues, inter alia, by disposal of the pledged securities, resorting to legal actions etc. As part of this process, the bank has entered into an agreement preceded by a Memorandum of Understanding for the sale of pledged shares on prices based on the opinions of two tea estate valuers and the recommendations of an expert committee set up by the bank.

The Government had received a complaint alleging that the purchaser will sell the shares to a third party at a higher price. Punjab National Bank has reported that it has no such information and that it had also taken the safeguard of obtaining an expert opinion before finalising the sale agreement.

SHRI BRJ BHUSHAN TIWARI: On the basis of information contained in the statement laid on the table, I would like to know from the hon. Finance Minister as to whether Ministry of Finance made any independent enquiry through its own agencies into this fraudulent deal of money in which all sorts of irregularities were committed in transfer of shares or whether the reply has been given merely on the basis of information furnished by the Punjab National Bank? So far as my information goes, bungling involving 1.5 crore dollars, i.e. Rs. 20 crore, has been made in the deal and the London branch of Punjab National Bank is reported to be involved in this bungling and irregularities, as a result of which the said branch of the bank has been closed. So I would like to have a categorical reply from the hon. Minister as to whether the information contained in the statement laid on the table is based on the information furnished by the Punjab National Bank or whether information has been gathered through the officers of the Ministry of Finance, Directorate of Enforcement or C.B.I.?

PROF. MADHU DANDAVATE: We have tried to enquire into the matter through various agencies. A report has been received from Punjab National Bank also and it has been stated in it that the tripartite deal has been entered into on the basis of competitive