

LOK SABHA

Friday, March 13, 1981/Phalgun 22,
1902 (Saka).

The Lok Sabha met at Eleven of the
Clock.

MR. SPEAKER in the Chair

ORAL ANSWERS TO QUESTIONS

New norms for Commercial Banks

*353. SHRI M. V. CHANDRASHEKHARA MURTHY: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has laid down new norms for Commercial Banks;

(b) if so, the details thereof; and

(c) to what extent these new norms have helped the Government and borrowers?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI MAGANBHAI BAROT): (a) to (c). A Statement is laid on the Table of the House.

Statement

(a) and (b). The Reserve Bank of India issues instruction to Banks from time to time on various matters. Presumably the question refers to the instructions issued recently in December, 1980 regarding the regulation of Cash Credit limits. These instructions have been issued to have a system of review of larger limits for a more effective regulation of the Cash Credit System. These instructions

4333 LS-1.

are primarily applicable to bigger borrowers who are expected to be in a position to undertake proper credit planning and have a system to monitor all aspects of their business operations on regular basis. These instructions have been issued keeping in view the overall priorities of competing demand on limited Bank funds for which it has been considered desirable to secure some reduction in the degree of reliance of such borrowers (other than sick units) on the banking system. The instructions suggest fixing of separate limits for peak and non-peak periods. A minimum has also been fixed by way of borrower's contribution from owned funds and term finance to meet working capital requirements. However, in case a borrower is not in a position to comply with the requirements of minimum contribution immediately the excess would be treated as working capital term loan repayable over a period not exceeding five years.

(c) As these instructions have been issued in December, 1980 it is too early to judge their efficacy. Special problems peculiar to specific units can, however, always be mutually sorted out among the borrowers and their banks.

SHRI M. V. CHANDRASHEKHARA MURTHY: On the recommendation of the Gore committee, the Reserve Bank of India issued certain instructions to all commercial banks. That the *ad hoc* payment in the case of any unforeseen development, should be treated as a loan. I want to know from the hon. Minister whether this has caused a great hardship to the big industries, and resulted in a great decline in the production of the industries.

SHRI MAGANBHAI BAROT: Representations have been received, and in the representations, it has been said that in a way it will affect trade and commerce. But looking to the total financial requirements and the bank's capacity to lend certain kinds of guidelines had to be given, and so, they have been given.

SHRI M. V. CHANDRASHEKHARA MURTHY: There is an all round apprehension in the country that the cash credit system is helping only big industrial houses. In view of this fact, I want to know from the hon. Minister the break-up figures of the big and medium industries which are helped by this system, and also the rate of interest charged on them.

SHRI MAGANBHAI BAROT: For giving details, I will require separate notice.

PROF. MADHU DANDAVATE: In the recent budget proposals, it has been mentioned that the definition of small scale sector has been changed, and the investment limit has been increased from Rs. 10 lakhs to Rs. 20 lakhs. In view of that, is it not possible that many so-called small-scale industries will be linked up with the big houses; and taking shelter under the definition of "small-scale sector" they may try to take loans from various commercial banks and public sector institutions? In that case, will there be any specific norm mentioned, to prevent any misuse of that type?

SHRI MAGANBHAI BAROT: The benefits that these units will derive are more under the Income-tax Act. The concessions that they will be deriving will be that taxes that units will have to pay with a capacity of machines and plants of Rs. 10 lakhs would be available for Rs. 20 lakhs. I do not think the big business houses, which the hon. Member has in mind, would be able to derive any advantage from the limit going up from Rs. 10 lakhs to Rs. 20 lakhs.

PROF. MADHU DANDAVATE: That is not the question. Please excuse me. It is very likely up with these small units are linked up with big business. In the past it has happened. Therefore, taking shelter of that, if they try to take advantage and try to have more borrowing and more loans from the commercial banks, in that case, will you see to it that such misuse of the provisions is not there?

MR. SPEAKER: Have you come across any such cases?

SHRI MAGANBHAI BAROT: It will be taken as a suggestion. But I would like to clarify that these benefits are benefits for income-tax. So far as lending and borrowing are concerned, they are governed by their own rules. Anyway, this suggestion will be taken note of.

SHRI B. V. DESAI: The recent guidelines issued by the Reserve Bank, it seems, pertain to the larger units. The hon. Minister in his reply has referred to "term finance to meet the working capital requirements". In case such term finance is granted by the Reserve bank or the Commercial banks to larger units and in case they use it to meet the working capital requirement, it is a new system of term loan being granted for working capital. Will it not erode the term finance for working capital requirement of the small scale industries?

SHRI MAGANBHAI BAROT: No, Sir.

MR. SPEAKER: Next Question. Mr. Lakkappa.

AN HON. MEMBER: It is about Parle Group.

MR. SPEAKER: Mr. Lakkappa. Are you sleeping?

DR. SUBRAMANIAM SWAMY: Sir, has the name anything to do with his luck-Luck-appa?

MR. SPEAKER: That is why he gets it.

PROF. P. J. KURIEN: How is it the same question comes up again and again?

MR. SPEAKER: There are other forms. Sometimes it is income-tax, sometimes it is gold, sometimes it is infringement of some rules.

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS AND DEPARTMENT OF PARLIAMENTARY AFFAIRS (SHRI P. VENKATASUBBAIAH): Sir, this is an aspersion on the Secretariat. It should not go on record.

* **MR. SPEAKER:** Ballot is ballot; ballot is ballot. There is nothing. The Secretariat is impartial. For us, all are hon. Members. There is nothing.

Tax Evasion and FERA and Gold Control Violations by Parle Group of Companies

†
*354. **SHRI K. LAKKAPPA:**
SHRI DHARAM DASS SHASTRI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Parle Group of Companies have evaded Income Tax, Sales Tax, Excise Duty to the tune of crores of rupees and violated FERA and Gold Control Act a number of times;

(b) if so, full details of tax evasion and FERA and Gold Control violations during the last ten years;

(c) how many times the Income Tax and Excise officials raided the offices of Parle Group of Companies and the premises of its Managing Partner including Dr. Rossi and Mr. Chauhan;

(d) full details of cash and other incriminating documents seized as a result of raids;

(e) what is the present stage of investigation in all the above cases and action taken thereon; and

(f) what action Government are contemplating so that this Group of companies does not indulge in such activities in future?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAI SINGH SISODIA): (a) to (e). A statement is laid on the Table of the House.

(f) The field formations of the Customs, Central Excise and Income-tax Departments, as also the specialised enforcement agencies of the Department of Revenue remain vigilant and appropriate action is taken by them in such matters.

Statement

ENFORCEMENT DIRECTORATE. The officers of the Enforcement Directorate conducted searches at the premises of M/s. Bisleri (India) Pvt. Ltd., Bombay—a company within the Parle Group—as also the premises of its Directors Dr. C. Rossi and Shri Ramesh J. Chauhan and some other connected premises in November, 1977. The searches resulted in seizure of documents and a small amount of foreign exchange. After investigations, the following Show Cause Notices were issued:—

(i) To M/s. Bisleri (India) Pvt. Ltd, Bombay and its Directors, S/ Shri Ramesh J. Chauhan and H. M. Golwala on 2-3-78 for having utilised foreign exchange amounting to 14,336—for a purpose other than the one for which it was acquired—Violation of section 4(3) of the Foreign Exchange Regulation Act, 1947.

(ii) To Shri Ramesh J. Chauhan on 14-4-78 for acknowledging a debt of Rs. 2 lakhs thereby creating a contingent right in favour of Dr. C. Rossi to receive a payment—Violation of section 5(1) (f) of