

SHRI PRANAB MUKHERJEE: I am not the competent authority here.

Writing off to bad debts by nationalised banks

*366. **SHRI INDRAJIT GUPTA:**
SHRI SUBHASH YADAV:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that on an average the bad debts of the fourteen nationalised banks alone totalled over Rs. 50 crores a year.

(b) if so, the names of the persons; companies whose bad debts over 5 lakhs have been written off; and

(c) what are the reasons for writing off such a huge sum every year as bad debts?

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

Public sector banks make an assessment of their bad and doubtful debts at the time of the preparation of their annual Balance sheets as at the end of December each year. Thereafter, they make provisions, out of their annual income, for bad and doubtful debts to the satisfaction of their statutory auditors. Banks write off all bad and doubtful debts out of the provisions thus made, but only after all possible steps to recover the dues have been exhausted. In accordance with the format of the Balance-sheet prescribed under the Third Schedule of the Banking Regulation Act, 1949, all banks are required to indicate in the Balance-sheet specifically debts considered doubtful or bad, but not provided for. As per the published Balance-sheets of the twenty-eight public sector banks for the years 1977, 1978 and 1979, none of them carried any debts considered doubtful or bad which had not been provided for.

According to the forms of Balance-sheet and Profit and Loss Account

prescribed in the Third Schedule of the Banking Regulation Act, 1949, banks are given statutory protection from disclosing the particulars of bad and doubtful debts for which provision has been made to the satisfaction of their auditors. In accordance with the statutes governing the public sector banks and in accordance with the practices and usages customary among bankers, public sector banks are also enjoined upon by law not to divulge information relating to or the affairs of their constituents.

In view of the above statutory provisions, information relating to the amounts of bad debts for which provision has been made or the names of the constituents whose loans have been written off and the reasons therefor are not to be divulged.

SHRI INDRAJIT GUPTA: I cannot challenge the Statement, because he says there are Statutory provisions which prevent information from being divulged. I am not asking information about the parties concerned. I know that those names cannot be divulged unfortunately. But I would like to know, since he said in his statement that during 1977, 1978 and 1979 none of the 28 public sector banks have carried any debts considered doubtful or bad.

SHRI MAGANBHAI BAROT: It has not been provided for.

SHRI INDRAJIT GUPTA: That means written off? Provided for means written off; is it? How are they provided for?

THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN): May I just explain, Sir, out of the profits of the Banks, the Statutory Auditors find out what are the bad and doubtful debts. And if the bank is able to provide for the doubtful debts and bad debts, out of the profits and makes a provision for it, then it is not brought into the Balance Sheet. If they do not have profits to provide for such doubtful debts, bad debts, then it is disclosed to the public so that they may know

that the bank is not in a good position.

WRITTEN ANSWERS TO QUESTIONS

Memorandum from Kerala State Federation of Cottage Match Manufacturers Association

*352. SHRI K. A. RAJAN: Will the Minister of FINANCE be pleased to state:

(a) whether he has received a memorandum submitted by the Kerala State Federation of Cottage Match Manufacturers Association dated January 11, 1981; and

(b) if so, what are their main demands and Government's decision thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAI SINGH SISODIA): (a) and (b). A Memorandum dated 11th January, 1981 was received from the Kerala State Federation of Cottage Match Manufacturers Associations. The memorandum is in the nature of a prebudget representation stated to be representing the interest of about 425 cottage match units of Kerala holding "bonafide" certificates issued by the K.V.I.C. The main demands made in the Memorandum are:

(i) The excise duty concession applicable to cottage sector match units should be continued in the next year also.

(ii) KVIC's control may be imposed for availing excise duty concession limiting their control only for implementing fair wages and good quality, since KVIC common label campaign and monopoly procurment is not practical and proved to be a failure.

(iii) The requirement regarding KVIC label and procurement of matches by KVIC for the purposes of excise duty concession may be abrogated.

(iv) Ceiling may be imposed on the production of cottage sector match units in the context of excise duty concession. Similar restriction may also be imposed in the case of cooperative sector units.

(v) KVIC may be empowered to exercise control over cooperative Societies also as in the case of individual units.

(vi) Different (coloured) hand-rolls may be introduced for different sectors of the match industry.

2. The scheme of differential rates of excise duty for matches has been in vogue for the past many years. This scheme was recently reviewed by the Government and necessary modifications were announced as part of the 1981-82 budget proposals. The changes announced include:—

(i) restricting, w.e.f. 1-7-1981, the concessional rate of excise duty (in the case of KVIC units) to such cottage units which are run departmentally by the KVIC or units run by or under institutions aided or recognised by the KVIC.

(ii) Dispensing with the present requirements regarding labelling and marketing in respect of such KVIC units, w.e.f. 1-7-1981.

(iii) Imposition of a ceiling of 120 million matches per annum on the quantum of clearance at the concessional rates of duty in respect of matches cleared by the cottage units, including those in the cooperative sector w.e.f. 1-7-1981. A production ceiling of 15 million matches per month has also been imposed as an eligibility condition to concessional rate of duty.

Besides, it may be mentioned that the concessional rate of excise duty of Rs. 1.60 per gross applicable to matches produced in the cottage sector continues for the present.

3. The question of introducing different coloured banderolls was examined last year. It was then felt that on practical considerations, it was not feasible to implement such a scheme.