

LOK SABHA DEBATES

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LOK SABHA

Friday, December 9, 1983]
Agrahayana 18, 1905 (Soka)

*The Lok Sabha met at Eleven of the
Clock*

[MR. SPEAKER *in the Chair*]

OBITUARY REFERENCES

MR. SPEAKER : Hon. Members, I have to inform the House of the sad demise of two former colleagues, namely, Dr. Devi Singh and Shri A.C. George.

Dr. Devi Singh was a Member of Provisional Parliament during 1950-52. Earlier he had been a Member of the then Madhya Bharat Legislative Assembly, Madhya Pradesh Legislative Assembly and Ratlam Rajya Praja Mandal. He had also been a Minister in Ratlam State.

A veteran freedom fighter he was imprisoned during the freedom struggle.

By profession, a medical practitioner, he took keen interest in the welfare and uplift of scheduled castes, backward classes and adivasis. He was associated with several social and political organisations.

Dr. Devi Singh passed away on 29 November, 1983 at Ratlam at the age of 76 years.

Shri A.C. George was a Member of Fourth, Fifth and Sixth Lok Sabha during 1970-79 representing Mukandapuram Constituency of Kerala.

An able parliamentarian, he took keen interest in the proceeding of the House. He was a Member of Union Council of Ministers from 1971 to 1977 and held several important portfolios.

A prominent trade unionist, he was associated with several trade union organisations in Kerala in various capacities.

A widely travelled person, Shri George was Member-Secretary of Indian Youth Delegation to U.S.S.R., United Kingdom and Western Europe.

Shri A.C. George passed away on 8 December, 1983 at Cochin in Kerala at the age of 53 years.

We deeply mourn the loss of these friends. I am sure the House will join me in conveying our condolences to the bereaved families.

The House may stand in silence for a shortwhile to express its sorrow.

The Members then stood in silence for a short while.

ORAL ANSWERS TO QUESTIONS

MR. SPEAKER : Questions No. 244. Shri Ravindra Varma—not here. Shri Bapusaheb Parulekar—not here. Question No. 245—Shri Virda Ram Phulwariya—not here.

Question No. 246. Prof. Kurien—not here. Shri Anwar Ahmad.

Reserve Bank Instructions Regarding Impounding of Deposits by Commercial banks.

*246. SHRI ANWAR AHMAD :
PROF. P.J. KURIEN :

Will the Minister of FINANCE be pleased to state :

(a) whether the Reserve Bank of India has instructed the commercial banks to impound certain percentage of the deposits;

(b) whether it will not affect the credit requirements of small and medium scale industries;

(c) if so, what impact it will have on the people and the economy of India; and

(d) the steps being taken to ensure steady flow of credit to these sectors ?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : (a) to (d) A statement is laid on the Table of the House.

Statement

(a) Yes, Sir.

(b) No, Sir.

(c) and (d) In the recent past the growth in deposits had accelerated and the pick up in credit had been more subdued than visualised. The banking system thus continued to have considerable excess liquidity. Further, expansion of primary money in the current financial year has continued to be very large and the price situation has been a cause of concern. The measure to increase Cash Reserve Ratio is, therefore, only the continuation of the policy of efficacious smoothening of liquidity with the banking system. As per Reserve Bank's assessment the banks should have no difficulty in providing adequate credit during the busy season to support the acceleration of output. The Reserve Bank of India, in its advice to the banks, has also stated that to the extent individual banks face liquidity problems, such banks would be provided, on merits discretionary refinance for short periods.

श्री अनवर अहमद : मैं यह जानना चाहता हूँ कि वह धनराशि क्या है जिसको निरूद्ध रखने का आप आदेश देंगे ?

SHRI JANARDHANA POOJARY : Sir, seeing the excess liquidity position, the Reserve Bank have prescribed that each bank will keep on impounding 10% of the increase in deposits received over the level of November 11, 1983.

MR. SPEAKER : Have you got any supplementary or can I go on to the next question ?

श्री अनवर अहमद : अध्यक्ष जी, मंत्री जी के उत्तर से यह जाहिर होता है कि 10 प्रतिशत राशि निरूद्ध रखी जाएगी। क्या इस बात का ध्यान रखा जायेगा कि जितने स्माल स्केल के उद्योग हैं, मध्यम दर्जे के उद्योग हैं उन पर कोई असर नहीं पड़े, उन्हें कोई कठिनाई न उठानी पड़े ?

SHRI JANARDHANA POOJARY : Sir, we are meeting the genuine requirements of all the sectors including the small-scale sector and we are going to meet the requirements so far as the productive activities are concerned.

PROF. P.J. KURIEN : May I put a question ?

MR. SPEAKER : Where were you ? Prof. Dandavate.

PROF. P.J. KURIEN : Sir, I have got the right to put supplementary. Everybody has got the right to put supplementary.

MR. SPEAKER ; I have called Prof. Dandavate.

PROF. MADHU DANDAVATE : Mr. Speaker, Sir, I would like to know from the hon. Minister whether it is a fact that it is precisely for the same object of setting the excess liquidity in the course of this year, three times the cash reserve ratio was increased from

7% to 7.5%, from 7.5% to 8% and from 8% to 8.5%? And, on occasion, is it not a fact that though the object was laudable to check the excess liquidity and to contain inflation, in reality, is it not a fact that the small scale sector's credit facilities were reduced and, as a result, their production suffered? In addition, their pending bills with the large scale industries were not received in time thereby also the suffered? In the light of the experience, I want to know from the hon. Minister, is it not a fact that due to the new step that the Reserve Bank has taken of impounding 10 percent of deposit growth, in the course of next five years about Rs. 250 crores to Rs. 300 crores are likely to be impounded and, if so, will it not affect the credit facilities. If the credit facilities are going to be affected will not the small scale sector be affected the most. If that is so will you give instructions to all the banks that as far as small scale sector is concerned their credit facilities should not suffer at all?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): Sir, so far as the factual part of the hon. Member's question is concerned, it is true that we have increased the CRR from 7% to 8.5% in the course of the year and the objective which the hon. Member has referred to is also the same, viz., to mop up the excess liquidity. But his conclusions in regard to the decision of impounding the incremental part of the deposit to the extent of 10% are not correct. Sir, the bank deposit growth in the first six months of the current year has grown to Rs. 4840 crores as against the expectation of Rs. 4000 crores. Secondly, the credit growth during the same period is Rs. 1250 crores against anticipated Rs. 1500 crores. As such, we have taken this decision. So far as the requirement of credit for genuine productive sector is concerned, it is always kept in view and the hon. Member would appreciate that from time to time we have reviewed the credit policy keeping in view the requirement of productive sector. At one point of time the CRR was 8%

and when we found industry requires credit we took the decision that CRR should be reduced gradually. As we increased it gradually as the situation demanded we decreased it. There is no hard and fast rule. The policy will have to be adjusted keeping in view the requirement of economy and overall checking increase in prices.

PROF. MADHU DANDAVATE: Sir, he has generally talked about the productive sector but I would say that, no doubt, sometimes the credit curb will have to be applied but when that takes place will you send instructions that small scale sector should be the last to be affected?

SHRI PRANAB MUKHERJEE: Small scale sector is always given credit preference so far as their requirement is concerned.

PROF. P. J. KURIEN: Sir, the Minister has categorically said that the present increase of CRR will not affect the small scale sector. I would like to know whether you have examined that the target fixed for small scale industry has been achieved or not and whether or not this present control on advances will affect the target fixed for that sector. If the target has not been achieved what steps would you take to see that the target gets achieved.

Secondly, Sir, the banks have an apathy towards the rural sector and the small scale industries are in the rural areas. I would like to know whether some target is fixed for credit deposit ratio in the rural areas and, if so, whether it has been achieved or not?

SHRI PRANAB MUKHERJEE: Sir, as I mentioned in reply to Prof. Dandavate's supplementary, the credit policy is flexible and it is always adjustable to the needs of the economy. So far as the target for the industrial sectors, medium small or large scale is concerned, it is being fixed and credit is arranged to reach that target. But merely financial credit is not adequate, unless it is being matched by the demand from the other sectors. For

instance, small scale industries and ancillary industries and other industries are there. To a considerable extent, their achievement to reach that target will depend upon how much they can supply to their main-end users. Therefore it will depend upon the overall industrial activity. Keeping that in view, as I said—I am repeating it—we always adjust it. I can assure the hon. Member that there will be no dearth of credit for the genuine productive sector. In regard to credit deposit ratio for rural areas, the hon. Member knows that our target is 60 percent.

PROF. P.J. KURIEN : He has not answered my question. I asked to what extent the credit deposit ratio in the rural sector has been achieved, whether you have achieved this, and if so, to what extent. That was my question. I know it is 60%.

PROF. MADHU DANDAVATE : It is achieved better in the South actually.

SHRI PRANAB MUKHERJEE : Yes, much more in the South.

Concessional loans to Landless and other weaker sections.

*247. **SHRI P. K. KODIYAN :** Will the Minister of FINANCE be pleased to lay a statement showing :

(a) whether any directive had been issued to the nationalised banks to issue consumption loans to landless and other weaker sections;

(b) if so, how many such loans have been sanctioned so far in different States; and

(c) the total amount involved in these loans ?

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

Statement

(a) to (c) Guidelines on consumption credit to all the commercial banks were issued by the Reserve Bank of India on 20th December, 1976. State-wise data in respect of such loans as at the end of December, 1981 is given below :

STATE-WISE POSITION OF CONSUMPTION LOANS OUTSTANDING IN RESPECT OF PUBLIC SECTOR BANKS AS AT THE END OF DECEMBER 1981

Name of State/ Union Territory	No. of A/cs.	Outstanding Amount in 000's Rs.
1	2	3
I. Northern Region		
Haryana	373	379
Himachal Pradesh	1325	1841
Jammu & Kashmir	—	—
Punjab	635	959
Rajasthan	1075	2205
Chandigarh	1	1
Delhi	583	319