

in this as well as in the next agreement which I will mention in a moment, to Bank of Baroda, the Punjab National Bank and the Canara Bank in terms of equity and to the State Bank in terms of quasi-equity. The second project is the Export Development Project which had been negotiated on the 26th May recently and the value is 66 million US dollars.

SHRI N. DENNIS: I would like to know whether the amount would be extended for the promotion of small scale industries in rural and backward areas. May I know the rate of interest of loans to the banks and the rate of interest that is levied from the enterprises?

SHRI EDUARDO FALEIRO: The participating banks which I have mentioned will provide credits to enterprises in India for promotion and upgradation of technology to increase competitiveness and exports of manufactured products. (*Interruptions*)

Writing Off the Agricultural Loans

*278. SHRI H.B. PATIL: Will the Minister of FINANCE be pleased to state.

(a) whether some State Governments have approached Union Government to write off agricultural loans;

(b) whether Union Government have pointed out that if the practice continued it would lead to total collapse of agriculture credit system;

(c) whether any State Government has written off the agricultural loans during the last three years;

(d) if so, the names of the State Governments which have written off the loans; and

(e) the total number of farmers benefited so far and the total amount involved therein?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS

IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) to (e). A statement is given below.

STATEMENT

Government and Reserve Bank of India are in principle not in favour of any generalised write off of agricultural (and other) loans as it tends to vitiate the climate of recovery as also the viability of the credit structure as a whole. According to available information, only the Government of Haryana is reported to have written off short/medium and long term cooperative loans in 1987 amounting to Rs. 33.52 crores. National Bank for Agriculture and Rural Development (NABARD) has further reported that as per their information the State Government do not appear to have entirely reimbursed this amount to the concerned cooperative institutions.

SHRI H.B. PATIL: Sir, it has been mentioned in the Statement that the Government and Reserve Bank are in principle not in favour of any generalised writing off of agricultural loans, whereas a lot of concessions are given to the industries. Why is the Government not thinking on those lines? When certain units become sick, you take a decision to write off their loans, but when the farmers do not get yield due to drought or other natural calamities, why should the Government not think to give them concessions and writing off of their loans etc.?

SHRI EDUARDO FALEIRO: There is no divergence as far as industry and agriculture are concerned in regard to the writing off of loans. Writing off of loans is done in terms of the general principles which govern the law of insolvency. When the money cannot be recovered, it is totally irrecoverable, then the only way is to write off the money. There is no discrepancy between the industry and agriculture on this fundamental principle.

[*Translation*]

SHRIBALKAVIBAIRAGI: Mr. Speaker, Sir, a separate half-an-hour discussion may kindly be allowed on this subject.

MR. SPFAKER: First of all, 15 minutes time may, be utilised, 'half-an-hour' can be admitted later on only.

[*English*]

SHRI H.B. PATIL: I am not satisfied with the answer of the hon. Minister. When the industries become sick, they take all possible measures to assist them as also write off their loans. I would like to know whether the Government has any proposal to write off the loans given to the farmers in case of drought and other natural calamities for two or three consecutive years. Why should the Government not think on those lines to write off those loans?

SHRI EDUARDO FALEIRO. I have already mentioned the principle which governs the writing off of loans. In case of drought etc., a lot of assistance and facilities are given, which have already been mentioned in this House.

SHRI SHANTARAM NAIK. The hon. Minister said that when a particular loan cannot be recovered, that is the only criterion for writing off of the loan. But at times, there are several circumstances under which the writing off of loans can be considered and should be considered. Will the Government consider framing a policy on writing off of loans to farmers in such circumstances?

SHRI EDUARDO FALEIRO: These matters, as the hon. Member knows, are not dealt with by the Government, they are dealt with by the Central Bank, the Reserve Bank of India. It is so in India; it is so in other countries, and their guidelines will be followed.

THE MINISTER OF FINANCE (SHRI S.B. CHAVAN): So far as the policy of the Government in this matter is concerned, it is depositors' money which ultimately is being advanced for different kinds of purposes. Sometimes, a comparison is made as to what are the facilities available to the industry and what are the facilities which are being provided for agriculturists. There is a pro-

posal under consideration whether we can treat both of them at par. That is one of the issues which is engaging the attention of the Government. But if the loans have to be written off, then Government should be in a position to totally compensate the banks, if that amount is to be waived off. I do not think that the Finance Ministry and for that matter, even the Government can take the responsibility of totally compensating the banks concerned. There is another proposal which, in fact, is engaging the attention of the Government and that is about setting up of a fund, where calamities are involved, whether the banks can possibly be compensated if any concessions are to be extended to the agriculturists.

[*Translation*]

SHRI RAM SINGH YADAV. Mr. Speaker, Sir, different recommendations and demands have been made by the various political parties and sections in various States with regard to the policy to be adopted about waiving of loans some people have also made political capital out of it and they are still trying to do so. The country can no longer afford such misconceptions created in the minds of the farmers who are being misled by them. Therefore, it is necessary that the Government should decide some definite policy in this regard so that such a misconception does not arise in minds of farmers. Besides, it is also necessary that at places where drought, flood or such natural calamities strike, the policy of the Government regarding the farmers who have suffered losses and are not in a position to repay the loans, should be made clear. Therefore, I would like to know whether the Government is aware of the fact that the Chief Minister of Haryana secured votes of the farmers through such a facade and whether any such announcement was made by him with the consent of the Central Government and what is the attitude of the Government in this regard. Will you kindly give information to the House in this regard?

SHRI S.B. CHAVAN: Mr. Speaker, Sir, in this regard the Chief Minister of Haryana

had stated a number of things before elections as well as after coming to power. But according to our information received from NABARD, he has written off neither loans nor interest on loans of any one. If at all anything has been done, efforts have been made to provide interest-free loans from the banks and nothing beyond this.

[English]

SHRI K.S. RAO: Sir, this requires a Half-an-hour discussion.

MR. SPEAKER: I will allow a discussion.

PROF. P.J. KURIEN: Sir, it is most unfortunate that some of the political leaders in our country resort to the kind of populist gimmicks which are detrimental to the national interest. If loans given by the banks are to be written off, how are the banks going to function? What will be the future economy of the country? So, this is detrimental to the basic interest of the country. Some of the political leaders and even the Chief Ministers have announced about it. Another man who has now resigned and went away, Shri V.P. Singh, had also announced that once he will come to power he will also do it. I think he knows that he will not come to power and that is why he made such a statement. When he was the Finance Minister, he never proposed it. The Finance Minister, Shri V.P. Singh, is different from the real V.P. Singh. There are two incarnations, as has already been said. So, the point is, how do you allow such statements to be made by these leaders and then go scot free, when you are absolutely sure that these statements are detrimental to the national interest? What action are you going to take in this regard?

SHRI S.B. CHAVAN: Government cannot stop anyone from making any statement. Whether it is a responsible or an irresponsible statement, it is ultimately for

the public to judge. I have just now stated that Government is seriously considering as to how we can go to the rescue of those who are affected by the natural calamity, by setting up some kind of a fund so that on the one hand we are able to help the bank and on the other hand help the agricultural sector also.

SHRI MURLIDHAR MANE: I want to know from the hon. Finance Minister whether the Government of Maharashtra has approached the Union Government or the NABARD for reducing the rate of interest on agricultural loans.

SHRI S.B. CHAVAN: As far as my information goes, an effort was made with the Reserve Bank of India and the NABARD for reducing the rate of interest. The NABARD and the RBI have said, "Those who follow the discipline laid down by them will be financed. If you don't want to follow that, then ultimately, it is for you to decide whatever you feel like." But ultimately, the Apex Co-operative Banks gave an undertaking to the NABARD saying that they are prepared to accept this position and they will be able to follow the discipline which was laid down by the RBI and the NABARD. That is why that problem no more survives.

SHRIMATI BASAVARAJESWARI: Mr. Speaker, Sir, I want to know from the hon. Minister whether the RBI had issued any guidelines towards the writing off of interest and penal interest for the loans borrowed by the small and marginal farmers, in case the interest and the penal interest become overdue. That is called *Damdu Pattu*. It is not advisable to discriminate small and marginal farmers because after the land legislation, most of the farmers have become small and marginal farmers. I want to know whether you will treat all the farmers equally.

SHRI S.B. CHAVAN: So far as the definition of small and marginal farmers is

concerned, the hon. Member must be aware of the fact that there is a particular limit of acreage. If the farmers were to hold acreage below a particular level, then they are being treated as small and marginal farmers. The principle of *Damdu Pattu* will be applicable in those cases only and not in the case of others.

SHRI P.M. SAYEED: Mr. Speaker, Sir, every year, the nationalised banks write off a minimum of Rs. 200 crores as bad debts. They are not even brought here for discussion. They are also protected under the Act.

As per the hon. Finance Minister's statement, now both industry as well as agriculture are going to be considered at par. We welcome this. Pending that, I would like the Government to come forward and make a declaration that the penal interest which is being collected from the agriculturists or the farmers would be stopped. At least before we come to the conclusion, this penal interest should be stopped.

SHRI S.B. CHAVAN: So far as the treatment of the agricultural community is concerned, they are being treated on par with the industry. The first implication which the hon. Member seems to have drawn is that as in the case of the money which in fact was waived by some of the banks, similar kind of treatment should be given to all. The only implication, according to me, will be the concessions which are available to the industrial sector, and to the extent possible, we are examining it as to how far we will be able to extend the same concessions to the agricultural community so that agriculture also may be undertaken on commercial lines. That is the idea that the Government has in view.

So far as penalty part of the interest is concerned, it is with a view to see that the money does not get blocked with any particular section because, ultimately, the money

has to get circulated. Unless the people pay back, I do not think that the banks will be in a position to advance the money required by other sections, among the cultivators themselves.

SHRI GEORGE JOSEPH MUNDACKAL: Is it a fact that the industry people are getting loans actually without large security? The poor farmer has to give all this land for security and he is getting only 30 per cent or 40 per cent of the value of the money. That is why you are not writing off.

At the same time, you are not writing off the industrial advances and direct advance. They can escape. In the meantime, the farmers are not getting any concessions in the matter of interest. The rate of interest charged by the NABARD and the Reserve Bank is very high compared to that of in the case of industrial and other sectors. Can you be able to reduce the rate of interest? You have to consider the security point. You have to see that the industry should be brought at par with agricultural also.

SHRI S.B. CHAVAN: There seems to be some kind of a misunderstanding about the security demanded from the industrial sector and also from the agricultural sector. Actually, we do not make any distinction of this nature. If at all any distinction is made, it is in favour of the cultivator and not the industrial sector. I don't think that it will be a correct proposition to say that we should write off money. If we have to write off some money, we can do it. But, thereafter no money will be available for being advanced to the cultivators. That is why, it is not in the interest of any community, any section of the community, to write off the money.

MR. SPEAKER: The question Hour is over.