

## ANNOUNCEMENT REGARDING THE HEALTH OF SHRI BEKAL UTSABI

**THE DEPUTY CHAIRMAN:** I have to inform Members that Mr. Bekal Utsahi is being admitted in the Nursing Home. His blood pressure is all right and he is being looked after well.

Now the House is adjourned for half an hour for lunch and will meet at 3 P.M.

The House then adjourned for lunch at thirty-four minutes past two of the clock.

The House reassembled after lunch at four minutes past three of the clock. **The Vice-Chairman (Shri B. Satyanarayan Reddy)** in the Chair.

## SPECIAL MENTIONS

**THE VICE-CHAIRMAN (SHRI B. SATYANARAYAN REDDY):** We take up special mentions. Shri Manhar.

### Drought Conditions in Madhya Pradesh

**SHRI BHAGATRAM MANHAR (Madhya Pradesh):** Mr. Vice-Chairman, Sir, I have to bring to your kind notice and to the notice of the House a serious situation which has developed in the Chhatisgarh region of Madhya Pradesh. Three districts, namely, Rajnandgaon, Durg and Raipur have been affected by serious drought due to inadequate rainfall. About 270 villages in Rajnandgaon, nearly 1500 villages in Durg and equal number of villages in Raipur have been affected. Relief works have not yet started. There has been a colossal crop failure and the people are leaving in search of food and jobs. In these affected districts, people are selling their small belongings and cattle to sustain their livelihood. In this difficult situation, although certain works have been sanctioned

but these have not yet commenced and as a result, the people are suffering. One of the immediate needs in the affected areas is adequate financial assistance and commencement of relief works on a war footing.

Recently, the Central Government deputed a team to visit the affected districts which made a survey. The State Government has demanded Rs. 88 crores for drought relief works from the Central Government. But so far no funds have been released by the Centre. Due to inadequate resources as well as lack of co-ordination, the State Government has not been able to do anything to relieve the people of their distress. I, therefore, urge upon the Central Government to immediately rush financial and material assistance to the affected areas so that the condition of the people does not deteriorate further. I do hope and trust that the gravity of the situation will be realised by the State and Central Governments.

### Discontinuance of Fresh Loans to some States by NABARD

**DR. YELAMANCHILI SIVAJI (Andhra Pradesh):** Mr. Vice-Chairman, Sir, recently, the NABARD has instructed six State Governments, namely, Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, Haryana and Punjab to stop giving loans to the farming community. The short-term and long-term lending institutions in the co-operative sector depend upon refinance from NABARD to carry out the lending activity to farmers. The ultimate lending rate for crop loans viz., loans for seasonal agricultural operations, is with a rate of interest of 10 per cent for loans up to Rs. 7,500/- and for higher amounts, the rate of interest goes on increasing on a graded scale. Nearly two-thirds of the seasonal agricultural operation lending will be in the bracket up to Rs. 7,500/-. In regard to long-term loans to small and marginal farmers and for purposes of minor irri-

tion and land development, which will normally account for the bulk of financing, the rate of interest is 10 per cent to the ultimate borrower and for diversified purposes and other activities like tractors, farm machinery etc., the rate of interest is 12.5 per cent.

Vide circular dated the 29th November, 1988, addressed to all the Managing Directors of State co-operative banks/State Land Development banks, the NABARD has stipulated that in the interest of credit discipline and the health of credit institutions, it has been decided that refinance for short-term, medium-term and long-term loans from NABARD will henceforth be subject to certain conditions as listed therein. As per condition (a), the regulations and instructions laid down by the Reserve Bank of India/NABARD relating to issue and repayment of loans and interest rates thereon are complied with fully and are not contravened directly or indirectly by the financed institutions or any institution financed by the refinanced institution.

In States like Andhra Pradesh where interest rebate of 5-1/2 per cent is announced by the State Government, the rate of interest for the ultimate borrower of co-operative loans will get reduced to that extent for repayment before due date. This is viewed by NABARD as contravention of their instructions relating to interest rates. On this account, refinance for all long-term and short-term loans is stopped by NABARD.

It may be stated that the interest rebate is available only for the borrowers who repay the loans in time and it is an incentive for prompt repayment. Not all borrowers repay the loans in time and avail of the rebate facility.

A reading of the wording of GO dated the 5th January, 1987, of the Food and Agriculture Department

will clearly show that the interest rebate scheme in operation in our State is only an incentive interest rebate and in no way it affects the basic structure of interest. Actually, the State Government has extended the interest rebate scheme not only in respect of loans advanced through primary agricultural co-operative societies affiliated to Central co-operative banks but also to the borrowers of ceded societies affiliated to nationalised banks as per GO dated the 4th May, 1987, of the Food and Agriculture Department. A comparative study of the recovery during the last three years will show that recovery has been the highest during 1986-87, when the interest concessions were available in full.

Therefore, it is clear that the incentive interest schemes are only beneficial for the credit institutions and they have only strengthened the institutions.

The NABARD perhaps can take exception only if the institutions charge a higher rate of interest than what is fixed by them and this can be construed as contravention. If the institutions either on their own or with the assistance of State Government offer reduced rate of interest like interest rebate, it cannot be said that there is contravention. Stopping flow of credit in the thick of agricultural season, that is, presently rabi season, will affect seriously programmes like rice thrust programme, national oilseeds development programme and long term loaning. Causing hardship to the farming community when credit is required is not the way to enforce credit discipline. Since various interest rebate schemes have been in operation in various States over a period of time and since the cooperative credit institutions are bound by the discipline of their own State Governments, it is not proper to penalise the credit institutions and choke the credit supply to the rural community without examining and

[Shri Yelamanchili Sivaji]

discussing the relevant issues with appropriate authorities, viz., State Government in the first instance.

Rabi lending season has already commenced. The credit limits for various cooperative Central banks have been just received and more proposals are with NABARD. Unless refinance is made available, it will not be possible to make rabi advances. Even if any financial assistance is given by Government to the institutions, lending activity can be undertaken only to that extent in the absence of refinance from NABARD which alone can facilitate a rotation of funds.

In the cooperative credit structure, the borrowers show enthusiasm to repay loans only when there is prospect of getting further loans. Because of the stoppage of refinance by NABARD, if this news gets wide publicity, there is a risk of the borrowers not repaying the loans which will affect the institutions very badly because the harvests are just over and we are approaching peak recovery season. In the interest of recovery and to instil confidence in the borrowers about refinance at farmers level, it is necessary to take early steps for restoration of refinance.

The implications, therefore, are grave and unless refinance is restored, there is no prospect of resuming lending operations in any significant manner.

In this connection, I would like to add that more than Rs. 7,500 crores are locked up as advances in sick industries and there is no possibility for the nationalised banks to recover the same. During the last session I received an answer from the hon. Finance Minister that the nationalised banks are giving that differential rate of interest of 4 per cent even to pickpocketers to rehabilitate them. But the agriculture gets less than 15 per cent of the total lending by

the financial institutions. So, I appeal to the hon. Finance Minister to see that this order is waived completely.

श्री राम चन्द्र विफल (उत्तर प्रदेश) :  
मैं भी अपने आपको इनकी बात से  
सम्बद्ध करता हूँ ।

SHRI MOTURU HANUMANTHA  
RAO (Andhra Pradesh): Please allow  
me to associate myself with the de-  
mands of farmers that have been rais-  
ed by Dr. Sivaji.

DR. G. VIJAYA MOHAN REDDY  
(Andhra Pradesh): Sir, I associate  
myself with this. When Chakravarti  
Shri Rajagopalachari passed the  
Ryotwari Act in Madras in 1937 the  
entire country welcomed it as libera-  
tion of the peasantry from the clut-  
ches of the moneylenders. Now the  
Congress party has forgotten the pe-  
asantry and the working class.

This is the tragedy of the situation.  
Because of this, so many problems are  
coming up. This is a special prob-  
lem that has been created by the  
Government. It is the responsibili-  
ty of the State Government to im-  
prove agricultural production. Es-  
pecially in the State of Andhra Pra-  
desh, the State Government under the  
stewardship of Shri N. T. Rama Rao  
had come forward with giving 5-1/2  
per cent incentive interest concession  
to those who made prompt payment  
of agricultural loans. This measure  
had a very good effect so far as re-  
covery of loans was concerned and it  
helped in the re-cycling of loans in  
the past three years. The expendi-  
ture on this concession is borne by  
the State Government exchequer it-  
self. Instead of appreciating this  
gesture, even without formally con-  
sulting the State Government of  
Andhra, the NABARD has withdrawn  
the facility of refinancing on the gr-  
ound that the State Government  
which is giving this incentive interest  
concession is following economic in-  
discipline.

Sir, I want to bring it to the attention of the House and the Central Government that recourse to this step in the middle of rabi season is nothing short of betrayal of the interests of the farming community in Andhra Pradesh and also in other States in this country. We demand through you, Sir, that the Government should withdraw this reactionary, anti-people move. We also warn the Government that if it continues in this high-handed manner, the peasantry will have to revolt.

With this, I associate myself with this Special Mention. Thank you.

**DR. YELAMANCHILI SIVAJI:** Sir, we want to have the reaction of the Finance Minister who is fortunately sitting here in the House. He is very soft towards farmers.

**THE VICE-CHAIRMAN (SHRI B. SATYANARAYAN REDDY):** The Minister will write to you.

**DR. YELAMANCHILI SIVAJI:** By the time he writes to me, the rabi season will be over.

**DR. G. VIJAYA MOHAN REDDY:** In the middle of rabi season, it is nothing short of betrayal of farmers.

#### **Utilisation of large sums of profit for writing off bad Debts by Nationalised Banks**

**SHRI GURUDAS DAS GUPTA (West Bengal):** Sir, according to my information, the nationalised banking system in the country had earned Rs. 250 crores as net profit last year, whereas the actual gross profit for the same year, according to my calculation, is around Rs. 750 crores. This wide gap between the net profit and the gross profit is due to the fact that the managements of the nationalised banks are setting apart a large sum of money every year on account of provision for writing off of bad debt and actually utilising a very large sum of money for the same purpose. Since the banks do not have to disclose the reserve for bad debt account and also the sums being written off as bad debt, the managements of these banks take recourse to arbitrary

decisions and actually dole out patronage in exchange for personal benefits. Let me give you an instance. The Chairman of the Indian Bank, whose name is Mr. M. G. P. Nair, had, a day before his retirement, written off Rs. 55 lakhs on account of outstanding interest in an account which stood in the name of Peacock Hotel, a leading hotel of Madras. The total amount that this leading hotel of Madras had taken as advance from this bank is around seven crores of rupees.

I have with me a confidential report of the proceedings of the Board of Directors of the Central Bank and let me quote from that report to show how seriously the vitality of the banks is being affected. In 1985, the Central Bank, the second leading bank in the country having a deposit of Rs. 800 crores, had a gross profit of Rs. 57 crores. But this profit of Rs. 57 crores slumped down to Rs. 9 crores because the bank had set apart Rs. 40 crores as reserve for bad debt and for writing off of bad debt. They had a reserve of Rs. 30 crores for bad debt and utilised Rs. 10 crores for writing off bad debt in 1985. In the next year, the gross profit of the Central Bank, according to the proceedings of the Board of Directors, to which I have access, was around Rs. 75 crores, whereas the net profit had slumped down to Rs. 24 crores because they had utilised Rs. 35 crores as reserve for bad debt and for writing off of bad debt. That is, out of Rs. 75 crores of gross profit, Rs. 35 crores had been utilised or mis-utilised by the bank.

Last year, Rs. 77 crores was the gross profit of Central Bank and what was the net profit? The net profit was only Rs. 13 crores. What was the reserve? The reserve was Rs. 25 crores. What was the amount written off? It was Rs. 12 crores. So, Sir, things are happening like this because the managements of the banks are not under any obligation to disclose their accounts. They are not answerable to Parliament. Parliament has no jurisdiction over them.