

STATEMENT BY MINISTER

Refinance Scheme for working capital loan under single window to tiny and SSI Unira

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): Mr. Vice-Chairman, Sir...

While presenting the Central Government Budget for 1988-89, the Finance Minister had *inter-alia*, mentioned that "New Small Scale units often experience problems and delays in securing working capital finance. In order to overcome this difficulty, it has been decided that requirements of working capital upto Rs. 2.5 lakhs for new tiny and small scale units, whose project cost does not exceed Rs. 5 lakhs, will be provided through a single window. Thus, both term loans and working capital will be made available by the same bank or institution. The details of this scheme will be announced by Industrial Development Bank of India".

In this behalf, I have pleasure in laying on the table of the House a copy (in English and in Hindi) of "Industrial Development Bank of India—Refinance Scheme for Working Capital Loan under Single Window to tiny and SSI units by State Financial Corporations/State Industrial Development Corporations". A few copies of the scheme have also been placed in the Parliament Library.

This facility is intended to enable the new and eligible tiny and SSI units seeking finance from State Financial Corporations/State Industrial Development Corporations to obtain working capital expeditiously to commence commercial production.

SHRI L. NARSINGH NAIK (Andhra Pradesh): Mr. Vice-Chairman, Sir, I welcome this single window scheme. Such a scheme is already in operation in Andhra Pradesh and it is getting appreciation throughout the country.

This system is very good. The small entrepreneurs are facing much difficulties in getting finance and other facilities from the Government. In our country there are more than a lakh of sick units, but I would like to know how these units can be helped under the single window system. Now, Sir, I would like to seek some clarifications from the Minister.

(1) What modalities are you going to propose to give these facilities, and how much finance is allocated for this scheme which is going to be given to the small units? There are so many institutions but it would be better to bring all the financial institutions under one umbrella. This single window system is very good for the small units and it is being adopted by the Andhra Pradesh Government in Agriculture sector, which is a good thought on the part of our Chief Minister, Shri N. T. Rama Rao. But there is a doubt whether the facilities under this system will be extended to all the districts. Every district should be given the opportunity to get financial assistance for the small units. (2) The Minister may also clarify what procedure they are going to prescribe to obtain these facilities. There are some ancillary units and some agricultural units and these units also must be covered by this system because this would be better for the people in this sector.

This system is very good and I request the honourable Minister to clarify the points I have raised.

Thank you, Sir.

... (Interruptions)...

THE VICE-CHAIRMAN (SHRI SATYA PRAKASH MALAVIYA): Shri Das Gupta.

DR. SIVAJI YELAMANCHILI (Andhra Pradesh): Sir, I want to seek two clarifications.

• THE VICE-CHAIRMAN (SHRI SATYA PRAKASH MALAVIYA): Please sit down. I have called Mr. Das Gupta.

... (Interruptions)...

SHRI GUBUDAS DAS GUPTA (West Bengal); Mr, Vice-Chairman, Sir, I wholeheartedly welcome the statement made by Mr. Eduardo Faleiro, but I have some clarifications to seek. The points are simple.

Mr. Faleiro must be knowing that institutional finance in our country is very much grabbed by the leading business houses. It is known to all. In that context this single window system for the small business houses is a very welcome step, a step in the right direction undoubtedly. My points for clarification are: (X) How and how what way are you going to make the procedure simple? The procedure must be simplified. Otherwise, it will be difficult for the people to get the loan on time. I know a number of cases in which belated loans had been, the reason for closure of units. Therefore, there has to be a case of simplification because they are all new people, they are not accustomed with the procedure of the administrative apparatus. Therefore, simplification is very important.

Secondly, the applications have to be disposed of expeditiously. The time gap between the submission of the application and the disposal of the application has to be the minimum. What is the Government going to do about it?

Thirdly, on the question of security, loan applications are rejected on a number of cases. I can cite different examples also when instead of taking any security, loan is most generously advanced. Therefore, on the question of security what are you going to do?

My fourth question is: how are you going to oversee and monitor because this single window system may open up cases for people who may be faking loan and wasting it.

There may be some frontline firms and there may be back-seat driving. Big firms under the name of small firms may be taking loan, and there 361 RS—11 FP

may be a tendency to eat up' the loan. Therefore, there must be a monitoring system. There must be a system to oversee. Otherwise the laudable mission or the objective is bound to be defeated.

I have stated my four points, and I would like the Minister to clarify about them categorically.

SHRI JAGESH DESAI (Maharashtra): welcome the scheme. There is no doubt about it that it will help the small sector.

But I would like to ask for two clarifications. One, the major chunk of finance to revive sick industries has been given to large-scale industries and not to small-scale industries. You can see the report I would like that before giving financial assistance by way of loans to sick industries, preference and priority should be given to the small-scale industries and after you meet their financial need, then only, loan should be given to the large-scale industries. But, unfortunately, the figures reveal that major chunk of the finance is given to large scale industries. This imbalance has to be corrected.

My second point is, everyday we are finding that a new finance corporation is being established. Why do you want to have so many financial institutions? Before the banks were nationalised, if it was so, I can understand. But after the banks have been nationalised, then, finance should be given by banks, or one of the financial institutions. Because you have to borrow loans from the foreign countries, for that purpose you require another one. But here we have the Power Finance Corporation, the Railway Finance Corporation, and every Department wants to have a financial corporation. This must end. If you want a low-cost economy, then you have to have only one finance corporation. Will the Government look into it and merge all of them into one umbrella? If that is not done, then finance will be given by so many institutions, and

[Shri Jagesh Desai]

the burden of the administration will fall on the borrowers. That has to be done away with. I would like to know the reaction of the Minister in this regard.

. SHRI .KAMAL MORARKA (Rajasthan):
Sir I have got to ask for only two small clarifications on the statement.

Number one? Will the state Finance Corporations be disbursing these loans and taking refinance from the IDBI or will the present practice be followed? Now an appraisal is done by the IDBI also. That means that the proposal remains pending, and the entrepreneur has to rush to the IDBI or find some link with the IDBI. The purpose of this whole exercise of the Single Window is to cut the delay. The appraisal should be done by the State Finance Corporation and refinance should be exercised between only the State Finance Corporation and the IDBI. The enterprise does not come into the picture. But in practice that is not happening. Large industries probably can go to Bombay and do all that, but not the tiny sector. I would like the Government to ensure that the appraisal is done locally and that the entrepreneurs do not have to go to the IDBI. That is number one.

Number two is about security. Small entrepreneurs are being asked to give collateral security. If the new entrepreneurs have to mortgage their house or their parent's house or something, that is not the intention of encouraging new entrepreneurs. This practice is still very prevalent. Banks naturally to be on safe side ask for collateral security. The avowed policy of the Government is that the loan should be purpose-oriented not security-oriented. In the light of this I would like to get clarification at least on the point that small and tiny sectors will not be asked to give security in the shape of ancestral property or land or whatever it may be.

SHRI EDUARDO FALEIRO: I thank all the hon. Members for the support that they have given and the appreciation that they have expressed for the scheme.

Some of the hon. Members have mentioned now that the scheme, which has been prepared for the tiny sector, should be extended a little further to slightly larger sector, smaller sector generally. We will consider this in the light of the experience as we go along on the experience of our single window concept for the tiny sector.

Mr. Kamal Morarka, the last speaker, and also other speakers like Shri Das Gupta, Shri Jagesh Desai, Shri Naik and others have asked what exactly are the benefits that are going to flow. The point made by Mr. Morarka is whether the system of double appraisal and getting finance from two places is going to end or not. My answer is in the affirmative. It is true at present every unit has to approach two institutions—one for its term loan requirements and the other for its working capital requirements. With the introduction of this scheme the entire requirement of term loan and working capital will be available from a single source viz. the State Finance Corporation or the State Industrial Development Corporation. The advantage is that a unit with a working capital of Rs. 2.5 lakhs will not have to go to any bank and the finance sanctioned by the State Financial Corporation will be both for fixed assets and working capital from a single window. The entire amount or working capital loan up to Rs. 2.5 lakhs will now be refinanced by the IDBI to the State Finance Corporation or the State Industrial Development Corporation to the extent of 100 per cent. This will improve the position substantially because this limit will cover about 75 per cent of the cases which are apparent from the State Finance Corporation's portfolio.

On the point that Mr. Morarka made, no separate appraisal will now be

necessary for giving working capital finance as one appraisal by SFC or SJDC willy cover both term loan and working capital, .

Now, the major benefit that will flow from this, as the industrialists will appreciate is that in view of this finance being made available from one source,, the unit will be able now to start production immediately on completion, thus saving time and also interest will be paid on loans before commencement of production.

A point generally has been raised about sickness in industries. As far as sickness in industries generally is concerned it is the Ministry of Industries, which will deal with this, but as far as financial inputs are concerned, the point has been made here that if you some time make delay in giving finance, industries especially in small and tiny sectors will fall sick. Therefore, we will look into this. Our Ministry will have a meeting to see in what manner financial institutions can contribute (1) to prevent sickness and (2) to rehabilitate units that have fallen sick,

A point has been raised that it iss not enough to have good schemes. What is equally, if not more, important is to see that schemes are properly implemented. So, we have to do monitoring of this. I will myself visit as many States as I can as soon as the Parliament is over and meet the bankers, the Chief Ministers of different States...

THE VICE-CHAIRMAN (SHRI SATYA PRAKASH MALAVIYA): Not Parliament, but the Parliament session.

SHRI EDUARDO FALEIRO; Yes, Parliament session. Parliament will never be over. That is why we are here. We want to see that Parliament is never over. I stand corrected. When the Parliament session is over, I personally will visit different States and discuss this matter with the State Governments and also with the finan-

cial institutions and try to see how we can increase this inter-action between the State Governments, financial institutions, industries and industrialists of all levels so that monitoring is done properly. The effects of this and similar schemes of the Government of India are to see that the programmes for the benefit of the industries and economic development are properly implemented.

I suppose I need not say anything more on the points.

SHRI JAGESH DESAI (Maharashtra): I have one point. Major chunk ,of the finances go to the large scale industries but not to the small scale industries.

SHRI EDUARDO FALEIRO: This, is a broad statement. In this country like in any other country and particularly in a country of our size, with such a large economy, we need all sectors. We need large sector. We need small sector. "We need medium sector. We need tiny sector. But I agree with the hon. Member that we must give particular attention to the tiny sector, because tiny entrepreneur, small entrepreneur cannot maintain his liaison" office, he cannot maintain his representative office, he can-not rurt, from place to place. We shall give them particular attention. We realise, particularly, in a country of our size, we need all types of industries, of all sizes in different sectors.

A point has been made that a project should be financed on the basis of viability and not security. Yes, we must also see that the money comes back to the banks. Banks are there to make the people, to make the farmer productive and banks are there as financial institutions to get the returns of the money that is given by the banks. This is the concept that we have about the banks as a means of production. If the banks are not strong, then, the economy will not be strong. Therefore, you should not weaken the bank in any

[Shri Eduardo Faleiro]

manner whatsoever. If we Weaken the banks, we will weaken the economy.. If we weaken the economy, we will weaken the nation. That is .something which we should not do.

SHRI M PALANIYANDI (Tamil Nadu): What about schemes for educated unemployed youth?

SHRI EDUARDO FALEIRO: Sir, there are number of ' schemes for educated unemployed youth, for technocrats and so on and so lorth. The House knows, Sir,....

SHRIMATI JAYANTHI NATARAJAN (Tamil Nadu): What about schemes for women?

SHRI EDUARDO FALEIRO: Sir. there are a" number of schemes for women. Well, women should not insit on special quota while all the time asking for equality with men. They cannot have it both ways. They cannot ask for equality and at the same time ask for separate quota. I think the Leader of the Telugu Desam insist On special quota while all the very much.

THE SPECIAL PROTECTION GROUP BILL, 1988—contd.

THE VICE-CHAIRMAN (SHRI SATYA PRAKASH MALAVIYA): Now, we will resume the discuss on on the Special Protection Group Bill, 1988. Shri T. R. Balu.

SHRI T. R. BALU (Tamil Nadu): Mr. Vice-Chairman, Sir, considering the extraordinary and alarming situation in this country, I am not against the passing of this Bill which seeks statutory status to the security arrangements for the Prime Minister as well as the conduct of the Special Protection Group. But I am much against the dictatorial way of func-

tioning of this Government. Sir, it was in 1985 about 1,400 person's Were diawn from various services in this" country to form the Special Protection Group. At that time, the Government had not consulted the Parlia, ment and probably this may be a later thought to bring this Bill before this august House. Here I want to draw the attention of this House to clause 14- of this Bill, I quote;

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"It shall be the duty of every Ministry and Department of the Central Government of the State. Government or the Union Territory Administration, every" India, Mission; every local or other authority or every civil or military authority to act in aid of the Director or any member of the Group when- — ever called upon to do, so in fur-therence of the duties and responsibilities assigned to such Director or member."

Sir, from this we can conclude that any member of the Special Protection Group could call any authority, whether it is Central Government authority. Or State Government authority of local administration authority. For instance, if our Prime Minister visitg a place within the jurisdiction of a Panchayat and if a member of the Special Protection Group asks for the construction of a helipad for the Prime Minister's visit which costs. lakhs and lakhs of rupees, can a local authority like the Panchayat afford te spend such a huge amount for this purpose? I would like to know from the, hon. Minister whether this expenditure would he borne by the Central Government in aue course.

Sir. I am not against this Bill but at the same time, the financial aspect of the Bill which will be not less than Rs. 4.68 crores as that of last year and which Would be a recurring expenditure year by year, would be a gfeat drain on the resources of this country and the day is, not far off