

LOANS BY LIC

*200. SHRI A. G. KULKARNI : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that 75 per cent loans disbursed by the Life Insurance Corporation of India have gone to companies belonging to Monopoly Houses; and

(b) if so, what structural changes Government propose to take to broad-base the loaning programme with a view to assisting smaller entrepreneurs ?

THE MINISTER OF FINANCE (SHRI Y. B. CHAVAN) : (a) and (b) : A statement is laid on the Table of the House.

STATEMENT

(a) and (b) On 31-3-1971 the LIC's loans to different categories of borrowers totalled about Rs. 448.98 crores. The main emphasis is granting the loans has been on financing (i) water supply schemes and sewerage schemes in Urban areas and townships and Piped Water Supply Schemes in Rural areas, (ii) Generation and transmission of Electricity in Urban and Rural areas and for industrial and agricultural use and (iii) Housing. As regards loans to companies the LIC's role has been marginal.

2. The position regarding the LIC's loans to the private sector is as under :—

Loans to	(in lakhs of rupees)	
	Disbursed in calendar year, 1971	Outstanding loans as on 31-3-1971
1. Concerns belonging to Monopoly Houses	144 (74.23%)	16.30 (65.23%)
2. Other concerns	50 (25.77%)	8.65 (34.67%)
	194	24.95

The disbursements relate to loans sanctioned in earlier years. No disbursements were made in 1971 in respect of loans sanctioned during the year.

(3) Most small entrepreneurs are either proprietary concerns or partnership concerns and their needs are being met by term lending institutions and banks. The LIC is not a financing institution and is precluded from giving loans to such concerns. It is also not equipped to handle a large number of small loans all over the country. However, the LIC indirectly assists the small entrepreneurs by its investments in shares and bonds of term lending institutions. The LIC, as a rule, goes in for consortium loans. As these loans can be raised only by large concerns, a substantial part of the loans has gone to such concerns.

4. In the circumstances, no change in the LIC's loan policy is considered necessary.

SHRI GULAM NABI UNTOO : May I know the reasons why no loans have been sanctioned to public sector at all and as against it a substantial portion of the loans has been taken by monopoly groups ? Is this the way you are going to deal with monopoly groups ?

SHRI Y. B. CHAVAN: Really speaking the question refers to only a very limited portion of the LIC's activities. This does not give a general picture of the entire investment of the LIC. The question is asked about companies. Investment in companies compared to the total investment of LIC is very small and this percentage and other things are part of that fractional investment. To give a broad picture of the investment of the LIC I should like to give a little more information so that there may not be any misunderstanding about the whole thing and so that one can understand what the whole thing is like. Loans constitute one of the major avenues of investment of the LIC funds. On 31st March, 1971 the total investment pertaining to the life insurance business in India was Rs. 1673.61 crores of which loans to different categories of borrowers total Rs. 448 crores, including Government securities and loans to the Rural Electricity Boards, Housing Board, Own Your Home schemes etc. "Borrowing" is one thing "loans" is another. The other investment which is statutory investment under section 27-A in Government security etc. is a different thing. The question of investment in companies was put in such a

why that, we had to give a technical answer to it. Therefore, it does not represent, really speaking, the correct picture of the entire investment of the L.I.C.

SHRI KRISHAN KANT: Sir, the replies given to Question No. 182 and Question No. 200, they seem to be at variance. In reply to Question No. 182 it is said that for the year 1970-71 loans sanctioned to monopoly houses are 100 percent. In all the loans given that year, 100% were given to monopoly houses. In reply to Question No. 200 it is said that loans to monopoly houses disbursed in calendar year 1971 accounted for 74.23% and those for other concerns disbursed in the same year accounted for 25.77%. They could have given the replies to both the questions for the financial year so that the figures could be tallied, could be compared. I do not know why it was not done. After all, the question does not ask about the calendar year or the financial year. So the figures could have been given in either case either for the financial year or for the calendar year.

SHRI Y. B. CHAVAN: I quite agree that the figures could have been given as comparable things, because in one case the figure concerns the financial year and in the other it concerns the calendar year. I will try to find out the position.

SHRI KRISHAN KANT: Now my question is this. Is it the policy of the Government—leave out the requirements that the L. I. C. has to observe, is it the policy of the Government to strengthen monopoly houses?

SHRI Y. B. CHAVAN: No.

SHRI KRISHAN KANT: Then the policy should have been changed. It is very interesting that 68.62% of the loans were sanctioned in 1969-70 and 100% were sanctioned in 1970-71 to the monopoly houses. This is the position. So, something should be done so that the policy is changed. It is the small entrepreneur whom we want to bring up. If the rules and regulations come in the way, will Government do something in that regard so that the whole policy is changed for the benefit of the common man?

SHRI Y. B. CHAVAN: I agree with the hon. Member that the policy should undergo some change. But it is also the policy that the public financial institutions should get certain shares in the monopoly holdings.

SHRI KRISHAN KANT: Have you got that much control?

SHRI Y. B. CHAVAN: We will have to go in that direction. You cannot immediately do that by one step. Certain specific questions were asked about certain companies in Calcutta, about the Indian Iron and Steel Company; for example. Therefore, it was our interest to take shares in such companies, and investment in these companies was considered to be in the Public interest as well. I know that this is a very delicate question and a sensitive question, and so we are constantly looking into this matter. Very recently I had asked an informal group, with the Reserve Bank Governor as their Chairman, to go into the pattern of investments in these companies, and I found that the total investment in these companies was at the most Rs. 20 crores in terms of loans. All the same, I quite see the point that the hon. Member made. We will have to be very careful about these things and see that it is not used as a weapon against our general policy. I can certainly assure the hon. Member in this respect.

डा० जंड० ए० अहमद: श्रीमन, मंत्री महोदय ने जो आर्गुमेंट दिया है वह बहुत क्लेवर आर्गुमेंट है।

श्री य० व० चव्हाण : फैक्ट्स दिए हैं।

डा० जंड० ए० अहमद : फैक्ट्स नहीं हैं, क्लेवर आर्गुमेंट है कि मोनोपोली हाउसेज में पेनीट्रेट करना है।

श्री सभापति : आप भी क्लेवर सवाल पूछ लीजिये।

डा० जंड० ए० अहमद : मेरा यह सवाल है कि जो आपकी पोजीशन है वह गवर्नमेंट की जो नीति है उसके विरुद्ध जाती है, क्या आप पूरी चीज को रिएग्जामिन करने के लिए तैयार

हैं कि मोनोपोली हाउसेज में इतना इनवेस्टमेंट न किया जाए और रिलेटिवली जो स्मालर कम्पनीज हैं उनको ज्यादा बेटेज दिया जाए, उनको लोन देने में ज्यादा मदद और सहायता दी जाए, क्या इस पूरी पोलिसी को आप फिर से देखने के लिए तैयार हैं ? मालूम होता है कि आप ने इस पर नजर नहीं डाली है ।

SHRI Y. B. CHAVAN : I have said the question of investment will have to be constantly reviewed. I am prepared to have another look at it.

SHRI D. P. SINGH : May I ask the hon. Minister whether the L.I.C. is thinking of taking some concrete steps like conversion of the loans to private companies into equity capital, or are the merely content to appoint a few Directors to the Boards of the Companies ?

SHRI Y. B. CHAVAN : I think I have answered many questions on these things. The guidelines approved for they conversion are there and they are applicable to the L.I.C. also.

SHRI A. G. KULKARNI : I am mainly concerned with question 200. The first point I want to know about the monopoly houses is this. As the Minister has rightly pointed out, the endeavour is to control it through equities as well as to reduce the loans, but my question is what are the structural changes envisaged in this direction ? It is not only through equities or whatever it is that you can have effective control over these monopoly houses. How can it be effected through structural changes ? Has the Government given thought to this ? Also, to create a better rural infra-structure, may I know whether directions have been given to the LIC that, apart from granting loans to water supply schemes in urban areas, transmission lines, rural housing programme or any other programme, lift irrigation programmes will also be eligible for LIC's contribution either as loan or by purchasing what you call the loans floated by the societies or whatever they are ?

SHRI Y. B. CHAVAN : About the structural changes and the restructuring of

the economy we can have a very interesting debate, but we are now considering the question of investments by LIC and what is ultimately the social objective with which the investment policy is being pursued. That is the crux of the question. I can assure him that there are directives about it and the LIC is following them. Generally they are supposed to go into creating the infra-structure in the rural areas as well as urban areas. There are schemes for giving loans to the electricity boards for rural electrification. There is then "own-your-own-home" schemes for the policy-holders. Then, for smaller towns there is water supply scheme. As he himself has mentioned, these are some of the social objectives towards which we are working. Certainly these things can be multiplied. If the hon. Member has got any specific suggestion about it, I can certainly have another look at it.

SHRI A. G. KULKARNI : I asked him whether the LIC has been advised to contribute to the loans of the land mortgage banks and other banks for the purpose of rural lift irrigation for supplying water to the fields.

SHRI Y. B. CHAVAN : I will need specific notice of the question because I will have to get it examined.

SHRI BABUBHAI M. CHINAI : Will the hon. Finance Minister please enlighten us on this ? For the past twenty-five years we have been following a policy of mixed economy and having seen in this House for the last few years questions being put and answers being given, one comes to the conclusion that we have failed in the mixed economy policy. If that is so and since the hon. Minister has just now said that he could multiply them, is the Government thinking of only one sector, so that the LIC and other financial institutions could invest only in one sector, that is, the public sector, and do away with the private sector altogether ?

SHRI Y. B. CHAVAN : Well, Sir, if the hon. Member wants it that way I will have no objection.

SHRI BABUBHAI M. CHINAI : It is not a question of the hon. Member. It is

a question of the Government's policy. You yourself said that you will have to multiply it. In order to avoid this it is better to have only one sector.

SHRI Y. B. CHAVAN : I do not want to go into an abstract discussion, but mixed economy certainly cannot be an ideology. It can be an objective and at a certain stage of economic development it was a reality. The idea was ultimately to strengthen the public sector. Mixed economy or a 'non-mixed economy' cannot by itself be an objective. Even some of the Members, the Member from the Communist Party asked : Why do you not support the smaller industries ? He did not say completely ignore the private sector.

SHRI HARSH DEO MALAVIYA : Has the Government any target date by which it will completely stop giving any loan to the monopolies by the LIC ?

SHRI Y. B. CHAVAN : I think I have explained our approach in this matter. There is no question of fixing any target date.

SHRI K. CHANDRASEKHARAN : The statements given in reply to these two questions show a most disquieting state of affairs in regard to the investment made by the LIC of its funds. May I know whether the Government will issue a policy directive to the LIC saying that hereafter no loans should be given to the monopoly houses and if at all any such loans have to be extended such extension of finance would only be done by way of participation in equity share capital ?

SHRI Y. B. CHAVAN : This is a suggestion for action. As I said, certainly one can have a constant review about it.

DR. V. B. SINGH : Will the Minister kindly give the percentage break up of the loans given to the monopoly houses in the descending order ?

SHRI Y. B. CHAVAN : Well, I will have to find out.

DR. BHAI MAHAVIR : The statement given in reply to question No. 200 is very interesting. I would like to know from the

hon. Minister if he approves of what has been said in the statement that the LIC is precluded from giving loans to small concerns. 'Small concerns' means small entrepreneurs or other proprietary concerns or partnerships and it is said that it is not equipped to handle a large number of small loans all over the country, which means that the LIC, as it is equipped, is only equipped to support large concerns and big monopoly houses. At the same time, the LIC goes in for consortium loans. I would like to know, from the hon. Minister if he does not mean that the loans given to some of the big companies are only part of the public financial institutions' contribution to them and whether he would be able to tell us of the loans given by such other institutions like the IFC, ICICI, IDBI, etc, also so that we know what is the total amount of loans given to these concerns from the public sources.

SHRI Y. B. CHAVAN : I see his point—it is true. I would like the Members to consider this one particular aspect. It is not merely that one should get frightened by the word 'monopoly'. What is the total investment of the LIC and what of it is invested in these private companies. May be, part of it being monopoly houses also. However, it is just a fraction. Then, one has to see that ultimately the LIC has also to serve the interests of the policy-holders. They have to see that the part-folio of investment is such that they earn something for the policy-holders. That fact also will have to be taken into consideration. By this figure of one hundred percent and other figures we are rather misled because the question was put only for companies and the answer is given only in technical terms for companies. I think that till 1970 they were not supposed to invest in the public sector. It was a policy. It was changed from 1970 onwards. I find even today that the public sector is not interested to go to the LIC. They think that they can get loans from the Government at a low rate of interest and so they need not go to the LIC. So, you will have to take the totality of the picture into consideration and form a view.

DR. BHAI MAHAVIR : Kindly listen to me for a second. My whole question related to the statement regarding question

No 200 The Minister has confined his reply to the first question. I asked whether it is a policy that the LIC will not finance the small entrepreneurs which are proprietary or partnership concerns. And when they say that the LIC is not equipped to handle a large number of small loans all over the country, it means that you do not even envisage going into that role, So that is the point.

SHRI Y. B. CHAVAN : If the point is that the LIC does not give loans to the private limited companies, let us make this point very clear. First of all, there is the statutory restriction on them that they cannot invest to private limited companies. And it is true that as the other commercial banks are equipped with the machinery to process and service the small loans, the LIC is not meant for it.

DR. BHAI MAHAVIR : So, all support goes only to them.

श्री वी० के० सखलेचा : माननीय मंत्री जी ने पब्लिक सेक्टर कंपनीज और प्राइवेट सेक्टर कंपनीज और पब्लिक बाडीज को फाइनेंस करने के लिए तो बतलाया लेकिन खासकर हरिजनो के मकान बनाए जा सके या गावों में हरिजनो के मकानों के लिए ग्राम पंचायतों को और दस हजार से कम की पापुलेशन वाले स्थानों में जहाँ कोई फाइनेंस नहीं करता है वहाँ मकानों के लिए पब्लिक बाडीज को फाइनेंस करने के लिए एल० आई० सी० को क्या मंत्री जी कोई डाइरेक्शन देंगे ?

SHRI Y. B. CHAVAN : I have already said about the programme they are committed to. I do not think I should make it a burden of the LIC.

†SPECIAL ASSISTANCE TO MYSORE

*102 SHRI VEERENDRA PATIL
DR. K. NAGAPPA ALVA: ††

†Transferred from the 11th May, 1972

††The question was actually asked on the floor of the House by Dr. K. Nagappa Alva,

Will the Minister of FINANCE be pleased to state

(a) whether it is a fact that on the recommendation of the Planning Commission the Government of India assured the Government of Mysore of special assistance of Rs. 105 crores during the Fourth Plan period; and

(b) whether it is also a fact that of late the Government of India made it clear to the Government of Mysore that the assured special assistance would be only of the order of Rs. 60 crores; and if so the reasons therefor ?

THE MINISTER OF FINANCE (SHRI Y. B. CHAVAN) (a) and (b) According to the assessment made by the Planning Commission at the beginning of the Fourth Plan period, Mysore was expected to have a gap in resources totalling Rs. 105.72 crores, Rs. 60.50 crores on plan account and Rs. 45.22 crores on non-Plan account. The quantum of special accommodation to be given to the State Government was to be determined each year after taking into account the recommendations of the Fifty Finance Commission and the assessment of the Planning Commission in regard to unavoidable non-plan commitments, the scope of economies in non-plan expenditure, the efforts made to improve revenue and tax collections and mobilisation of other normal budgetary resources.

The latest assessment made by the Planning Commission indicates that while the Government of Mysore would be eligible to receive Rs. 60.50 crores as special accommodation for the State Fourth Plan, they would now not be entitled to special accommodation on non-Plan account.

DR. K. NAGAPPA ALVA May I know from the Government whether it is not a fact that according to the award given by the Fifty Finance Commission, Mysore was the only State which did not get any financial assistance and this was the main factor that weighed with the Government of India and the Planning Commission for assuring us of Rs. 105 crores of special accommodation ?

SHRI Y. B. CHAVAN That exactly is