

RAJYA SABHA

Tuesday, the 12th May, 1970 (Saka)

The House met at eleven of the clock, MR. CHAIRMAN in the Chair.

ORAL ANSWERS TO QUESTIONS

■ FLOW OF FUNDS FROM PUBLIC SECTOR FINANCIAL INSTITUTIONS TO SMALL SCALE SECTOR

155. SHRI CHITTA BASU : Will the PRIME MINISTER be pleased to state:

(a) whether Government have formulated any policy guidelines in regard to the flow of funds from the public sector financial institutions to small scale sector;

(b) if so, the details thereof;

(c) whether any small scale enterprise has so far

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P.C. SETHI): (a) to (d) A statement is laid on the Table of the House.

STATEMENT

(a) and (b) The Industrial Policy Resolution of 1956 stated that "the aim of the State Policy would be to ensure that the decentralised sector secures sufficient vitality to be self-supporting and its development is integrated with that of large scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small scale producer". Further, the Policy reiterated the role of small scale industries in these words: "They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and still...."

•j-Transferred from the 4th May, 1970.

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Having regard to these aspects Government has laid more and more emphasis on the development of this vital sector during the successive Plans.

Although Government have not formally laid down any policy guidelines for the flow of funds to the small scale sector, Government have from time to time brought to the notice of the banks and other financial institutions the high priority that has to be given to such credit and have taken various steps for the purpose. For instance, the Credit Guarantee Scheme for small scale industries was introduced by Government in July 1960 in order to encourage the flow of funds to the small scale sector. The scheme is being administered by the Reserve Bank of India on behalf of Government and is available to most of the commercial banks and State Financial Corporations. This scheme has been reviewed and liberalised and procedures streamlined from time to time.

In March 1968, the Industrial Development Bank of India announced a special concessional rate of 4½ per cent for refinance of loans given by financial institutions to small scale units covered by the Credit Guarantee Scheme provided the lending institution did not charge more than 8 per cent to the borrower.

The credit needs of the small scale industry are mainly catered to by the State Financial Corporations, National Small Industries Corporation and by the commercial banks. The Industrial Development Bank of India as an apex institution, has also been granting assistance to this sector by extending refinance facilities to term loans granted by the banks and State Financial Corporations.

As a result of over 80 per cent banking industry coming into the public sector, it is expected that the flow of funds to the small scale sector will increase rapidly.

(c) and (d) The assistance given to the small scale industrial sector by the State Bank of India, its subsidiaries, the 14 nationalised banks, the Industrial Development Bank of India, the State Financial Corporations and the National Small Industries Corporation, to the extent available, is furnished in the statement annexed.

ANNEXURE

I. Assistance given to Small Scale Industries by the State Bank of India and its Seven Subsidiaries

(Rs. in crores)

	No. of Units financed	Limit as at the end of January, 1970	Outstanding as at the end of January, 1970
State Bank of India	22747	192.43	108.04
Subsidiaries of the State Bank of India	9757	68.37	32.01

II. Assistance given to Small Scale Industries by the Nationalised Banks

(As at the end of January, 1970)

Number of Units financed	33764
Limits in force (Rs. in crores)	391.39
Amount outstanding (Rs. in crores)	184.97

III. Refinance Assistance sanctioned and Disbursed by the Industrial Development Bank of India in respect of Small Scale Industrial concerns as on the 31-3-1970

Assistance sanctioned (Effective)

Assistance disbursed

No.	(Rs. in Crores) Amount	(Rs. in Crores) Amount
616	6.77	4.03

IV. Loans sanctioned by the State Financial Corporations to Small Scale Industries and Amount of loans outstanding from them as on the 30-9-1969

Number of Accounts	3041
Amount of loan sanctioned to small scale industries	Rs. 49.20 crores
Amount of loans outstanding from small scale industries	Rs. 25.93 crores

V. Assistance given by the National Small Industries Corporation in the shape of Imported and Indigenous Machinery supplied to the Small Scale Industries in the Years 1964-65 to 1968-69 (upto 28-2-1969)

(Rs. in lakhs)

Imported machinery	954.00
Indigenous machinery	766.20
TOTAL	1720.20

SHRI GHITT v BASU: Sir, the statement which has been placed on the Table of the House candidly admits that the Government has no firm policy with regard to credit flow to the small-scale industries except the general framework. It is also a fact that at the credit needs of the small-scale industries have not been properly and satisfactorily met by the policy so far followed by the Government. There is another aspect which has also to be taken into consideration. The R. B. I. Governor, Mr. L. K. Jha, says in his statement of March, 1970 :

"Many financial institutions seem to have more funds in their hands than they can find worth while projects for."

In view of all this, do the Government consider it desirable to lay down a firm policy with regard to the credit flow to the small-scale industries in this country so that the credit need of this sector is properly and satisfactorily met?

SHRI P. G. SETHI : Sir, there is a positive policy with regard to the help and assistance that is given to the small-scale industry. I would like to quote these figures for the information of the hon'ble Members. The total outstandings of commercial bank advances to small scale industries in June, 1968 were Rs. 189.51 crores. These increased to Rs. 285.60 crores in June, 1969, and further to Rs. 365.30 crores at the end of January, 1970. Sir, in terms of the units financed, the number has increased from 38,881 in June, 1968 to 3,884 in January, 1970. What the hon'ble Member has quoted with regard to Mr. Jha's speech is that possibly more units are not coming forward while there are funds available with the financial institutions. I think the thrust is in that direction and not that there is no positive policy.

SHRI GHITTA BASU: I say that the policy pursued by the Government has not satisfied the credit need of the small-scale industry. On the other hand, the Reserve Bank Governor says that they have got enough funds at their disposal. In that context I wanted to know from the Government whether the Government would now lay down a firm principle with regard to the credit flow to the small-scale sector of the industry. That has not answered.

MR. CHAIRMAN : Do you wish to add ?

SHRI P. C. SETHI: I have already said with regard to the small-scale industry's requirement which is being looked after, and I have quoted how the figures have been increasing. The overall requirement of the small-scale industry is being catered to. And I hope, Sir, that in the Fourth Plan period out of the additional resources that the Banks would be able to mobilise, we would be able to advance them a substantial amount of at least Rs. 300 crores.

SHRI GHITTA BASU: Sir, my second question. May I know, Sir, whether the Government has completed the examination of the report of the Lokanath Committee because that is also very much vitally connected with the development of the small-scale industry? If so, have they come to some conclusion and may I know the nature of that conclusion ?

SHRI P. G. SETHI : I have no particular information with regard to the Lokanath Committee report having been examined.

SHRI K. P. MALLIKARJUNUDU: Sir, the Government of India sent a delegation to Japan. They studied the question, visited important places there and made a report to the Government of India. May I know, Sir, whether the Government of India have examined that report and what are the conclusions arrived at by that Committee, and when are they going to be implemented ?

SHRI P. C. SETHI: I could not follow.

MR. CHAIRMAN: Will you please repeat your question ?

SHRI K. P. MALLIKARJUNUDU : A delegation was sent by the Government to Japan for a study about the small-scale industries. They went there and made a report to the Government in September, 1969. May I know, Sir, whether these recommendations were examined by the Government? If so, what conclusion did they come to ?

SHRI P. C. SETHI: Naturally, this delegation should have been sent by the Industries Ministry while this question is with regard to finances to the small-scale

industries. Therefore, the Industries Ministry would have to answer that question, about the report of that delegation and what has been done so far.

SHRI A. G. KULKARNI: From the statement laid on the Table with regard to the funds made available to the small-scale industries, does the Government agree that there is not much justification with regard to the rate of interest. It is a very high rate of interest that is being charged by the commercial banks as well as other sources to the small-scale industries.

Sir, I wanted to know whether the method of charging the rate of interest is like compound rate of interest instead of simple rate of interest, and whether the Government has made any study with regard to this difficulty.

Lastly, Sir, they say that refinancing facilities are available at 4J per cent, to the commercial banks. Sir, the statement laid here says that out of the total credit of Rs. 651 crores to the State Bank of India and the nationalised banks, only Rs. 6.77 crores are being made available by the I. D. B. to the commercial banks for refinancing at a low rate of interest. That justifies the report of the Small-scale Industries Board that the refinancing facilities are very cumbersome and the commercial banks cannot take advantage. Will the Government streamline the procedure for taking advantage from the I. D. B. ?

SHRI P. C. SETHI: As far as the I. D. B. refinancing scheme is concerned, they have announced a special concessional rate of 4J per cent, for re-financing loans given by the credit institutions to small-scale industries subject to loans being covered under the Credit Guarantee Scheme and the lending institutions not charging more than 8 per cent, to the borrowers. Therefore, Sir, in the refinancing Guarantee Scheme it has been provided that the rate of interest would be reasonable. In the case of backward areas it is 6 per cent, and in the case of other commercial banks advancing money to these areas, it is at the rate of 8 percent.

SHRI A. G. KULKARNI: Sir, I have pointed out that the I. D. B. refinancing scheme is not successful because the total credit as per the statement

MR. CHAIRMAN : Is there any question which has remained un-answered ?

SHRI A. G. KULKARNI: It is not clear. The point is not touched at all.

MR. CHAIRMAN: What is that point ?

SHRI A. G. KULKARNI: I am asking a clarification. Heie a statement has been provided. There they say that the total credit available with the commercial banks and the State Bank of India is Rs. 651 crores. Out of that, Rs. 6 crores have been made available through the I. D. B. at a low rate of interest. It is for the House and for you to understand that the small scale industries are charged 12 per cent, compound interest but the R. B. I. is not taking any cognizance of it. I am in correspondence with the Minister. I can produce the letters....

MR. CHAIRMAN: I have understood.

SHRI A. G. KULKARNI: Will the Government take positive steps to make this I. D. B. I. refinancing scheme more easy, so that all commercial banks can take benefit of it and pass on that benefit to the small-scale industries ?

Secondly, I want to know whether the Government desire that the compound rate of interest should be applicable to the small-scale industries rather than the simple rate of interest? These are the two points.

SHRI P. C. SETHI: I have pointed out that as far as the refinancing scheme from the I. D. B. I. is concerned, this is particularly meant for the backward areas. I certainly admit this fact that as far as the refinancing amount which has been given by the I. D. B. I. is concerned as on 31-3-70 it is comparatively less; it is only Rs. 6.7 crores.

SHRI A. G. KULKARNI: It is ridiculous.

SHRI P. C. SETHI : It is up to the commercial banks and the parties to draw more money. The I. D. B. I. has provided the scheme. But if the banks do not go to the backward areas for establishing industries, to that extent the amount drawn from the I. D. B. will be less. It is not that the I. D. B. is not willing to advance money. It has to be looked into as to how more moneys can be flown to the backward

areas in order to take advantage of the I.D.B.

As far as interest is concerned, it has to be on the outstanding amount. To that extent, if the interest amount also does not get paid, it will have to be charged interest.

श्री जगदीश प्रसाद माथुर : इस सदन में माननीय उद्योग मंत्री ने उद्योग मंत्रालय की बहस के समय सदन को सूचना दी थी कि देश के अंदर स्माल स्केल सेक्टर से 35 परसेंट उत्पादन होता है। उन्होंने उस सेक्टर में लघु उद्योगों के लिए एक सेक्टर भी बांटा है। ऐसी स्थिति में क्या वित्त मंत्री यह उचित नहीं समझते कि वह रिजर्व बैंक को इस प्रकार के इंस्ट्रक्शन्स दें कि लघु उद्योगों को लोन देते समय उनकी उत्पादन क्षमता को देखते हुए जो लोन भविष्य में दिया जाय, उसमें 50 परसेंट लोन लघु उद्योगों को ही दिया जाय ?

SHRI P. C. SETHI : Sir, as far as the Reserve Bank is concerned, they introduced a credit guarantee scheme in July 1960 for the small-scale industries. This was meant particularly for the small-scale industries, and the limit of Rs. 5 lakhs has also been raised to Rs. 7½ lakhs. According to the revised scheme of the Reserve Bank which has been further liberalised, all eligible advances by approved credit institutions will be guaranteed without individual applications to the guarantee organisation. Therefore, the guarantee from the Reserve Bank is almost automatic as far as the small-scale industries are concerned. With regard to the fixation of limits for credit, it will be a reflexive one so that the economic needs of the country in the various sectors will be kept in view.

श्री जगदीश प्रसाद माथुर : यह सेक्टर ज्यादा उत्पादन कर रहा है, इसलिए इसको बढ़ाने के लिए आप क्या करना चाहते हैं ?

SHRI P. C. SETHI : More than 50 per cent of the national income or production comes from the agricultural sector and naturally this sector cannot be starved. Therefore, the various economic needs of the different sectors will have to be met.

SHRI DALPAT SINGH: Sir, the hon. Minister said that the flow of funds to the small-scale industries has increased. May I know from him the percentage of increase that took place in the last six months—what it was before six months and what it is now? Secondly, I want to know the difference in the rates of interest charged by the intermediary banks and by the Reserve Bank from the intermediary banks.

SHRI P. G. SETHI : Sir, I just now pointed out that in June, 1969 the total advances from the commercial banks were Rs. 285.60 crores and the figure in January 1970 is Rs. 365.30 crores. So, if you deduct Rs. 28½-60 crores from Rs. 365.30 crores, it comes to about Rs. 80 crores and this is the increase in the last six months. As far as the rate of interest is concerned I pointed out that the Reserve Bank gives these loans at 4½ per cent and there is a restriction that they should not charge more than 8 per cent.

IMPLEMENTATION OF THE REPORT OF PAY COMMISSION IN WEST BENGAL

♦129. SHRI SASANKASEKHAR SANYAL: Will the PRIME MINISTER be pleased to state the steps being taken for implementing the report of the Pay Commission (Hazara Commission) in West Bengal?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P. G. SETHI) : The Pay Commission set up by the Government of West Bengal in April, 1967, submitted their final report to the Government of West Bengal on the 31st January, 1970. The recommendations of the Commission are under the consideration of the Government of West Bengal.

SHRI SASANKASEKHAR SANYAL. Has the hon. Minister considered the question of making liberal assistance to the Government of West Bengal so that the recommendations which are under examination may be implemented without any difficulty? Secondly, I would like to know whether, in view of the fact that the non-teaching staff of the non-Government educational institutions have been kept denied for a long time, any *ad hoc* grant as an interim measure will be made at the present stage?

transferred from the 1st May, 1970.