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12.19 ½ hrs.

CALLING ATTENTION TO MATTER
OF URGENT PUBLIC IMPORTANCE

Title: Shri Gurudas Dasgupta called the attention of the Minister of Finance regarding situation arising due to the changes in the Banking Policy. (Not concluded).

Situation arising out of the move of the Govt. to Change the Banking Policy, dilute the Govt. stake in Public Sector Banks, merge the Public Sector Banks to form giant banks and enhance foreign direct investment limit in private banks to the detriment of the interests of the common people

MR. SPEAKER: Now, we shall take up Item No.17 - Calling attention by Shri Gurudas Dasgupta.

SHRI GURUDAS DASGUPTA (PANSKURA): Sir, I call the attention of the hon. Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:

"Situation arising out of the move of the Government to change the Banking policy, dilute the Government stake in Public Sector banks, merge the Public Sector Banks to form giant banks and enhance foreign direct investment limit in private banks to the detriment of the interests of the common people."

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, legislative changes have been carried out primarily to tackle the problem of non-performing assets and quality of credit appraisal by banks. These include amendment in the Securitisation and Reconstruction of Finance Assets and Enforcement of Security Interest Act, 2002 which is being amended in pursuance of Hon'ble Supreme Court's order to provide defaulting borrowers a fair opportunity to represent their cases and at the same time to dissuade borrowers from indulging in dilatory tactics so as to postpone repayment of dues. Apart from this, a Credit Information Companies (Regulation) Law is also proposed to be enacted to provide necessary legislative support to the business of credit information and for regulation of credit information companies.

Of the 27 public sector banks comprising State Bank of India, seven Associate Banks of SBI and 19 Nationalised Banks, Government holds equity only in the nationalised banks. As per Sub-section 3(2B) (c) of Banking Companies

(Acquisition and Transfer of Undertaking) Act, 1970/1980, the Government shall at all times hold not less than 51 per cent of the paid up capital of the nationalised bank.

Since 1993, nationalised banks have been allowed to increase their equity base by raising capital through public issues. So far, 15 out of 19 banks have already come out with public issues but the percentage of equity held by the Central Government in nationalised banks is well above the statutory limit of 51 per cent. ...(*Interruptions*)

MR. SPEAKER: Nothing will be recorded except whatever the Minister says.

(*Interruptions*)*

*Not Recorded. MR. SPEAKER: It is very unfortunate. Today, the whole country is watching you.

...(*Interruptions*)

MR. SPEAKER: I tried to help you.

...(*Interruptions*)

MR. SPEAKER: Hon. Minister may submit a statement.

...(*Interruptions*)

SHRI P. CHIDAMBARAM: As is well known, public sector banks account for around 76 per cent of the total banking business in the country. In order to bring the banking industry to global levels, new initiatives are being contemplated to bring substantive changes in the banking sector. As a part of the new initiative, the public sector banks are seriously evaluating consolidation as one of the strategies to increase competitiveness and add value. Consolidation in the banking sector was suggested by the Narsimhan Committee in its report way back in 1991 as part of wider financial sector reforms. To consider this idea further, the Indian Banks Association (IBA) appointed a

working group to examine legal, regulatory and other related issues for consolidation in the banking industry. The working group has sent its suggestions to Government in October, 2004.

Consolidation would allow economies of scale in terms of footprint, manpower and other resources. Having Indian Banks of a larger size would also enable them to face competition arising from internationalization of the economy. Larger size also entails better management of risk. Small and weak banks pose systemic risks with their low capital adequacy ratio and high NPAs. Consolidation is a timely response to augment efficiency, which would lead to income generation and add to GDP of the country. The initiatives for consolidation have to come from the management of the banks themselves with Government playing a supportive role as the common shareholder. No directive on consolidation has been issued by Government and RBI.

So far as Foreign Direct Investment (FDI) in private sector banks is concerned, Government has issued a notification on 5th March, 2004 enhancing FDI limit in private sector banks from 49 per cent to 74 per cent. The operational guidelines on implementation of this policy are to be issued by the Reserve Bank of India. Government does not have any direct equity stake in the equity of private sector banks. The revision in FDI limit will create an enabling environment for higher FDI inflows along with infusion of new technology and management practices resulting in enhanced competitiveness. In order to regulate the flow of FDI and set out the roadmap for this purpose, the Reserve Bank of India has placed in the public domain draft guidelines/ a discussion paper on 2nd July, 2004. RBI is in the process of considering the suggestions/feedback received.

Thus, it may be seen that all the changes in the banking policy are being contemplated to strengthen the banking sector in India for the benefit of customers and preserve their trust in the banking industry.â€¦ (Interruptions)

MR. SPEAKER: Shri Gurudas Dasgupta to speak.

SHRI GURUDAS DASGUPTA : I cannot speak. ... (Interruptions)

MR. SPEAKER: Then, I will have to go to the next item. You have got the reply.

... (Interruptions)

SHRI GURUDAS DASGUPTA : In this atmosphere, I cannot speak.

MR. SPEAKER: What can I do? I will not adjourn the House.

... (Interruptions)

SHRI GURUDAS DASGUPTA : In view of this, it is absolutely impossible for me to speak. I beg you that it may kindly be postponed. It is an important issue. It may kindly be postponed. ... (Interruptions)

MR. SPEAKER: You put your question.

... (Interruptions)

SHRI GURUDAS DASGUPTA : Mr. Speaker, Sir, I would, most humbly, request you to kindly ensure that the discussion on the present subject, which is very important, may kindly be done in a rather peaceful way... (Interruptions)

Sir, I have listened to the speech of the hon. Minister of Finance. Unfortunately, it appears that the hon. Minister has been moved more by political considerations than by having any economic understanding. Far-reaching changes are taking place so far as the banking policy of the country is concerned... (Interruptions) But the Parliament has not been taken into confidence. Parliamentary obligation of the Finance Minister has been totally defaulted. It seems that it is an open backdoor policy disturbing the parliamentary accountability... (Interruptions)

The decision to nationalise the banking sector as also the insurance, was taken by Shrimati Indira Gandhi because she wanted that social savings may be channelised for the productive sector of the country for national growth.... (Interruptions)

Sir, my point is very clear. My point is that Parliament is being ignored. May I ask the hon. Minister a simple question that whether what he is doing is in accordance with the election mandate for the Congress party and the UPA? The mandate was for having an alternative economic policy, a policy for the poor, a policy for the farmers, a policy for eradicating unemployment and a policy for creating jobs in the country.... (Interruptions)

I would like to know whether this is a road to privatisation. He may say that it is not privatisation. But I would say that this is nothing short of natural privatisation. This is nothing short of internationalising the national savings of the country.... (Interruptions)

Sir, let me know from the hon. Minister as to what has been the reason for initiating the changes. What has been the compulsion? What has been the political perspective? Are these changes being brought about to benefit the common people? Are these changes being brought to create job opportunities and alleviate poverty?...*(Interruptions)*

The hon. Minister, at the end of his statement, has said that 'it may be seen that all the changes in the banking policy are being contemplated to strengthen the banking sector in India for the benefit of customers and preserve their trust in the banking industry.'

This is where I would like to begin my speech. He has the concern for the customers. He has the concern for the banking industry. But what is his concern for alleviating poverty? What is his concern for the wellbeing of the common people? What is his concern for the economic growth of the country? ...*(Interruptions)* Let me know from the hon. Minister...*(Interruptions)*

May I ask the hon. Minister as to what has been the political consideration?...*(Interruptions)* What has been the political consideration for bringing these surreptitious and undeclared changes in the banking system of the country?...*(Interruptions)*

How are you guided? Are you guided in consideration of the common people of the country or have you been guided politically to fall in line with the philosophy of the World Bank in bringing about a change in the economic policy?...*(Interruptions)*

MR. SPEAKER: Please be seated.

...*(Interruptions)*

MR. SPEAKER: I am earnestly appealing to you all.

...*(Interruptions)*

अध्यक्ष महोदय : आप लोग अपनी-अपनी जगहों पर वापस जाएं।

â€¦*(व्यवधान)*

अध्यक्ष महोदय : जो-जो सदस्य यहां खड़े हैं, उन सबके नाम लिख कर मुझे दो।

â€¦*(व्यवधान)*

MR. SPEAKER: I am appealing to the Leaders.

...*(Interruptions)*

MR. SPEAKER: Let us start the proceeding.

...*(Interruptions)*

अध्यक्ष महोदय : आप लोगों ने काम नहीं करना है, तो बाहर जाएं।

â€¦*(व्यवधान)*

MR. SPEAKER: What are you doing?

...*(Interruptions)*

अध्यक्ष महोदय : आप सभी अपनी-अपनी सीटों पर जाइये। इस तरह से क्या हाउस चलेगा। हाउस की गरिमा, संसद की गरिमा क्या कुछ नहीं होती है जो आप इस तरह से व्यवहार कर रहे हो। हम आप लोगों से अपील कर रहे हैं कि आप सभी अपनी सीटों पर जाकर बैठिये।

...*(Interruptions)*

MR. SPEAKER: I am requesting to all the hon. Leaders with folded hands to kindly ask their Members to go back to their respective seats.

...*(Interruptions)*

MR. SPEAKER: I am appealing all the very respected Leaders.

...*(Interruptions)*

MR. SPEAKER: Just because you have come to the well, should I adjourn the House? क्या बात है? अगर आप इस तरह से ब्यवहार करेंगे तो क्या हाउस एडजर्न हो जाएगा।

...(Interruptions)

MR. SPEAKER: It will not be adjourned. यह कोई तरीका नहीं है, यह तरीका नहीं चलेगा।

...(Interruptions)

MR. SPEAKER: I am appealing you to go back to your seats.

...(Interruptions)

MR. SPEAKER: I am happy that Shri Vajpayeeji is here. I am appealing to him. I am prepared to adjourn the House for ten minutes if you kindly advise us how to proceed. I am appealing to all the Leaders. What is happening here?

...(Interruptions)

MR. SPEAKER: I am adjourning the House to meet again at 12.50 p.m.

12.39 hrs

*The Lok Sabha then adjourned till fifty minutes
past Twelve of the Clock.*

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