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Title : Introduction of Banking Companies (Acquisition and Transfer of undertakings) and financial institutions laws (Amendment) Bill, 2005.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) On behalf of Thiru P. Chidambaram, I beg to move for leave to introduce a Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Export-Import Bank of India Act, 1981, and the National Housing Bank Act, 1987.

MR. DEPUTY-SPEAKER: Motion Moved:

"That leave be granted to introduce a Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Export-Import Bank of India Act, 1981 and the National Housing Bank Act, 1987."

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SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL) This Bill minus the provision regarding reduction of Government share of 51 per cent to 33 per cent was introduced in the 13th Lok Sabha. When the Bill was introduced then, I expressed my dissent because it was a case of privatisation of banks.

We all know that the Indian banks were nationalised in the year 1969 by an Ordinance. That Ordinance was found to be *ultra vires* of the Constitution by the Supreme Court. Subsequently, the Parliament passed the Bill with regard to acquisition and taking over of assets in 1970. The purpose of passing that Bill was to nationalise the private banks in India.

If the amendments are given effect to, then the net result or the ultimate result will be 'privatisation', and hence, my objection. I fully agree with the Minister and I am very grateful to the Minister that he had omitted the section regarding reduction of Government share from 51 per cent to 33 per cent. So, it is good and I appreciate the stand taken by the present UPA Government.

The NDA Government was trying to get it altered to 33 per cent. But he has intelligently and wisely deleted that particular provision and introduced this Bill, which was brought before this House by the previous Government. But my submission is that even after removing that section regarding Government share, there are other amendments which will ultimately lead to privatisation.

In the present Bill, there is a provision to allow one to three shareholder directors on the Board, instead of the present one to six. The shareholders will get a better chance in the Board. Moreover, the annual accounts and other things will have to be passed by the General Body and not by the Government.

There are such provisions which ultimately will lead to privatisation. It may pave the way for privatisation at least. So, fearing that process, I oppose this. I will be failing in my duty, if I do not express my dissent with regard to the process of privatisation of nationalised banks and it will be against the fundamentals of the original Act of 1970[R36].

It was done mainly for the purpose of nationalisation. Now, that is being adulterated. It is a clear case of adulteration. Hence, I submit that this Bill in the present form should not be passed if the nationalisation process is to be successful. With these words I conclude.

SHRI S.S. PALANIMANICKAM With your permission, I may say that this is not adulteration. It will definitely strengthen the concept of nationalisation of banks. Even after these amendments, the nationalised banks will retain their public sector character with the Government continuing as a majority shareholder. The Government would continue to appoint the Chief Executive and other whole-time Directors. It would also continue to nominate the non-official Directors other than those elected by the shareholders. It would continue to approve the regulations to carry out the objectives of the Act. It would retain the power to issue directions in regard to the matter of policy involving public interest. Parliamentary control over these banks would continue as of now. Hence, I would request hon. senior Member, Shri Varkala Radhakrishnan to withdraw his notice to oppose the introduction of the Bill.

MR. DEPUTY-SPEAKER: The question is:

"That leave be granted to introduce a Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks)Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Export-Import Bank of India Act, 1981, and the National Housing Bank Act, 1987. "

The motion was adopted.

SHRI S.S. PALANIMANICKAM: I introduce the Bill.
