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Participants : [Bansal Shri Pawan Kumar](#), [Kumar Shri Shailendra](#), [Chidambaram Shri P.](#), [Seth Shri Lakshman Chandra](#), [Mahtab Shri Bhartruhari](#), [Rao Shri K. Chandra Shekhar](#), [Prabhu Shri Suresh](#), [Gadhavi Shri Pushpdan Shambhudan](#), [Singh Shri Ganesh Prasad](#)

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Title : Discussion on the motion for consideration of Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005.

MR. DEPUTY-SPEAKER: Now, we will take up item number 21 – Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (amendment) Bill, 2005.

Shri Pawan Kumar Bansal.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
KUMAR BANSAL): Sir, I beg to move:

(SHRI PAWAN

“That the 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-Impact Bank of India Act, 1981 and the National Housing Bank Act, 1987, be taken into consideration.”

This Bill was introduced in the Lok Sabha on 16th August, 2005 to amend the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 and the various other Acts to enhance the flexibility of the Board of Directors to improve the corporate governance.

This Bill, *inter alia*, provides to increase the number of whole time directors from the existing 2 to 4; to delete the Section relating to the provision of nomination of up to two Directors from SEBI and other Financial Institutions on the Board of nationalised banks; to amend Section 9 (3) (i) to provide for a maximum of three elected shareholder Directors on the board; to enable the shareholders to discuss, adopt and approve the annual accounts and the balance sheet of the bank concerned at the Annual General Meeting; to prescribe annexing of the details of a subsidiary or subsidiaries such as balance-sheet, profit and loss accounts and report of auditors along with the annual report of the bank; to enable the banks to transfer the unclaimed dividends of over 7 years to Investor Education and Protection Fund established by the Central Government under Section 205C of Companies Act, 1956; to enable supersession of the Board of Directors of weak, potentially weak

banks by the Central Government based on the recommendations of the RBI; to amend relevant statutes relating to banks and Financial Institutions for prescribing the term of non-official/elected Directors other than workmen/officer employee Directors as three years subject to further re-appointment/re-election with total continuous period not exceeding six years.

This Bill was referred to the Parliamentary Standing Committee on Finance which discussed the provisions of the Bill and deliberated thereupon in detail and presented its report to the hon. Speaker on 24th April, 2006. The Committee are in agreement with the broad objectives of the amendment proposals which are aimed at meeting the requirements to the present day complexities as well as expanding activities of the banking system. The Government, based on the recommendations of the Standing Committee, has submitted a list of the amendments which we would move towards the end of the discussion on this Bill. I can assure the hon. Members that after the varied discussion, widespread discussion - based on the recommendation of the Standing Committee as also with other hon. Members who had an occasion to point out something, an amendment which needed to be carried out - various amendments have been incorporated. The list has been circulated. The amendments would be moved in due course of time.

With these words, I commend that the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005 along with the official amendments proposed be taken into consideration by this august House.

MR. DEPUTY-SPEAKER: Motion moved:

“That the 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, be taken into consideration.”

I would like to make an announcement here also. After the passing of this Bill, we will take up the Discussion Under Rule 193 relating to the Report of the Justice R.S. Pathank Inquiry Authority and not the discussion about the problems of farmers.

Now, Shri P.S. Gadhvi to speak.

SHRI P.S. GADHAVI (KUTCH): Sir, I thank you very much for giving me this opportunity to speak on this Bill. I rise to express my views on the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005.

As we know, the 14 major Indian Scheduled Banks, each with a deposit of Rs.50 crore or more, were nationalised in July 1969. The hon. Supreme Court by its judgement in February 1970 declared the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969 void. So, with a view to resume control over these banks, the President of India promulgated on 14th February, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance....
(Interruptions)

कुमारी ममता बैनर्जी (कलकत्ता दक्षिण) : उपाध्यक्ष महोदय, जब मर्जी होती है तब बिजनेस चेंज हो जाता है। यह क्या बात है ? ... (व्यवधान)

श्री सुखदेव सिंह ढींङसा (संगरूर) : उपाध्यक्ष महोदय, फार्मर्स इश्यू बहुत इम्पोर्टेंट है। पाठक कमीशन की रिपोर्ट पर कल चर्चा होनी चाहिए। आज आप फार्मर्स इश्यू पर चर्चा कराइये।

कुमारी ममता बैनर्जी : उपाध्यक्ष महोदय, आप रात दस बजे तक हाउस चलाइये, लेकिन पहले फार्मर्स वाले इश्यू पर चर्चा होनी चाहिए।

उपाध्यक्ष महोदय : आपको कल इस इश्यू पर बोलने के लिए ज्यादा टाइम मिल जायेगा। अगर आज फार्मर्स इश्यू पर डिसकशन होगी, तो आपको बोलने के लिए ज्यादा टाइम नहीं मिलेगा।

... (व्यवधान)

MR. DEPUTY-SPEAKER: That will be taken up tomorrow.

KUMARI MAMATA BANERJEE: Why is the Business of the House changed like this? The farmers' issue is a very important issue.... (Interruptions)

Sir, Jai Jawan, Jai Kisan. So, we should take up the farmers' issue first. ... (Interruptions) पहले फार्मर्स से सम्बन्धित डिस्कसन को ले लीजिए, यह ज्यादा अच्छा होगा।

MR. DEPUTY-SPEAKER: Tomorrow we will have sufficient time for this discussion.

SHRI SUKHDEV SINGH DHINDSA : At what time will it be taken up tomorrow?

MR. DEPUTY-SPEAKER: It will be decided tomorrow.

श्री जय प्रकाश (हिसार) : उपाध्यक्ष महोदय ठीक कह रहे हैं कि अगर कल इस विषय पर चर्चा हो तो इसके लिए ज्यादा समय मिल जाएगा।

कुमारी ममता बैनर्जी : लिस्ट ऑफ बिजनेस में इस तरह चेंज नहीं किया जाना चाहिए।

SHRI BRAJA KISHORE TRIPATHY (PURI): Mr. Deputy-Speaker, Sir, it has been decided in the Leaders Meeting also that the farmers' issue will be taken up first today. ... (Interruptions)

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND
MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI B.K.

HANDIQUE): Mr. Deputy-Speaker, Sir, item no. 24 which is listed in the List of Business is to be taken up at 4 o'clock today.... (*Interruptions*)

MR. DEPUTY-SPEAKER: After the passing of this Bill, we will take up the discussion regarding the Report of Justice Pathak Inquiry Authority.

कुमारी ममता बैनर्जी : महोदय, पहले फार्मर्स से सम्बन्धित बिजनेस लिया जाए, उसके बाद ही पाठक रिपोर्ट पर चर्चा कराई जाए।

उपाध्यक्ष महोदय : कल सदन को इस पर चर्चा करने के लिए ज्यादा समय मिल जाएगा।

गढ़वी जी, आप बोलिए।

SHRI P.S. GADHAVI : Sir, I thank you very much for giving me this opportunity to participate in this discussion.

I would like to express my views on the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005. In our country, 14 major Indian scheduled banks, each with a deposit of Rs. 50 crore or more, were nationalised in April 1969 by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969. But this Act was declared void by the hon. Supreme Court through its judgement in February, 1970. So, with a view to resume control over the banks, the President of India promulgated an ordinance on 14th February, 1970 which is called the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1970. This was later replaced by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

Subsequently, six Indian private banks, each having a deposit of Rs. 200 crore or more, were nationalised by an ordinance dated 15th April, 1980 known as the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1980 and this ordinance was also replaced by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

At present, there are nearly 19 nationalised banks as mentioned in the Statement of Objects and Reasons given by the hon. Minister. The Acts of 1970 and 1980 originally envisaged that the paid up capital of these banks may be raised by way of transfer from reserve funds or by contribution by the Central Government. In 1994, these Acts were amended to provide that the paid up capital of these banks may be increased by such amounts as the Boards of Directors of these banks may think, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government to raise funds by public issue of shares so that the Central Government shall hold not less than 51 per cent of the paid up capital of each bank. Thus, the shareholding pattern of 15 nationalised banks, which have gone in for public issues varies from 51 per cent to 70 per cent. The Central Government holds the entire equity in 4 nationalised banks and has majority equity shareholding in 15 nationalised banks.

Sir, in addition to the changes in the pattern of shareholdings in nationalised banks introduced in 1994... (*Interruptions*)

MR. DEPUTY-SPEAKER: Silence please.

SHRI P.S. GADHAVI : The Government is proposing to have an amendment for the equitable representation of Government directors on the boards of banks by reducing the maximum number of directors elected by shareholders other than Government from six to three. This amendment gives some power or much power to Government, but at the same time, the demand of the day of the banks is that the banks should evolve appropriate strategies to enable Indian firms to access funds at competitive rates and meet the challenges from foreign banks, besides fulfilling the credit requirements of marginal and sub-marginal farmers.

Sir, I would like to bring to the notice of the hon. Finance Minister the situation regarding the NPAs in our banks. The NPAs are increasing every year and in all the banks, wherever they are giving credit, we have come to know that there are a big amount of holdings in the form of NPAs. The menace of NPAs in the Indian banks is alarming. The NPAs in developed markets, like the US, are so much less than the Indian banks that banks there have access to update credit information on potential borrowers. In India, loans and credit cards are often given without much information on credit history. It is not uncommon for individuals to default on their dues to one bank and get a new loan/credit card from another.

I would request the hon. Finance Minister to consider the report of the Credit Information Bureau (India) Ltd. CIBIL, who has began building database on commercial entities, including corporates. Like all agencies engaged in maintaining credit histories, CIBIL works on the "Prevention is better than the cure" principle.

Sir, I would like to mention here that legal remedies for recovery of debts by way of Debt Recovery Tribunal Act and by SARFAESI Act have not proved much helpful in recovery of dues of banks. Thus the main purpose of agencies like CIBIL is to help banks to avoid NPAs in the first place. They do this by helping more informed decision.

Sir, we know that the corporates are many times taking loans from one bank and at the same time they go to another bank. They do not disclose everything there. The other bank is not having any information on this. So, all types of amendments are brought before this House. The hon. Finance Minister should consider this also because this is a very big menace. We know how the big corporates and persons like Harshad Mehta and others have cheated the banks. The banks are providing all sorts of credit facilities to these people but they are not providing any credit facility to the poor farmers. Today, in the House the issue was raised that one unemployed youth has committed suicide because he was denied loan by the banks.

Sir, I would also like to bring to the notice of the hon. Finance Minister that in my Kutch District, there is a huge amount of deposit with a bank. It is more than Rs.6,000 crore. Normally, the debit-credit ratio is 60:40, but in Kutch District, they are not giving credit of more than 10 per cent. The debit-credit ratio there is 90:10. All these types of things are happening there.

I would request the hon. Finance Minister to consider my suggestion and to bring amendments in this regard. As all types of amendments are not there and our banks are to compete

in this globalised era, so amendments to that effect should be brought. I welcome this amendment also. At the same time, I would request the hon. Finance Minister to see that poor farmers, small traders, small businessmen also get credit in an easy way instead of giving more loans to the corporate houses or big businessmen who have cheated these banks and which has resulted in having more NPAs with these banks.

My only request to the hon. Minister is that he should kindly consider all these suggestions and he should bring all the amendments which will enable the banks to give loans.

I once again support the Bill. Thank you very much for giving me this opportunity.

SHRI K.S. RAO (ELURU): Hon. Deputy-Speaker, Sir, I support the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill. Actually, this should have come a long time back. Though it was introduced in the year 2000 for amendment, yet it took a long time because of the dissolution of the 12th Lok Sabha, and also some of the proposals which were made in the NDA Government were not acceptable, and suggestions of the Standing Committee on Finance were totally different.

Actually, if the banking sector were to function effectively, the benefit that would accrue to the nation and particularly to the people would be substantial. The benefits that can be provided through the budgetary support are less as compared to the effect that can come if the funds from the nationalised banks, from the banking sector were to be utilised properly. At the point of time when the benefits of the deposits that were there in the banks were being enjoyed only by a few people in the country, Madam Gandhi, the then Prime Minister, in those days had nationalised those banks to see that the benefits were enjoyed even by the poor people and more and more people. At that time, there were banks which had got equity of Rs. 1 crore and deposits of Rs. 200 crore. That means, even if they were to earn a margin of 4 per cent, 3 per cent or 2 per cent, the benefit would be Rs. 4 crore in a year over the equity of Rs. 1 crore. That means, there would be 400 per cent benefit to those equity holders, who are the owners of the bank. That is why, all those things were taken into account. In those days, the banks were inaccessible to the poor people and they were accessible only to a few rich people. That situation has changed. Later, in the eighties or in the seventies, when the funds were made available from the nationalised banks to the poor people in the villages who did not have access to the banks, they felt elated. In fact, a lot of poor people were benefited. But, subsequently, a wrong opinion has gone in the country that the loans given to the poor people in the villages were not being repaid. So, Bank Managers used to spread the news that the money lent to the poor people and the villagers was not being paid back; so, let us give this only to a few rich people by which we can get back our money. That culture once again has come. I am very happy that today 97 per cent of the money lent to the women Self-Help Groups is being repaid.

15.39 hrs.

(Shri Devendra Prasad Yadav *in the Chair*)

That means, there need not be any fear in the banking sector that the money lent to the poor people or the villagers will not be paid back. It will be paid back and the benefit that would accrue to the nation, to the poor people also will be enormous. If Rs. 100 crore are lent to an industrialist, the benefit may be eight per cent or nine per cent to the bankers and the generation of wealth may not be substantial compared to the investment. But, when Rs. 20,000 is given to a poor woman to purchase buffaloes or cows, she will earn more than Rs. 20,000 in a year. That means, a loan of Rs. 20,000 will generate wealth to the tune of Rs. 20,000 for the society. It will also change the financial position of the family. There will not be any need for the Government of India or the State Government to worry about them or to give them subsidy or to give them other benefits. All that we need to do is that the rate of interest for these poor people in the villages has to be brought down. They will not be able to pay as much interest as the corporate sector can pay.

If the interest rate was to be 15 per cent to corporate sector, naturally they will load that interest on the product cost and sell it. So, they will not be at a loss. The poor people are subjected to lot of problems. Marketing their product is a problem. They have to face natural calamities and so many other vagaries. Added to those things, high interest rate will kill them. So, a policy must be evolved. While they can charge any interest for the corporate sector but the rate of interest for the poorer sections of the society must not be more than three per cent or maximum of four per cent. If this were to be case, we can increase our GDP substantially every year by encouraging people and providing employment in the rural areas. So, I would request the hon. Minister to think whether this is good for the nation instead of providing Rs. 40,000 crore under the National Employment Guarantee Scheme, Rs. 25,000 crore under food subsidy through Shri Pawar ji, another Rs. 25,000 crore under fertilizer subsidy, and also a sizeable amount under the Rural Development Schemes. All these things can be avoided over a period of time if money is made available to poor people at a lesser rate of interest to generate wealth. So, I would request the hon. Ministers to give a thought to it and discuss this matter in the meeting of the Cabinet.

Now, coming to the Bill and keeping in view of globalization, magnitude and nature of the business that the banking industry has to do is totally different, naturally it has to adopt new techniques and compete with the multinational and foreign banks which we have allowed here. So, the size of capital that is required is more, the size of transactions is more, and the problems are totally different. Taking all those things into account and permitting private partners in the nationalized banks, necessarily we have to give freedom and liberty to them and even to the private shareholders of the nationalized banks. I am happy that they have provided that the Directors can be now from the shareholders also apart from they are nominated by the Government of India. It is required.

Some of the provisions made by the hon. Minister in this Bill are very welcome. Take the case of whole-time Director. Earlier there used to be only one whole-time Director. Later we made it two. Now, because of the increased dimensions of the transactions, four whole-time Directors or functional Directors would be required. So, that is provided.

Earlier, the Board was not empowered to approve. Now, the Board is empowered to discuss, adopt and approve Directors' Report, Annual Report, Profit & Loss Account, Balance Sheet, etc. That means, there is a responsibility kept on them, and if something goes wrong, they will be answerable directly. Earlier, they do not have that right to adopt and approve and the blame goes on the Government. That part is eliminated. I am happy that the responsibility is transferred on the Directors.

Another thing that is provided is transferring unclaimed dividends after the lapse of seven years to the Investors' Education Production Fund. It is not wrong to transfer it. It is good for the nation and it is for a good purpose of utilizing it for the Education Production Fund. But, sometimes it happens that one's father or grandfather might have deposited some money in the bank, in the meantime he died without informing his successors, and his son or grandson was not aware that his father or grandfather has deposited so much of amount and he is eligible to get so much divided. And after the lapse of seven years, if he were to come to know that there is some money that is due to him because of the savings made by his earlier generation, then he must be able to get it and he should not forego that. My request to the hon. Minister is this. Please do not put a straight bank on that. There must be a provision to pay back that money to the heir apparent. I suggest that it is the bank's responsibility to see that it is transferred automatically to the account of the heir apparent.

It is mentioned there in the proposal as 'at the time of depositing money or at the time of putting the equity' etc. So, I would request the hon. Minister to see that the hard-earned money deposited in the banks with a view, which is secured in the bank rather than giving it to an individual, should not be lost. So, I think, that provision has to be changed giving a chance for the people to take back their money.

Sir, the earlier Government had proposed to reduce the minimum equity in the nationalised banks to 33 per cent. That means, in the present scenario, if that were to be reduced to less than 51 per cent, the nationalised banks would have also come under the control of the multinationals, which is not in the interest of the nation. Now, I am happy that this Government has put the ceiling of 51 per cent minimum. That is also a good proposition, which is mentioned, and I support it on that count also.

Coming to the rural banking, whatever we say, whatever the promise is made about increasing the lending, doubling it in three years is a good augur. But I am of the opinion that much more needs to be done in the field of rural sector, allocating more money particularly, for the small and marginal farmers, artisans, self-employed people. All those people, who are living in villages, who acquire some skills through vocational education to their experience of working in the fields, must be linked with the financial institutions directly. Whoever has got skills and whoever satisfies the conditions, can utilise the bank money and generate wealth for him as well as for the nation, must be preferred.

So, I would request the hon. Minister to find out a way to link some of those institutions where skills are being imparted to the institutions to finance them automatically without their going and requesting the banks for money.

Sir, with these few words, I support this Bill and I also support keeping the minimum of 51 per cent equity in the nationalised banks.

SHRI LAKSHMAN SETH (TAMLUK): Mr. Chairman, Sir, this Banking Companies (Acquisition and Transfers of Undertakings) and Financial Institutions Laws (Amendment) Bill, is so simple, and therefore, I do not find any reason to oppose this Bill. But while supporting this Bill, I have some points to raise here for due consideration of the hon. Finance Minister.

At page 9, para 16, line 5 of the Bill, the beginning of the sentence is all right. Then, it is written : "...and do away with the compulsory nomination of an officer of the Reserve Bank on the Board." But I do not know, why this clause is supposed to be omitted. The compulsory nomination of an officer in the Reserve Bank in the nationalised bank should continue. Otherwise, the role of the Reserve Bank would be diminished.

Therefore, I again propose that the compulsory nomination of an officer in the Reserve Bank should continue. I am not accepting this deletion, from the Bill. The hon. Minister should clarify the position whether it can be accepted or not accepted. But primarily, I am opposing this particular proposition to delete the clause, about deletion of compulsory nomination of the Reserve Bank of India. In the Standing Committee, we made a note of dissent on this particular issue.

Secondly, Sir, at page 14, para 30, at the end, it is mentioned that the terms and conditions of the issue of Preference Shares by public sector bank, should be made fully transparent, and they are to be reviewed on regular basis to prevent misuse of the same. But there is no clause in this particular Bill to monitor the issue of preference shares by the public sector banks, which can invite the misuse of the same. That is why I would like the hon. Finance Minister to include some clauses in the Amendment Bill so that the misuse of the Preference Share of the public sector can be prevented.

Sir, the role of the banks is very important in the growth of economy of our country. So far as our country is concerned, we find that the economic imbalance is growing, particularly the Eastern India is lagging behind economically. So far my knowledge goes, the CDR (Credit Deposit Ratio) is very much unsatisfactory in Eastern India. Only 40 to 50 per cent of deposits are being credited in Eastern India. That is why, the economic imbalance is taking place to a greater extent. There should be conformity in respect of the credit throughout the country. It is a very important issue. That is why, I wanted to highlight it to the hon. Minister for his consideration.

Thirdly, as the hon. Member, Shri K.S. Rao has rightly pointed out, the rural India should be taken into confidence for giving more and more credit to the farmers, the peasants and to the Self-Help Groups. We are saying so much about the loan to the Self-Help Groups. But our experience is that they are being harassed by the banks. They are not getting timely loans. The rate of interest should also be reduced. Otherwise, I think, the generation of employment will not take place to a

greater extent, which is the burning issue in our country now-a-days. So, this point should also be taken into consideration.

There is a huge NPA. But we are not giving due consideration to realise this debt. But they are taking this as an advantage. It is because of this, the poor people in our country are not getting much benefit out of the banks. So, while we are supporting this Bill, I would also request the hon. Minister to take steps so that the banks can play a role as an engine for the growth of our economy, particularly, for the toiling masses and the poor people and how they can be benefited by the banks. This should be taken into consideration.

With these words, I conclude my speech.

श्री शैलेन्द्र कुमार (चायल) : सभापतिमहोदय, मैं बैंककारी कंपनी (उपक्रमों का अर्जन और अंतरण) और वित्तीय संस्था विधि (संशोधन) विधेयक, 2005 के समर्थन में बोलने के लिए खड़ा हुआ हूँ। अभी जैसे सम्मानित सदस्यों के विचार आए हैं, यह बात सही है कि देश के विकास में और आर्थिक व्यवस्था में बैंकों का एक प्रमुख स्थान है। जहां तक देखा जाए तो हमारी तत्कालीन प्रधान मंत्री श्रीमती इंदिरा गांधी जी ने बैंकों का राष्ट्रीयकरण इसीलिए किया था ताकि समाज में रहने वाले जो गरीब लोग हैं, उनके जीवन स्तर को ऊंचा उठाया जा सके। यह भी सही है कि कुछ ऐसी कंपनियां हैं और जो हमारे प्राइवेट बैंक हैं, जिन्होंने समय समय पर बहुत सा पब्लिक पैसा तो इकट्ठा किया और निवेश भी किया लेकिन उसके बाद वे फलॉप हुए। हमें इस ओर भी देखना चाहिए कि हमारे सरकारी बैंक गरीबोन्मुखी विकास के लिए किस तरह से ज्यादा ऋण दें जिससे किसानों और गरीबों का जीवन स्तर ऊंचा उठ सके और वे लोग देश की मुख्य धारा से जुड़ सकें।

यह बात सही है कि पूरे हिन्दुस्तान में चाहे आर्थिक तौर पर देखा जाए या क्षेत्रीय असंतुलन को देखा जाए तो हम देखेंगे कि बहुत फर्क है। तमाम राज्यों की अलग-अलग स्थितियां हैं, जैसे दक्षिण भारत में किसान आत्महत्या कर रहे हैं। अभी अनेक माननीय सदस्यों ने अपने विचार व्यक्त किये। यह बात सही है कि बहुत सी हमारी योजनाएं हैं, जो कृषि से संबंधित हैं और रोजगारपरक योजनाएं हैं जिनसे लोगों को फायदा हो और लोग रोजगार से जुड़ें, लेकिन हम देख रहे हैं कि ब्याज अधिक होने के कारण आगे बढ़कर उनमें कोई हिस्सा नहीं लेता, कोई उनमें भाग नहीं लेता है।

बल्कि वे लोग स्थानीय स्तर पर प्राइवेट बैंकों से ऋण लेते हैं। सरकारी बैंकों को चाहिये कि उन्हें कम ब्याज पर ऋण मुहैया कराये ताकि देश से बेरोजगारी और आर्थिक असंतुलन दूर हो सके।

सभापति जी, अभी कस्टमर केअर के बारे में यहां तमाम बातें कही गईं। हमें देखना चाहिये कि जो रोजगारपरक योजनाएं गरीबों और किसानों के हित में हैं, देश में तमाम महिला स्वतः हैल्प समूह हैं, स्वयंसेवी संस्थाएँ हैं, जो गरीबों को सीधे रोजगार से जोड़ने वाली हैं, उन पर विशेष ध्यान देना चाहिये और उनके जरिए ऋण देकर उनके जीवन-स्तर को ऊपर उठाने की बात होनी चाहिये - चाहे गरीबों की आर्थिक स्थिति मजबूत करने की बात हो या किसानों के हित की बात हो। कई बार हम लोगों ने इस विषय पर सदन में चर्चा की है। मेरा विचार है कि बैंक खासतौर पर इसमें अपनी मुख्य भागीदारी निभा सकते हैं। इसलिये मैं चाहूंगा कि मंत्री महोदय को गरीबोन्मुखी योजनाएँ, जो गरीबों और किसानों के हित में हो, रोजगारपरक हों, उनकी ओर ज्यादा ध्यान देना चाहिये। आज देश में आर्थिक असंतुलन बहुत ज्यादा बढ़ गया है, जिसके कारण गरीब और गरीब होता जा रहा है जबकि अमीर ज्यादा अमीर होता जा रहा है। मध्यवर्गीय लोगों की स्थिति और भी खराब है, क्योंकि वे अपना जीवन स्तर नहीं सुधार पा रहे हैं। इसलिये आर्थिक संतुलन बरकरार रहना चाहिये। अगर देखा जाये तो देश में किसानों की जनसंख्या ज्यादा है और गावों

में तो 70 प्रतिशत किसान ही बसते हैं। किसानों की मुख्य समस्या है। हमें कोशिश करनी चाहिये कि किसान, मजदूर और गरीबों के जीवन स्तर को ऊपर उठाया जाए। यदि ऐसा होता है तभी देश का विकास होगा।

इन्हीं शब्दों के साथ, अंत में यही कहूंगा कि हमारे बैंकों को चाहिये कि वे आर्थिक असंतुलन को ध्यान में रखकर, कम ब्याज पर उन्हें ऋण मुहैया कराने की व्यवस्था करें।

श्री गणेश प्रसाद सिंह (जहानाबाद) : सभापति महोदय, बैंककारी कम्पनी (उपक्रमों का अर्जन और अंतरण) और वित्तीय संस्था विधि (संशोधन) विधेयक, 2005 पर सदन में चर्चा की जा रही है।

सभापति महोदय, बैंकों पर नियंत्रण रखने के लिये तथा उनके कार्यों में सुधार लाने के लिये सर्वप्रथम 1969 में नियम बनाये गये थे। उस समय 14 बैंकों का राष्ट्रीयकरण किया गया था, जिनका पूंजी निवेश 50 करोड़ रुपये से अधिक था। वर्ष 1969 में बनाये गये नियमों को सुप्रीम कोर्ट ने निरस्त कर दिया था। बाद में 1970 में एक विधेयक के माध्यम से इन बैंकों पर नियंत्रण किया गया। इसी तरह बीच बीच में और संशोधन एवं सुधार होते गये। फिर 1980 में ऐसे ही 6 बैंकों का राष्ट्रीयकरण किया गया, जिनका निवेश 2 अरब से अधिक था। यह विधेयक वर्ष 2004 से लम्बित था, लेकिन 13वीं लोकसभा के विघटन के कारण वह विधेयक पारित नहीं हो सका।

सभापति महोदय, पहले की स्थिति और आज की स्थिति में अंतर है। देश में समय-समय पर जो आर्थिक सुधार हुये हैं या व्यापार में जो वृद्धि हो रही है, उनके कारण बैंकों का काम और दायित्व बहुत बढ़ गया है। आये दिन बैंकों के प्रति काफी शिकायतें मिलती हैं कि बैंक पैसा जमा करने में अग्रणी रहते हैं लेकिन गरीब किसानों को ऋण देने में आनाकानी करते हैं। बैंकों पर नियंत्रण किस प्रकार से किया जाए, इसी उद्देश्य से यह विधेयक लाया गया है। इस विधेयक के माध्यम से आवश्यक संशोधन किया गया है। आज विदेशी बैंकों से प्रतिस्पर्द्धा को आगे बढ़ाने के लिये सरकार ने इस विधेयक के माध्यम से अनेक नियम-उपनियम बनाये हैं।

16.00 hrs.

सरकार ने काफी सोच समझकर इस विधेयक को इस सदन में स्वीकृति के लिए प्रस्तुत किया है, इसलिए मैं इसका समर्थन करता हूँ।

SHRI SURESH PRABHAKAR PRABHU (RAJAPUR): Sir, I rise to speak on this Banking Companies (Acquisition and Transfer of Undertakings) and Finance Institutions Laws (Amendment) Bill, 2005. Since the Bill was presented to Parliament, subsequently various amendments have been introduced by the Finance Minister. I was wondering whether the Finance Minister would be looking at the possibility of changing the object of the Bill itself. I think, the Finance Minister is busy with doing something. I would like to know whether the Government will be really interested to look at the possibility of necessitating changes in the objects of the Bill itself. Looking at the type of official amendments which have been made since the Bill was presented to Parliament, probably he is really looking at the objects other than what has been stated in the Bill itself. For example, one of the objects of this Bill is to facilitate the Government in the case of 14 nationalised banks as to whether

the capital should be reduced from 51 per cent to 33 per cent, to have some changes in the capital structure of the banking companies themselves.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): Rather that was the case with the earlier Bill. So, please correct yourself. When the Bill was introduced by the other Government, then there was a proposal to reduce it to 33 per cent. That particular provision has been now removed by way of this amendment.

SHRI SURESH PRABHAKAR PRABHU : One of the objects of this Bill was that because of the changing complexities that are there in the country, there is a need to bring change in the structure of the banking company. My illustrious colleague, Shri K.S. Rao, was saying that if the banking structure is strengthened, it will facilitate to have really very robust economy. How will it make the banking very robust? The debate of whether the banks should be nationalised or there should be social control goes back to the year 1966 when Shri Morarji Desai was the Finance Minister of India. He had appointed a Committee under the chairmanship of Shri Pai Panandikar, the eminent economist, who had in fact said that nationalising the banks may not be in the long-term interest of the country. Ever since then, in 1969, most of the banks were nationalised. Since then, we have been experimenting with the banks in a manner that is not in the long-term interest of the banking sector itself. We should be clear whether we should continue to have banks as public sector undertakings, the Government should have amnesty for the banks or we should allow the banks to function in a manner so that they will really grow naturally and there will be regulators which are appointed by the Government, like the RBI, which will regulate the banking sector.

We have now seen that the Government keeps experimenting with it and wanted to reduce the shareholding – I am not saying this Government, but some Government – to 33 per cent. I do not know because of what it is said that we should not bring it down below 51 per cent. It does not matter whether you keep it 51, 74 or 84 per cent because the Government is going to exercise control over these banks. Then, how do you have robust development of the banking sector? That is the question.

If you want that banks should not be denationalised, but you should have proper control over them, then the shareholding pattern is very important. Today, the banks are controlled by the Government. It means that they are controlled by the Department of Banking in the Ministry of Finance. It means that somebody right from the level of Under-Secretary to that of Joint-Secretary or Secretary exercise control over the bank. I do not think that banks are controlled by the Parliament of India. They are really controlled by those who actually run the Banking Department of the Ministry of Finance. Therefore, all the Chairmen of the banks must come and bow before those who actually make the appointments. Seldom is the Minister aware of whose appointments are being made. The appointments are made by the Secretaries and others. Therefore, it really needs to be seen in a very proper perspective whether this control over the banking system is in the interest of the country, in the interest of the banks themselves.

In 1969 the banks were nationalised for the first time, and in 1991 the Narsimhan Committee recommendations came. Thereafter, the capital adequacy norms were decided, the prudential norms for the banking sector were decided, and provisioning norms were decided to have recognition of

income. All those norms were decided after Narsimhan Committee recommendations were made. Thereafter, we also allowed the private banks to come into play. Therefore, we have already taken a very big departure.

We had a bank business entirely nationalised in 1969, but after 1992 we also allowed the private banks to come into play. Therefore, our philosophy is not that the Government should control the entire banking business. If that is the philosophy, then I understand your not allowing the private banks to come in. But you have allowed the private banks to come in. But you are not allowing the public sector banks to grow naturally; and you are creating two types of layers and operational fields wherein Government will control some banks. Therefore, as I said, the private banks -- who are playing some role -- and foreign banks either through their branches or as entities that are set up in India will have some advantages as well as disadvantages as they are also operating in India. Of course, there are cooperative banks besides them. I am just saying that the banking sector today has also got private banks playing into the country. Therefore, the nationalised banks should be allowed to function as independently and as autonomously as possible.

The ownership is one part, but the other part is management. This is a challenge before us not just in banking, but also in other CPSUs. How can we allow functional autonomy to the managers of these banks as well as others without bringing the adverse advantages of the Government controlling it? This is the point that we really need to take into account.

MR. CHAIRMAN : Please conclude your speech.

SHRI SURESH PRABHAKAR PRABHU : Sir, the second point is that these BASAL norms, which are stipulated, are really besides the capital adequacy. In fact, we are now going to ask the private banks to raise the equity from tier one capital or in some parts from tier two capital.

The Government cannot infuse more capital as they do not have money, and the Government cannot dilute equity because there is some political compulsion. Therefore, we are now trying to introduce different norms wherein even bonds and other type of capital can qualify for BASAL-II norms. Therefore, I think that this disparity exists in private banks and the nationalised banks. I think that this really needs to be looked into.

The other long-term issue that we really need to focus on is this. What is the vision for the Indian banking? The hon. Finance Minister met the RBI Governor and said that : "In a few days we are going to come out with the blueprint for the development of the entire banking sector." I would really request the Finance Minister to clearly let us know his vision for the Indian banking. How the Indian banks are supposed to be developed? What is the role for private banks? What is the role for foreign banks? What is the role for the banks, which are owned by the Government today? This vision will be really helpful. ... (*Interruptions*)

MR. CHAIRMAN: Please conclude your speech.

SHRI SURESH PRABHAKAR PRABHU : Sir, if you ask me to conclude, then I will conclude. Thank you.

MR. CHAIRMAN: Next speaker is Shri B. Mahtab.

SHRI GURUDAS DASGUPTA (PANSKURA): Sir, it is already 10 minutes past 4 o'clock.

MR. CHAIRMAN: No, Mr. Dasgupta, I am calling Shri B. Mahtab to speak on this issue.

SHRI GURUDAS DASGUPTA : Sir, I do not stand in anybody's way.

SHRI B. MAHTAB (CUTTACK): Mr. Dasgupta, you were absent at the time of the announcement in the House. This issue will be concluded by 5 o'clock, and after that your issue will be taken up in the House.

MD. SALIM (CALCUTTA – NORTH EAST): The List of Business also says that whichever is earlier will be taken up at 4.00 pm.

SHRI GURUDAS DASGUPTA : Sir, when will my discussion start?

MR. CHAIRMAN: Shri Mahtab, please start as you are the last speaker on this issue.

SHRI GURUDAS DASGUPTA : I do not stand in anybody's way. I am only asking this. Please listen to me.

MR. CHAIRMAN: Mr. Dasgupta, he is the last speaker on this issue. Therefore, please take your seat.

SHRI GURUDAS DASGUPTA : It would have been appropriate on your part to let me know about it.

SHRI B. MAHTAB (CUTTACK): Thank you, Mr. Chairman, Sir. I stand here to deliberate on the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005.

I have five points to dwell upon. The proposal of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Law (Amendment) Bill intends to bring forth certain changes in the composition of the Board of Directors of nationalised banks by increasing the number of whole-time Directors from two to four, and by doing away with the compulsory nomination of officers of the RBI on the Boards.

This also seeks to provide for the statutory framework for supersession and subsequent management of the banks, which are observed to be functioning to the detriment of the interest of the depositor and the stakeholders. I agree with the broad objectives of the amendment proposals which are aimed at meeting the requirements of the present day complexities as well as expanding

activities of the banking system. Therefore, a level playing field is one of the major issues which was to be addressed upon but it did not find a place in the Bill.

It was later suggested that capital structure of the nationalised banks remains to be addressed. The Standing Committee on Finance had proposed for substitution of sub-section 2B of Section 3 of the Nationalization Act, 1970/1980 for enabling public sector banks to raise preference capital at par with the private banks. In terms of the existing provisions effective since 1994, the nationalised banks are entitled to raise capital by way of public issues of shares where the Central Government shall always hold a minimum of 51 per cent of the shareholding. The public sector banks have been able to meet the additional capital requirement through public issue of shares without the Government having to infuse additional capital to maintain its shareholding at a level of about 51 per cent. This may not be possible in future particularly in the wake of the implementation of Basal-II Norms as has been mentioned by the previous speakers. There is need to enable public sector banks to meet the capital adequacy requirement of the future in a cost effective manner without infusion of additional capital from the Government or diluting the voting rights. I endorse this view and urge the Government to enact it but I feel the need to emphasise on ensuring that the regulatory aspects relating to the terms and conditions for issue of preference shares by public sector banks are not in variance or detrimental to the public sector banks.

Now I come to the proposed amendment of Section 9(iii) where the number of shareholders and Directors is sought to be restricted to a maximum of three in case of banks where public shareholding ranges from 33 per cent to 49 per cent. Further, the elected Directors rendered to in excess of the prescribed number, namely, three will have to retire following the enactment of the proposed legislation. The Government has a say to appoint nominee Directors. At times non-official Directors including elected Directors continue to hold office even after the expiry of their terms owing to non-appointment of successors. The Standing Committee on Finance had suggested incorporation of appropriate provisions in the scheme to provide for mandatory initiation for prior filling of vacancies on the Boards three months in advance so that neither retiring Directors continue to hold office beyond the expiry of the term nor vacancies caused by the retirement remain unfilled. But nothing has been done. No amendment has been made in this regard. Even the proposal to amend Section 10A to enable the shareholders to adopt and approve the balance-sheet and profit and loss account of banking companies in addition to discussing them as provided for is not there. It is because this is one of the main objectives which has been mentioned in the Bill which was piloted here in 2005. I will just read out from the Statement of Objects and Reasons. It says:

“Empower the shareholders of nationalised banks to discuss, adopt and approve the Directors’ report, the annual accounts and the balance-sheet of the bank for the period covered by such accounts at their annual general meeting.”

The Standing Committee had also suggested to include this. This proposal is in consonance with the principles of corporate governance and the procedure followed by companies under the

Companies Act, but the Government has a different view. I would like to understand it from the Minister.

Sir, I would suggest that it is desirable to have a re-look at the general regulations relating to the convening and conduct of AGMs of banks.

Sir, I am coming to the last aspect. The point that I would like to make is that regarding the supersession of the Board of Directors of banks, new amendments are going to be moved because most of it in the Bill are going to be deleted. That is one of the major reasons as to why many Members on my left were aggrieved and so also many of us were. The Reserve Bank of India is the regulator and I would like to suggest, in a few words, that Government should have a system to accept the proposals for having a mandatory system of consultation with the Reserve Bank of India in the matter of appointment of an Administrator and related authorities and regulations to specific qualifications of Administrator and provide for a system of consultation with the Reserve Bank of India.

Sir, with these words, I conclude.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I am grateful to the hon. Members who have participated in the discussion. I am sorry that I was not here for some part of the discussion but I have looked at the notes prepared by my colleague Shri Pawan Kumar Bansal.

Sir, Shri Prabhu, of course wished me to address some of the larger issues, but I do not know whether there is the time to address some of the larger issues. I will try to be brief.

Sir, what is the purpose of these amendments? The original Nationalisation Act, as we call it, was passed in 1970. Then when some more banks were nationalised, we made another Act in 1980. We are amending those Acts. Of course, some other Acts have consequential provisions.

Sir, let me make it very clear that it is the intention of this Government that the Public Sector Banks shall remain in the Public Sector. We do not support the earlier amendment moved by the NDA Government that the holding of the Government should be brought down to 33 per cent. Government holding in Public Sector Banks will always remain 51 per cent or above and therefore, the essential character of Public Sector Banks will be preserved as Public Sector Banks. In fact, when that suggestion was mooted by the previous Government, I had expressed my surprise in an article that I wrote saying how could the Government reduce the shareholding to 33 per cent and yet retain the Public Sector character of the banks. Our Government's policy is that the Government holding in Public Sector Banks shall always remain 51 per cent or above. However, the policy of successive Governments has been to promote competition in the banking sector which is why we have Indian Private Sector Banks and we have allowed the presence of foreign banks in the country.

Sir, under the WTO agreement, a foreign bank can be present in one of three ways. First is to have a wholly owned subsidiary. The other is to have branches and the third is to acquire stakes in

Indian private sector banks. This is subject to the road map which has been announced by the Reserve Bank for the first phase. There is very little space for foreign banks up to the year 2009. The second phase road map will be considered in 2009.

What do we have today? We have Public Sector Banks, we have Indian private sector banks and we have the presence of foreign banks. But the dominant player in the banking sector is the Indian Public Sector Banks. As I see into the future -- I cannot see into the distant future, but into the foreseeable future -- I think, the Public Sector Banks will continue to remain the dominant player. Why do I say this? It is because the Public Sector Banks have become and are becoming more and more efficient.

Sir, I have given these figures before. The gross NPAs for Public Sector Banks for the year ending 31.03.2006 has come down to 3.71 and the net NPAs have come down to 1.44.

Public sector banks are profitable, their managements have become stronger and their productivity is better. The per capita business of employees is better and many of them have now graduated into very big banks. Apart from the State Bank of India, we have two banks virtually touching Rs. 2 lakh crore business. There are other banks with Rs. 1 lakh crore business and there are many others having Rs. 50,000 crore business. What is driving the banking industry is competition and, in course of time, consolidation. We have made it clear that this has to come from within the banking system. We are not going to force anyone. Voluntarily, some consolidation will take place. It will take place between public sector and private sector banks and among private sector banks and private sector banks, consolidation will take place. Banks are consolidating in many other countries as well, like China, Singapore, Malaysia. But this must come voluntarily from the management and the employees. This is our Government's policy.

Competition is also driving growth in banking industry. Because of competition, costs have come down. Apart from macro economic factors which decide the interest rates, our banks today are extremely competitive. That is why, they have the confidence of even venturing abroad, opening branches abroad, opening representative offices abroad. This is how it should be. Banks are flag carriers. When you see Indian Bank or Canara Bank opening a branch in London or New York or Frankfurt or Washington or Singapore, greater confidence will be there for the Indian business community saying that the banks have gone there and we can also go there for doing business.

As I said, the three segments of the banking sector will continue to grow competitively and competition will drive their growth. Credit off-take has been extremely good over the last 24 months and non-food credit is growing by 30 per cent. I think, if we continue to follow the present policies and fine tune them in response to global requirements, our banks will become stronger. We are lending more to farmers and to students by way of education loans. We are lending more to Self-Help Groups and we are lending more virtually to every segment and of course, industry will not be starved of credit and all sectors will get credit. As I say, to sum up in one line, banking industry, in competition among the three segments competing with each other, will grow and public sector banks will lead the growth and help the economic growth of this country.

Our banking system today supports approximately 40 to 45 per cent of the GDP. In developed countries, the banking system supports about 80 per cent of the GDP. So, we still have a long way to go in strengthening our banking system with more branches and with more business. But this will happen. At the rate at which credit is growing, this will happen and the GDP, will be financed greater and greater by the banking system rather than the non-banking system.

In response to these needs, we are making amendments. We have drafted these amendments in close consultation with the Indian Banks Association and the RBI. Every single word of these amendments have been drafted in very close consultation running for over several months with IBA and the RBI. This has the full support of the banking industry.

What are we doing? In response to the Committee's recommendations, we have incorporated a number of amendments. In response to the suggestions that came out of the discussion with the hon. Members, we have incorporated another amendment. We have an additional amendment where the RBI nominee will continue to remain in the public sector banks. So, that takes care of your apprehension. If the Government holding will always be 51 per cent, then obviously the proportion of private holding can never exceed 49 per cent. Therefore, the composition of the Board of Directors should be with respect to the shareholding which means that the private sector shareholding will be limited to a certain number and the public sector shareholding will be entitled to this number of representatives on the Board of Directors. We are also trying to increase the number of Executive Directors. We may not appoint all the four of them. But surely, a bank with a business of Rs. 2 lakh crore cannot be run with one Chairman and one Executive Director. It is simply not possible.

We need more people. Even our public sector corporations have more people. Every public sector corporation has one Chairman and three or four functional Directors. These are much smaller than our banks today. Our banks are dealing with lakhs of crores of rupees. Therefore, we are taking power to appoint up to three Executive Directors. We may start with two. We have one today. We may go to two; we may go to three; depending upon the size. Obviously, the bigger public sector banks like the Canara Bank and the Union Bank will have to be given immediately another Executive Director at least, and maybe even two Executive Directors. It is because today senior level management is required to address various sections. Farmers must be addressed; then personal finance and consumption credit must be addressed; industrial credit must be addressed; recovery must be addressed; human resource development must be addressed; and systems and computerisation must be addressed. All these require a high level of management skills and supervision. Therefore, we are taking this power.

We are not going to supersede bank Boards on a whim. The RBI will be involved. The maximum period that we can supercede and appoint the administrator is six months, extendable by another six months. In the meanwhile, of course, a new Board will be constituted. I do not think an occasion will arise for this. With such a close supervision by the RBI and with such a constant interaction between the Government and the public sector banks, the question may not arise at all.

But nevertheless we must have the power. In the event of something happening, we must have the power to take care of that.

Workmen Directors and other Directors will have a period of three years, extendable by another period of three years. I would urge Members to support it because, I think, we should have fresh blood after six years. Some other Workman Director must come and some other Elected Director must come on the Board. So, fresh thinking and fresh blood will come into the banking system.

We have already discussed about the NPAs so many times. NPAs are not increasing. NPAs are decreasing. Gross NPAs, in absolute numbers, have decreased. As a percentage it has decreased. The net NPA has decreased. India's banking system in comparison to say a country like China is infinitely superior. We have a far stronger banking system than China's. We should be proud of that fact. I mentioned it in an answer, I think, a couple of days ago. We should be proud of the fact that our management, unions and employees together have brought down the NPAs of our banks and have made the banking system much stronger.

Of course, there are always problems. Life is always facing new problems and new challenges. The question is: Are we geared to meet these new problems and new challenges? I believe we are. I think all our banks should be able to meet Basel -- II norms, when we go to Basel -- II norms. Many of our banks today have a much higher CRAR than Basel -- II norms. Our Central Bank Governor, that is the RBI Governor is today a respected member of the Basel Group. Therefore, I think, we are gearing up to meet the challenges of Basel -- II norms. I am confident that every public sector bank and the major private sector banks will be able to meet the Basel -- II norms. I think, as we go along, as we learn through experience, and as we face problems, we will come back to the House from time to time. But for the present, these amendments are absolutely necessary in order to improve corporate governance in the banks.

Let me say a word about autonomy. This Government has given greater powers to the Chairmen and Executive Directors. We have delegated far greater powers. This has been put on the website of the Ministry and on the website of the RBI. Much greater powers have been given to the banks. Members can access the website and find out that. I meet the Chairman once in three months. As and when new issues come, we do give them more powers. But let us understand that ownership is indeed an issue. Management is a separate matter. We are giving them managerial autonomy. But no Government as long as it holds 51 per cent can say, "I will not exercise my right as an owner". We are the owners. Therefore, they are accountable to the owner. There are private owners also. But we are the majority owners. So, they are accountable to us. That accountability is enforced by the system of having a "Statement of Intent". Every bank, at the beginning of the year, is required to give a "Statement of Intent", as to what are the goals it will achieve. We periodically review it. At the end of the year, we ask them how much has been achieved as against the "Statement of Intent".

That right is the right of every owner. Be it Jack Welch of GE; or be it Ford of Ford Motors; or be it Bill Gates of Microsoft, that is the right which every owner will exercise. That is the right which the Government must continue to exercise. Recently, for example, when the RBI raised the interest rate, we advised the banks, before and after, that if they wish to modify the interest rates, "Please take it to the Board of Directors".

Now, there was a spate of articles criticising this. I cannot understand it. Can the owner not tell the management to take this matter to a Board of Directors, get the Independent Director's view, get the Employee-Director's view, get the Workmen-Director's view, get the RBI nominee's view, get the Government Director's view and take a decision? That is the right of the owner. That owner does not interfere with the micro decision making, but generally guides the process of decision-making and the process of decision-making must be by Boards, must be Board-driven. Every other company has to be Board-managed. The Bank also has to be Board-managed. All that we say about corporate governance with companies should also apply to the banks. Why do they have a Board of Directors if there is no corporate governance there? Therefore, we are introducing corporate governance. We will continue to emphasise corporate governance in all banks, especially public sector banks and I am confident in the days to come that with these changes, public sector banks will come stronger, more autonomous, more efficient, more competitive and give a big boost to our economic growth.

SHRI SURESH PRABHAKAR PRABHU (RAJAPUR): The hon. Minister of Finance has just now mentioned about directors. Now, you want to increase the full-time directors from 1 to 4. But do you want to change the present designation of full-time Directors as Executive Directors? In the Act, you are calling them as Directors. Should the definition change or will the designation change?

SHRI P. CHIDAMBARAM: You can only appoint a director to a Board of Directors. One person is designated as Chairman and Managing Director and other or others will be designated Executive Directors. But all of them are Directors on the Board of Directors.

MR. CHAIRMAN : Now, the question is:

“That the 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, be taken into consideration.”

The motion was adopted.

SHRI ANANTH KUMAR (BANGALORE SOUTH): Sir, what is this confusion going on?...
(Interruptions)

SHRI P. CHIDAMBARAM: There is no confusion. ... (Interruptions) Please let me explain it. There are two clauses. There is no confusion. To the two clauses, originally we had proposed certain amendments. Subsequently another amendment has been proposed which overrides the earlier amendment because those two clause are to be voted negatively. Therefore, we have given two amendments to be voted negatively. Amendment No. 8 is one of them. ... (Interruptions)

प्रो. विजय कुमार मल्होत्रा (दक्षिण दिल्ली) : इतने महत्वपूर्ण बिल पर कन्फ्यूजन हो रहा है। ... (व्यवधान) इसलिए देश की अर्थव्यवस्था इतनी खराब हो रही है। ... (व्यवधान)

वित्त मंत्रालय में राज्य मंत्री (श्री पवन कुमार बंसल) : सभापति महोदय, बात कुछ और है और कही कुछ और जा रही है। ... (व्यवधान)

श्री राजीव रंजन सिंह 'ललन' (बेगूसराय) : सभापति महोदय, पूरी अर्थव्यवस्था कन्फ्यूज्ड है, पूरा यूपीए कन्फ्यूज्ड है। ... (व्यवधान)

SHRI P. CHIDAMBARAM: What are you doing? Why are you taking objection to it?...
(Interruptions) There is no confusion.

SHRI BRAJA KISHORE TRIPATHY (PURI): This is not the way to pass the Bill....
(Interruptions)

SHRI ANANTH KUMAR : Sir, this Bill has to be taken into consieeration again. ...
(Interruptions) If there is any confusion between the hon. Minister and the office, this is not the way to do.... (Interruptions)

SHRI P. CHIDAMBARAM: If the hon. Member allows me to move the amendment one by one, I will explain. There are two clauses. The amendment to clause 2 is on page 2. The amendment to clause 8 of the amending Bill is on page 8. These have been replaced by a new Section, a new clause. Therefore, these are to be negatived. The other amendments have to be passed. Apparently, our request that these will be voted negatively has not reached the office. Therefore, there is a little confusion. These two have to be negatived.... (Interruptions) We have already issued it. There is no confusion.

MR. CHAIRMAN: If you understand that there is confusion, we will take it up afterwards.

PROF. VIJAY KUMAR MALHOTRA : The House must be taken into confidence.

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI PRIYA RANJAN DASMUNSI): The procedure is very simple. The communication of the Ministry comes first to the office. If, by any chance, it has not been reported to the Table, that may be a confusion. The hon. Minister made it very clear in the House which part of the amendment is to be negatived from Government side and which part is to be supported. You know it. All the amendments have been circulated.... (Interruptions)

PROF. VIJAY KUMAR MALHOTRA : The House has not been informed of it.... (*Interruptions*)

MR. CHAIRMAN: If you agree, this will be taken up tomorrow.

... (*Interruptions*)

SHRI P. CHIDAMBARAM: Sir, I am ready to move it now, but if the Office wishes to verify and have the voting tomorrow, I have no objection, I am willing to cooperate. ... (*Interruptions*)

MR. CHAIRMAN : Mr. Geete, please take your seat.

... (*Interruptions*)

SHRI P. CHIDAMBARAM: Sir, if there is any confusion, ultimately I am responsible. So, I take responsibility. If there is any miscommunication or confusion, I take responsibility. I know which amendments I have to move, I know which two amendments have to be negated, but if the office has not got our communication, the mistake could be ours, the mistake could be somewhere on the way. Whoever is responsible for this, I am ultimately responsible and I accept ultimate responsibility. ... (*Interruptions*) All I am requesting is, either I move it now or I am willing to move it tomorrow. I am not standing in the way.

SHRI PRIYA RANJAN DASMUNSI : Mr. Chairman, Sir, I would like the indulgence of the House for a minute. The hon. Finance Minister made it abundantly clear to the House and he owes entire accountability and responsibility for this. He is making it very transparent as to what amendments he wants to move and what amendments he does not want to move. So, why do we not allow the voting of the Bill now?

PROF. VIJAY KUMAR MALHOTRA : Sir, we should know what are the amendments. ... (*Interruptions*)

MR. CHAIRMAN : All right. This Bill will be taken up tomorrow for voting.

SHRI P. CHIDAMBARAM: Sir, I will move them tomorrow. The discussion is over. We will have the voting tomorrow. I am sorry for causing inconvenience.
