

14.46 hrs.

**BANKING REGULATION (AMENDMENT) AND\***  
**MISCELLANEOUS PROVISIONS BILI,2004**

Title: Introduction of Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2004.

MR. DEPUTY-SPEAKER: Now, we will take up item No.10. Shri P. Chidambaram to introduce the Bill.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): I beg to move for leave to introduce a Bill further to amend the Banking Regulation Act, 1949 and the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

MR. DEPUTY-SPEAKER: Motion moved:

"That leave be granted to introduce a Bill further to amend the Banking Regulation Act, 1949 and the Deposit Insurance and Credit Guarantee Corporation Act, 1961."

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Sir, I am going to oppose this move in the first phase. The Cooperative Movement is a Concurrent Subject. We must realise the distinction between cooperative banking and commercial banking. That distinction is not taken into consideration.

The question is that this amendment will cut the root of the cooperative movement in India. We know that rural credit is available through the cooperative banking system. The commercial banks will not come to the rescue of the farmers. They can get credit only from the nearest cooperative bank. They are working with the people's full support. If this law comes into effect, all the cooperative banks can be superseded without a show-cause notice. If this law or this amendment is allowed to prevail, the net result will be that all the cooperative banks doing banking business can be superseded. There are elected Boards of Directors. Those elected Boards of Directors will be superseded.

I can understand the provisions in the Cooperative Act. But there are safeguards in the Act. We all know that, at least, there is a provision for a show-cause notice. Before supersession, a show-cause notice is issued to the concerned cooperative society to show the reason— (Interruptions)

SHRI PAWAN KUMAR BANSAL (CHANDIGARH): Sir, this cannot be discussed now. It can only come up when the discussion takes place.

**14.58 hrs (Shrimati Sumitra Mahajan in the Chair)**

SHRI VARKALA RADHAKRISHNAN : Madam, it is a State subject. You are encroaching on their right to legislate. Cooperation is a State subject. Of course, the Central Government has considered it as a concurrent subject. This is definitely an encroachment on the States' right to flourish cooperative movement in the State. You are bringing in a legislation in the guise of the Supreme Court order. The Supreme Court order does not say that the cooperative Boards of Directors will be superseded. What they would say is to have sufficient safeguards before issuing licences. You can issue licence, you can make provisions for implementing the licences. That I can understand. But why should you go beyond the directions of the Supreme Court? The Supreme Court has never said that you evolve a provision by which the Boards of Directors can be superseded by some financiers who are controlling the Reserve Bank. They do not have any touch with the people. They are not concerned with the farmers. They are only economists. They are only concerned with their business line.

**15.00 hrs.**

But the co-operative banks are not functioning in that line. They have service motive. They are not for business. So, I would submit that this is highly irregular and highly illegal. It will be construed as an encroachment on the co-operative movement in which the States are very much interested. In the case of Maharashtra, I can understand if you bring in some legislation as per the provisions and as per the directions of the Supreme Court. But, why should you go beyond that power? Why should you go beyond the direction of the Supreme Court? Why should you straightaway supersede the elected co-operative societies or co-operative boards in the guise of issuing licence? I strongly object to it. I do not stand in the way of bringing an amendment to the banking regulation. That you can do but not in this way. This is a Draconian law. You should change it to suit the aims of the co-operative movement in India which is a people's movement. It is not a business movement. It is not concerned with profit or loss. It is concerned with service. Why should you bring in such a legislation? You can very well give some direction as per the directions of the Supreme Court, which I can understand. But this is too much. So, I oppose it.

SHRI P. CHIDAMBARAM: Madam, with great respect to the hon. Member, I think the Opposition is not quite justified. What we are doing is we are amending two Central Acts. One Central Act being amended is the Banking Regulation Act, 1949, and the other Central Act being amended is Deposit Insurance and Credit Guarantee Corporation Act, 1961. At this stage of introduction if the hon. Member is able to point to the Chair that Parliament does not have legislative competence to amend these Acts, that objection can be answered. He does not say so. He cannot say so. These are two Central Acts made by Parliament. Parliament is, therefore, competent to amend these Central Acts. We can debate the merits of amendment.

MADAM CHAIRMAN : The question is:

"That leave be granted to introduce a Bill further to amend the Banking Regulation Act, 1949 and the Deposit Insurance and Credit Guarantee Corporation Act, 1961."

*The motion was adopted.*

SHRI P. CHIDAMBARAM: Madam, I introduce the Bill

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