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Title : Shri Gurudas Dasgupta called the attention of the Minister of Finance to the situation arising out of Government's move to merge various Public Sector Banks resulting in discontent amongst bank employees and steps taken by the Government in this regard.

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

"The situation arising out of Government's move to merge various Public Sector Banks resulting in discontent amongst the bank employees and steps taken by the Government in this regard."

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): The current policy of the Government on consolidation leaves the initiative for consolidation to come from the management of the banks themselves with Government playing a supportive role as the common shareholder. No directive on consolidation is being issued by the Government and RBI. The Boards of Banks thus have to take a decision in this regard based on the synergy levels of merging / consolidating entities.

Broadly, the employees, the owners or shareholders and the customers constitute stakeholders of the banks. While examining any merger proposal, Government will keep in view the interests of the stakeholders, including the employees of the merging banks.

- i) The customers of the merging banks continue to be the customers of the residual entity on the same footing as they were with the merging entities. Besides, the customers get better banking services with larger geographical coverage of branch / ATM / office network, improved systems and procedures, technological advantage and cross-cultural human resource and banking services.
- (ii) The shareholders of the merging banks are allotted shares in accordance with the shares swap-ratio arrived at by valuation of such banks in compliance with the extant RBI / SEBI guidelines. Further, a grievances redressal mechanism is also put in place, in accordance with the provisions of the scheme of amalgamation, to provide an opportunity to the minority shareholders of the merging entities.
- (iii) Suitable clauses are incorporated in the scheme of amalgamation / acquisition so that the pay and allowances or the compensation to the employees of merging entities are not altered to their disadvantage.

The existing provisions of the State Bank of India Act, 1955 and the Banking Companies (Acquisition & Transfer of the Undertakings) Act, 1970/80 provide a comprehensive legal framework for merger among the public sector banks.

Section 9(2)(c) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970/80 provides legal framework for reconstitution of any (corresponding new bank) nationalised bank, amalgamation of any nationalised bank with any other nationalised bank or with another banking institution, etc. The provisions of Section 9(6) of the Banking Companies (Acquisition & Transfer of undertakings) Act, 1970/80 requires that the scheme relating to any reconstitution or merger of a nationalised bank is to be laid before both the House of Parliament.

Section 35 of the State Bank of India Act, 1955 provides the legal framework for acquisition of a banking institution, including a public sector bank, by SBI. Though the provisions of the State Bank of India Act, 1955, do not expressly so require, the Scheme of acquisition of the State Bank of Saurashtra by the State Bank of India was laid before both Houses of the Parliament.

SHRI GURUDAS DASGUPTA : Madam, what for the Calling Attention was sought? The Calling Attention was whether the Government has taken any move to merge the public sector banks. The precise point was: "Situation arising out of Government's move to merge various public sector banks". This is the prime question. The hon. Minister has said that the Government has a supportive role but what is the Government's policy? Has the Government taken any initiative directly or indirectly asking the public sector banks to take to the path of merger and acquisition? On that the hon. Minister is evasive. He does not take care of the points that we have raised in the Calling Attention as to whether there has been a move on the part of the Government to bring about a merger.

Secondly, he has said that the Government will take care of the interests of the stakeholders, including the employees. That is also not the issue. Discontent among the public sector employees is not because their interest is going to be harmed. Discontent is there because there is a qualitative change in the policy of the Government.

The hon. Minister has been very generous because he is a very senior person. He is generous that although law does not require but the Government has generously placed the scheme or the decision of the acquisition of the State Bank of Saurashtra by the State Bank of India on the Table of both the Houses. He has indirectly spoken up generosity but my question Madam Speaker is whether the acquisition or merger has been a policy of the Government, overt or covert. Let the Government state that it is its policy or it is not its policy. Let the Government not avoid this issue. It is a prime question as to whether acquisition and merger is the policy of the Government and whether the banks have been indirectly told to go ahead, the Government is not going to take care of it but it will give the permission. Therefore, the basic question arises whether the merger of the public sector banks is in the interest of economy. We would like to raise this question.

It is all right when you say that the stakeholders' rights, voting right will be protected and employees will be taken care of but what about the nation having 110 crore people. Shrimati Indira Gandhi did it with the specific intention of improving the availability of credit to the marginalised section. We have our problem of poverty. Whatever might be the statistics, we have the problem of poverty and unemployment. We have the problem of marginalised people not getting credit from the banks so easily. We met the hon. Minister only on Friday. There was a demonstration of the women and they complained to him that the self-employed women in the country, who do not have any piece of land – you may be well aware of Madam that generally land is not registered in the name of a lady – even for Rs.10,000 advance they are being asked for a security. Therefore, the question is whether this step of the Government of acquisition and merger is really going to help the country economically and socially.

Let me quote not Left but the Chairman of a private bank. He says:

"In the global context there is a complete disarray in the banking space. (Kindly note the words 'complete disarray in the banking space') It would not have been appropriate for the Government of India to take a decision at this point as there is no equilibrium in the global market. Should we do anything domestically which is not justified taking into consideration the lack of equilibrium and disarray in the financial sector and banking sector? "

It is not my statement. The gentleman further says:

"Indeed the conservatism of Indian banking system and regulatory framework that has prevailed - which means what we had – was beneficial for the country. It is one of the points since the banking system was nationalized therefore, we did not feel the blow of American melt down."

Everybody accepts it. I do not claim that we only fought for nationalisation. The country fought for it but because it was nationalized the melt down did not hit the Indian financial market. That is what he is saying. We had a regulatory framework and he is speaking of that. He is saying further:

"We all have a well-run banking system and a well-run financial system. I think, at this point of time we shall keep it un-disturbed."

Whose statement is this? He is the Chairman of the biggest private sector bank, the ICICI Bank, Shri Kamat. He has got the argument of the communists. Even the private sector believes that the present system should be maintained and should be left un-disturbed.

Going further, Shri Raghuraman Ranjan, Honorary Economic Adviser to the Prime Minister has said:

"I am not persuaded that it is a good thing to have more consolidation – means merger. The difficulties associated with bank mergers are often under-estimated."

He is again close to the Government and Government is also close to private sector. They have the apprehension and not me.

Thirdly, even a Deputy Governor of Reserve Bank of India, Mr. Chakraborty did not approve of the merger. Therefore, the question is, why are the people who are close to the Government opposing the move? It means there is a disagreement in the country and not among the politicians. I am not raising it because my Unions are opposed to it. I am not speaking for the unions, although it is a fact, let the Parliament know, that all the trade Unions including INTUC, including Bharatiya Mazdoor

Sangh have opposed the murder. Yes, it is a murder of the banking system. I correct it as merger.

Madam, let me give you the singular example how the Government is doing something which is not justified economically. The Government is out to take over the State Bank of Indore. What are the parameters of performance between the State Bank of Indore and the State Bank of India? The business per employee for the State Bank of India – Rs.5.56 crore and for State Bank of Indore – Rs.7.01 crore. They are doing more business. Why do you want to merge them? Why do you want to liquidate them? Advance per employee, the State Bank of India – Rs.2.63 crore and the State of Bank of Indore – Rs. 3.43 crore; deposits per employee, State Bank of India is Rs.3.40 crore and State Bank of Indore – Rs.4.50 crore. On all parameters, not one but on all parameters, the State Bank of Indore is doing better than the State Bank of India. On the question of priority sector loan, the State Bank has done less than what the Government wanted it to do. We had raised this question on many occasions. Around 26 per cent of the total advance is for the priority sector. It is not inconsonance with the Government directive. The State Bank of Indore had advanced 34 per cent of its total advance to priority sector. Then why are you going to merge and liquidate that bank? What is the economic reason? Why do you not allow them to function?

Now, a question arises whether India is over-banked and therefore there should be merger or India is under-banked. India has a population of more than 100 crore.

MADAM SPEAKER: Please conclude. Please ask your clarificatory question and conclude.

SHRI GURUDAS DASGUPTA : Madam, it is a very important economic issue.

MADAM SPEAKER: Yes, I know.

SHRI GURUDAS DASGUPTA : Madam, I cannot just lash out at the Minister and say that you are doing wrong. I have to build up my case. Please allow me.

MADAM SPEAKER: You try to conclude early.

SHRI GURUDAS DASGUPTA : India is not over-banked. It is under-banked. Now 110 crore is the population. How many banks are we having? We are having 61 banks and of them, public sector banks are 26. Take for example America. We always look after America to make a point. There is nothing wrong. America has a population of 35 crore. How many banks do they have? They have 300 banks. Therefore, India is under-banked. India is not over-banked. Then why are you going to close some banks and bring about merger in the name of consolidation and in the name of level playing ground globally. The number of un-banked villages, means the villages which do not have banks, out of six lakh villages, 5.5 lakh villages do not have any banks. 41 per cent of the people have no bank accounts. 4.6 crore farmers do not have access to credit. Therefore, we need more banks. But instead the Government is resorting to a policy of reducing the number of banks. Why is the Government closing down the Regional banks? They have their own role in the economic development of the country. The State Bank of Indore did its job in Madhya Pradesh and the Chief Minister of the State has opposed this murder ...*(Interruptions)* I mean, has opposed this merger...*(Interruptions)* Sir, you are going to murder the banking system and that is why I am provoked!...*(Interruptions)*

MADAM SPEAKER: You may please conclude now.

SHRI SUDIP BANDYOPADHYAY (KOLKATA UTTAR): Murder has become their philosophy now...*(Interruptions)*

SHRI GURUDAS DASGUPTA : Madam, I feel hurt by this statement. Murder has never been my philosophy...*(Interruptions)*

SHRI SUDIP BANDYOPADHYAY : Not yours but...*(Interruptions)*

SHRI GURUDAS DASGUPTA : You are not doing any generosity by listening to me...*(Interruptions)* Nobody is doing any generosity by listening to me...*(Interruptions)* It is the same old and obsolete story...*(Interruptions)* I beg of him that he is here for the first time and he should know the parliamentary ethics...*(Interruptions)* I am here for the last 25 years...*(Interruptions)*

SHRI SUDIP BANDYOPADHYAY : Madam, Shri Dasgupta's niece is also listening to him attentively...*(Interruptions)*

SHRI GURUDAS DASGUPTA : Madam, the Chief Minister of Madhya Pradesh has opposed it and the Chief Minister of Kerala also has opposed the merger of the State Bank of Travancore. In a federal system, is it not necessary or important for the Government at the Centre to listen to the voice of the States? I leave it to their judgment. The Chief Ministers of both the States have opposed it. They do not belong to the same political spectrum. When economic reforms were initiated in the year 1992 by Dr. Manmohan Singh, I still remember very vividly his speech; it still rings in my ears. He said it was liberalization for competition; it was liberalization against monopoly.

MADAM SPEAKER: You may please conclude now. You ask your questions.

SHRI GURUDAS DASGUPTA: Madam, I am coming to the questions. Will the merger lead to competition? Or, will the merger lead to less competition? Why is the Government going back from their own philosophy of liberalized economic policy having more competition? I am talking of competition amongst banks. Consolidation and merger means monopoly; monopoly means anti-people; monopoly means manipulating market. Government without declaring that is going in that direction.

MADAM SPEAKER: You have made your point. Now please conclude. You please ask your questions.

SHRI GURUDAS DASGUPTA : Merger means less banks; merger means less branches. We are having 80,000 branches in the country today and with merger a number of the branches will be closed. Merger means less access to credit. Merger means more displacement of labour. Merger is more or less monopoly banking; pro-corporate banking and not in the interest of common people.

Madam, lastly, it is being said that banks are going to be merged to have a level playing field globally. It is a misnomer. How? All the nationalized banks together in India have a capital of three billion American Dollars and the leading banks of America together is having a capital of sixty billion American Dollars. A level playing field between a pigmy and a giant is not possible. Therefore the question is, whether it is for the welfare of people; is it corporate interest; whether it is profit; or, whether it is the interest of common people? If it is for more profit to be generated by the corporate sector to take advantage of the consolidated system, then let the Government go ahead. If it is for the people, then you have to restrain yourself. Therefore, my first question is, whether the Government has taken any initiative to promote consolidation and merger or Government has not taken a policy on it. It cannot be left to the banks. What is the Government's policy on this issue? Secondly, I want to know whether consolidation will lead to monopoly and whether this will result in manipulating the market. Thirdly, it is not the question whether the present employees will be protected or not. It is the question that job opportunities will be less. If there are less banks, there will be less branches and less employment opportunities. Therefore, I wish the hon. Minister comes clean on the issue of the policy of merger.

श्री शैलेन्द्र कुमार (कौशाम्बी): अध्यक्ष महोदया, मैं एक त्वैश्चन करना चाहता हूँ। मैंने भी नोटिस दिया था।

अध्यक्ष महोदया : इसका नियम नहीं है। यह डिबेट नहीं हो रही है।

â€¦(व्यवधान)

श्री शैलेन्द्र कुमार : मैंने त्वैश्चन दिया था। ... (व्यवधान)

अध्यक्ष महोदया : कृपया आप बैठ जाइए।

â€¦(व्यवधान)

SHRI PRANAB MUKHERJEE: Madam Speaker, let me clarify one point. This is not a debate on the banking policy or on the overall economic policy. When a Calling Attention notice is given, the Member expects a brief statement from the hon. Minister and on the basis of that statement, clarifications are being sought. It is not the occasion to expound one's philosophy, economic or political or whatever it may be, as far as my knowledge of the Calling Attention is concerned and as I have seen for the last forty years.

I have stated very clearly at the beginning of the Statement that the Government has not taken any initiative in this regard. The Government has not issued any directive and the Reserve Bank has not issued any directive. In the first part of the Statement itself, I have stated:

"The current policy of the Government on consolidation leaves the initiative for consolidation to come from the management of the banks themselves with Government playing a supportive role as the common shareholder. No directive on consolidation is being issued by the Government and RBI."

Therefore, where is the question of no policy in the Government? The policy of the Government is, if two banks decide and if their Boards of Management decide that they will merge and amalgamate, and then there are certain criteria to be fulfilled. If those criteria are being met, then Government supports it and gives its approval, and the Reserve Bank gives it approval. This is the spirit of the economic policy in which we do not interfere. You have mixed the whole thing regarding monopoly. As I understand, the Communist philosophy is to have the State monopoly. Now even if the State Bank of India wants to acquire its subsidiary bank, you are accusing of monopoly.

Now, how were these subsidiary banks in the Princely States built up? It was not out of public movement. All these seven subsidiaries of the State Bank located in the Princely States at some point of time served the interests of the ruling clique and,

after the merger of the Princely States with the main part of the country, and when the State Bank was taken over from the Imperial Bank by the Government of India by an Act of Parliament in 1955, they also became the subsidiaries of the State Bank in 1959. Do not distort history. It has nothing to do with the people's movement or people's interests. It is not like Punjab and Sind Bank where the Sikhs built up and it has its own ethnic character. But do not mix it up with the State Bank subsidiaries which are substantially located in different parts of the country, whether it was Travancore - Cochin, whether it was Indore or whether it was Saurashtra.

Therefore, these issues, to my mind, are not relevant and are not directly related. You may have your own philosophy. Your philosophy is that banks should not be merged.. You are entitled to have your own philosophy. But the policy of the Government is quite clear. We do not force somebody to merge. If somebody decides to merge as per the parameters laid down by the Government and the Reserve Bank of India, we allow them to merge. If we find that these mergers are perfectly in conformity with the policies of the Government and with the guidelines of the SEBI and the Reserve Bank of India, we allow them to merge. It is a continuing process.

The CPI was the participant in the Government from 1996 to 1998, before the NDA came to power. The CPI was the participant in the United Front Government. How many mergers took place in those days? Two mergers took place on 8th April, 1997 and one merger took place on 1st January, 1996. It had happened before nationalisation of banks also. Before nationalisation of banks, that is before 21st July, 1969 – which was the day of nationalisation – out of 79, 46 banks were merged. After nationalisation, till date, 33 mergers have taken place among the private sector and public sector banks, among the subsidiaries of one public sector bank with the main bank, and between two public sector banks.

Therefore, it is a continuous process. It had taken place earlier also. It has taken place in every regime because the policies of every Government are more or less the same. If the entities consider, in the larger interests of the economy, to merge, and if they think that it is necessary to have a merger, we allow that provided the merger protects of the interests of all stakeholders. Shareholders have to be protected. Of course, in public sector banks, substantial shareholding is with the Government. Employees' interests and clients' interests have to be protected. After all, the banks' responsibility is to look after the interests of the clients and customers because customers feed the banks.

I am ready to have a discussion. I am ready to share the information regarding the number of bank branches that are being established everyday; regarding the number of un-banked villages that are being brought within the banking network, and regarding the number of ATMs that are being opened everyday. But this is not the occasion to do it. Who does not know about the three important points of credit disbursement, deposit mobilisation, and branch expansion?

After nationalisation, the banking system of India has undergone a major change. It is true that we have not been able to bring the entire un-banked area within the banking network. But efforts are being made towards that. At the appropriate occasion, I will share those information.

The basic question on which the hon. Member dwelt upon was, whether the Government is taking the initiative for the merger and consolidation. My answer to that is simple "No." The initiative has to be taken by the entities themselves. If the entities take the initiative, and if these amalgamations or mergers take place as per the parameters laid down by the Reserve Bank of India and the SEBI, then the Government gives the permission. Basically, as a trade unionist, Shri Gurudas Dasgupta, must protect the interests of the employees. We should see that the interests of the customers are not affected.

He made a comparison between two non-comparable things. The State Bank is a giant. You cannot compare the *per capita* performance of an organisation having 1,000 employees with an organisation having a dozen employees. It cannot be a comparison. The *per-capita* performance-wise comparison is not possible between big organizations and small organizations, as the *per-capita* consumption of a developing country cannot be compared with that of a small, developed country. This is non-comparable. These are the simple rules of the arithmetic. Therefore, it is not possible to make that yardstick.

I am happy that the State Bank of Bikaner and Jaipur, the State Bank of Travancore and Cochin, and the State Bank of Saurashtra are all subsidiaries. The State Bank of Bikaner and Jaipur is doing a good job. The public sector banks are doing a good job whether it is a big bank or it is a small bank and we are encouraging them to do better. That is why we are giving them the managerial, operational autonomy- `you decide; I am not giving you any directions'.

But at your instance, I am sorry, I will not be able to give directive that `do not merge or do not amalgamate'. If they feel that it is in the interest of their operations, in the banks interest, in the interest of the overall economy, whether merger and amalgamations are needed or not – let us leave these matters to the individual entities. I am holding them accountable to be for their overall performance, but in the day-to-day administration, in the normal commercial decision, I do feel that the Government should not interfere. Madam Speaker, I can assure the hon. House that I have no such intention of interfering in their normal

functional and commercial activities.

(Placed in Library, See No. LT 1071/15/09)

MADAM SPEAKER: Now, the House will take up `Zero Hour' matters.

Shri Anto Antony.

...(Interruptions)

SHRI MANISH TEWARI (LUDHIANA): Madam Speaker, I have given a notice to raise a very important matter. ...(Interruptions) It is a very important matter. ...(Interruptions)

MADAM SPEAKER: Please sit down.

...(Interruptions)