

MR. DEPUTY-SPEAKER : There is no point of order. I will call the Prime Minister now (*Interruptions*).

SHRI PILOO MODY : Only members who raise their voice are being heard here... (*Interruptions*). Every time I rise to speak, Hon. Members are thumping their desks.....

MR. DEPUTY-SPEAKER : Because of your popularity, they are applauding you. The Prime Minister.

THE PRIME MINISTER, MINISTER OF ATOMIC ENERGY, MINISTER OF PLANNING AND MINISTER OF FINANCE (SHRIMATI INDIRA GANDHI):

Mr. Deputy Speaker Sir, an Ordinance was promulgated the day-before-yesterday, nationalising fourteen of the major commercial banks incorporated in India. With your permission, I should like to share with the House the considerations which weighed with Government in taking this momentous decision and the spirit in which they propose to implement it.

Nearly fifteen years ago, Parliament approved that we should set before ourselves the goal of a socialist pattern of society. Since then, Government have taken several measures towards the achievement of this goal. Public ownership and the control of the commanding heights of national economy and of its strategic sectors, are essential and important aspects of the new social order which we are trying to build in the country. We regard this as particularly necessary in a poor country which seeks to achieve speedy economic progress, consistent with social justice, in a democratic political system—one which is free from the domination of a few, and in which opportunities are open to all.

Financial institutions are among the most important levers that any society has at its command, for the achievement of its social and economic objectives. It is in recognition of this fact that we nationalised life insurance business and the then Imperial Bank of India over a decade ago. Since then, we have also set up in the public sector, other institutions for the provision of medium or long-term finance to industry and agriculture. The nationalisation of major banks is a significant step in this

process of public control over the principal institutions for the mobilisation of people's savings and canalising them towards productive purposes.

After the serious difficulties which we have had to encounter in recent years, our economy is once again poised for fresh growth and development. There has been a notable breakthrough on the agricultural front, technologically and otherwise. The increase in our exports has been impressive. There has been substantial progress in power supply and the development of transport, as also the availability of trained manpower. Our industrial base has been strengthened and diversified. It is in this context that we launched the Fourth Plan earlier this year with confidence and determination.

The question which has been engaging our attention for some time is how best to impart an element of dynamism and new vigour into the process of our development so that the targets of the Fourth Plan, in the public and private sectors, cannot only be fulfilled but if possible, exceeded. Our major concern has been to accelerate the tempo of investment and production, so as to improve living standards and increase employment opportunities, consistent with our determination to achieve self-reliance. It is necessary to mobilise the savings of the people to the largest possible extent, and to utilise them for productive purposes in accordance with our plans and priorities. Government believe that public ownership of the major banks, for which there has been widespread public support, will help in the most effective mobilisation and deployment of national resources, so that our objectives can be realised with a greater degree of assurance. (SHRI PILOO MODY: why not all ? why only 14 ?)

The Ordinance promulgated by Government provides for the nationalisation of all scheduled banks, incorporated in India, which had minimum deposits of not less than Rs. 50 crores at the end of June last. The fourteen banks in this category, together with the State Bank of India and its subsidiaries which already operate under public ownership, account for more than 85% of bank deposits in this country. The House will appreciate that in view of the very

nature of the measure, and also to forestall any possibility of manipulations which may not be in the public interest; it was essential to make a swift and sudden move which could only be achieved through an ordinance. The fact that speculation about Government's intentions had assumed an acute phase in the last few days rendered it all the more necessary to act without any further loss of time, and in anticipation of the approval of Parliament, which will be sought through a Bill which Government propose to bring during the current session.

So far as foreign banks are concerned, they provide, by and large, business of a specialised nature such as facilitating foreign trade and tourism. The operation of banks of one country in another, subject to the laws of the land, is mainly for such purposes and is part of an international facility. Our Indian banks also maintain their branches in many countries. It has been Government's general policy to confine the opening of new branches of foreign banks to major port towns, where their specialised services are needed. Having regard to all these factors, Government have decided to exclude branches of foreign banks incorporated outside India from the purview of the Ordinance. (SHRI PILO MODY: This is discrimination against the natures.)

As I stated the other day, this is not the beginning of a new era of nationalisation. Whatever the pattern of the economy, it is widely recognised that the operations of the banking system should be informed (SHRI PILOO MODY.) who is going to inform it?) by a larger social purpose, and should be subject to close public regulation. Government have come to the conclusion that the desired regulation and rate of progress consistent with the urgency of our problems could be secured only through nationalisation.

I should like to reiterate my assurance that even after nationalisation, the legitimate credit needs of private industry and trade, big or small, will be met. Indeed, it shall be our endeavour to ensure that the needs of productive sectors of the economy, and in particular those of farmers, small-scale industrialists and self-employed professional group are met in an increasing measure. It

will be one of the positive objectives of nationalised banks to actively foster the growth of new and progressive entrepreneurs, and to create fresh opportunities for hitherto neglected and backward areas in different parts of the country. The banks will now be better placed to serve the farmer and to promote agricultural production and rural development generally. Public ownership will also help to curb the use of bank credit for speculative and other unproductive purpose. By severing the link between the major banks and the bigger industrial groups which have so far controlled them, government believe that the step they have taken will also bring about the right atmosphere for the development of adequate professional management in the banking field. Government attach the utmost importance to modern managerial techniques and practices.

The moneys which depositors entrust to the banks are in the nature of a sacred trust. The interests of the depositors of the banks which have been nationalised, will not only continue to be fully safeguarded but will now have the backing of the State itself. I should also make it clear that the emphasis on priority areas, new entrepreneurs (SHRI PILOO MODY: for the benefit of Congressmen, new entrepreneur and backward people.) and relatively backward areas, will not be at the expense of considerations of economic viability. Only thus can we fulfil our obligations to those who have entrusted their savings to us for the benefit of the community. But economic viability can still admit of much greater resourcefulness in lending to priority areas than has been the case so far. The general public already has the experience of the State Bank to show how public purpose and security, as well as good return to depositors, can be combined.

The Ordinance has also provided for the adequate protection of the interests of employees of the banks concerned. They have now become employees of a publicly owned and socially responsible banking system. This also places on them special responsibility towards the community. The success of the programme of nationalisation will, in a large measure, depend upon the efficiency, the devotion and the dedication with which they perform their daily tasks, and the courtesy and consideration with which they

[Shrimati Indira Gandhi]

treat the constituents of the bank. I hope that all individual employees of these banks and their associations will now help in the successful implementation of the step which has been taken. (SHRI N. DANDEKER: And go on strike.)

The Ordinance provides for a scheme of fair compensation for the take-over in accordance with a formula which Parliament approved recently, while enacting the Banking Laws (Amendment) Act, 1968. The Ordinance provides that compensation will be payable in the form of Government securities.

In order to cause the least possible dislocation in the working of the banks covered by the Ordinance, and to avoid inconvenience to the public, it is proposed, for the present, to retain the identity of each bank in the form of a new corporation. The Chief Executive of each bank is now the custodian of the unit concerned on behalf of the Central Government, and will be subject to its control and direction. The old Board of Directors in each case stands dissolved, and the Ordinance vests the Government with the power to set up Advisory Boards in their place. These are interim measures. Changes in the structure of management may also be necessary; these will be undertaken after the most careful consideration. The Ordinance provides for such changes to be made.

As in other matters of policy, Government have been guided in taking the present decision entirely by national interests, and the needs and aspirations of our people. The establishment of a socialist society is one of our declared goals, but we have not been guided by any doctrinaire considerations. Our sole concern has been to accelerate development and thus make a significant impact on the problems of poverty and unemployment, and to bring about progressive reduction of disparities between the rich and the poor sections of our people, and between the relatively advanced and backward areas of our country.

I realise that the test of the decision is in its effective implementation. Government are determined to take all possible step to make this measure a success.

I should like to take this opportunity, Sir, to appeal to all sections of this House to extend their valuable cooperation in the purposeful implementation of this important measure.

SHRI KANWAR LAL GUPTA: *rose*—

SHRI PILOO MODY: I have some questions.

MR. DEPUTY-SPEAKER: No, not at this stage.

14.25 hrs.

✓ STATEMENTS RE RESIGNATION OF THE DEPUTY PRIME MINISTER

SHRI MORARJI DESAI (Surat): Mr. Deputy Speaker, Sir, I am grateful for the opportunity that you have given me to make a statement on my resignation from the Council of Ministers.

SHRI S. A. DANGE (Bombay central south): Is such a statement necessary? Why should it be made? We know it.

MR. DEPUTY SPEAKER: It is permitted under the rules.

✓ SHRI MORARI DESAI: I consider it rather unfortunate that I should have to appear before this House to explain why I resigned as it involves the question of relationship between me and the Prime Minister.

✓ I came to the conclusion that I can no longer serve in the present Council of Ministers except at the cost of my self-respect and except as a silent spectator to methods that may endanger the basic principles of democracy on which our parliamentary system is established. I came to this conclusion because I was summarily relieved of the Finance portfolio without even the ordinary courtesy of a prior discussion on this matter being shown to me by the Prime Minister ✓

After the Fourth General Election, the Congress Party chose its leader. She then asked me to join her Cabinet as Deputy Prime Minister and Finance Minister. Even