

MR. DEPUTY SPEAKER: The question is:

"That the Bill further to amend the Regional Rural Banks Act, 1976, be taken into consideration."

*The motion was adopted.*

MR. DEPUTY SPEAKER: The House will now take up clause-by-clause consideration of the Bill. Now we shall adjourn for lunch and will reassemble at 2.15 p.m. and then we shall take up clause-by-clause consideration of the Bill.

**14.15 hrs.**

*The Lok Sabha re-assembled after Lunch at nineteen minutes past Fourteen of the Clock.*

*The Lok Sabha re-assembled after Lunch at nineteen minutes past Fourteen of the Clock.*

[MR DEPUTY SPEAKER *in the Chair*]

**REGIONAL RURAL BANKS (AMENDMENT) BILL—Contd.**

[*English*]

MR. DEPUTY SPEAKER: Now we take up clause-by-clause consideration of the Regional Rural Banks (Amendment) Bill, 1987.

There is no amendment to Clause 2.

The question is:

"That Clause 2 stand part of the Bill."

*The motion was adopted.*

*Clause 2 was added to the Bill.*

*Clause 3—(Amendment of Section 3)*

MR. DEPUTY SPEAKER: There is an

amendment by Dr. D.B. Patil. He is not here. Then, Shri C. Madhav Reddi.

SHRI C. MADHAV REDDI: I beg to move:

Page 2,—

after line 10, *insert—*

"Provided further that the financial assistance to be extended by the Bank by way of refinance shall not be at a higher rate of interest than charged by National Bank for such loan." (22)

Sir, I had already said about the purpose of this amendment to Clause 3 and it does not need any further elaboration and if the hon. Minister accepts my amendment, I will be happy.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY): I am sorry that I am not in a position to accept it because so far at the time of the setting of the RRBs, the share capital would be 25 lakhs. There is no provision for relaxation.

SHRI C. MADHAV REDDI (Hanamkonda): Clause 3 is in regards to the refinance. The rate of interest for refinance which is charged by the NABARD as well as the sponsored banks is not the same. NABARD is charging 7% while the sponsored banks are charging 8½%. I said that because that rate is so high in these Banks, because of lot of borrowing accounts, lot of deposit accounts and services accounts are also very costly.....

SHRI JANARDHANA POOJARY: I followed it.

SHRI C. MADHAV REDDI: My amendment is that there should be statutory provision so that the sponsored bank does not charge more than what the NABARD charge.

SHRI JANARDHANA POOJARY: Here

It has already been reduced, that is, from 8.5% it has been reduced to 7%. Already it has been done.

MR. DEPUTY-SPEAKER: Mr. Madhav Reddi, are you withdrawing your amendment?

SHRI C. MADHAV REDDI: I seek leave of the House to withdraw my amendment No. 22 to Clause 3.

MR. DEPUTY SPEAKER: Has Mr. Madhav Reddi leave of the House to withdraw his amendment?

SEVERAL HON. MEMBERS: Yes.

*Amendment No. 22 was, by leave, withdrawn.*

MR. DEPUTY-SPEAKER: Now, I will put the Clauses 3 to 5 together.

The question is:

"That Clauses 3 to 5 stand part of the Bill."

*The motion was adopted.*

*Clauses 3 to 5 were added to the Bill*

*Clause 6*

SHRI C. MADHAV REDDI: I beg to move.

Page 2,—

for lines 22 to 25, *substitute—*

"(i) The issued capital of each Regional Rural Bank shall, in the first instance, not be less than one tenth of the authorised capital." (1)

Page 2,—

for lines 22 to 25, *substitute—*

"(1) The issued and paid up capital

of each Regional Rural Bank shall in the first instance, be one crore of rupees." (22)

The object of this amendment is to see that in the Act itself there should be a provision for one crore of paid up capital of the bank. This is not there in the Bill. In the Bill, it is mentioned about the authorised capital being enhanced to Rs. 5 crores. But as far as issued paid-up capital is concerned, it has been left to the discretion of the Government. There is no commitment of the Government that it will be increased to one crore rupees. The Minister has already accepted while making a statement that he is going to make that one crore. Then why not you include this Bill itself?

SHRI JANARDHANA POOJARY : The amendment is not acceptable because the amendment proposed in the Bill is more comprehensive and it may be retained. The amendment proposed by the Member will increase the share capital in the case of 193 RRBs thereby involving an additional budgetary allocation by the Government of India and the State Governments. So, it is not acceptable.

SHRI C. MADHAV REDDI : Do you mean to say that the Government is not going to enhance the paid up capital of the Bank from Rs. 25 lakhs to one crore? You don't want to do it?... Shall I read out what you said in your speech.

SHRI JANARDHANA POOJARY: There, I said that for the share capital the provision has been made for increasing it. It will be increased from 25 lakhs to one crore rupees at the time of setting up.

SHRI C. MADHAV REDDI: That is not the intention. You want to increase the authorised capital of the existing banks from one crore to five crore rupees. This authorised capital with regard to issued and paid up capital—the Bill says—could be anywhere between Rs. 25 lakhs and Rs. 1.0 crore.

[Shri C. Madhav Reddi]

In other words, you can increase it up to Rs. one crore also. While introducing the Bill you said that this is going to be enhanced to Rs. one crore. If the intention is to enhance it to Rs. one crore, in the Financial Memorandum you said that this is going to be done, but you cannot now assess as to what is going to be the actual expenditure. You have not specified it in the Financial Memorandum. That does not mean you are not going to increase it. The whole intention of the Bill, actually the recommendation of the Kelkar Committee is to see that the share capital of the company is enhanced. And then, mere increase of the authorised capital is nothing. Authorised capital from Rs. one crore to Rs. five crores you can have it— from Rs. one crore to Rs. five crores or Rs. ten crores, we are not concerned with that. Unless the paid up capital of the Bank is going to be increased, it does not serve any purpose. I do not know what is the intention of the Government. What are you going to do? Are you going to enhance the share capital of the Bank or not?

SHRI JANARDHANA POOJARY: Sir, an enabling provision has been made. What I stated earlier also is very clear. For the reason mentioned, it is not acceptable.

MR. DEPUTY-SPEAKER : I shall now put amendments Nos. 1 and 23 moved by Shri Madhav Reddi to the vote of the House.

*Amendments Nos. 1 and 23 were put and negatived.*

MR. DEPUTY-SPEAKER: I shall now put clause 6 to the vote of the House

The question is:

“That clause 6 stand part of the Bill.”

*The motion was adopted.*

*Clause 6 was added to the Bill.*

*Clause 7—(Amendment of Section 9)*

SHRI C. MADHAV REDDI: Sir, I move:

Page 2, line 40,—

after “who are” insert “not” (2)

SHRI BASUDEB ACHARIA: Sir, I move:

Page 2,—

*For lines 30 to 33, substitute—*

“(a) two directors, who are officers of the Central Government, State Government, Reserve Bank, National Bank or any other bank, to be nominated by the Central Government;”  
(6)

Page 2,—

*for lines 36 to 39, substitute—*

“(c) two directors, who are officers of the National Bank, to be nominated by that Bank;

(d) one director, who is a representative of the recognised trade union of the Bank, having the largest number of Bank’s personnel as its members, to be nominated by the concerned trade union; and” (7)

SHRI C. MADHAV REDDI: Sir, the purpose of this amendment is to see that the Directors appointed by the State Government also should be non-officials. You want to take the non-official quota to

yourself and you don't want to give the non-official quota to other shareholders, i.e., the State Governments? Two Directors are to be nominated by the Central Government from among the non-officials, all the rest of the directors by the NABARD or by the Sponsor Bank or by the State Government will be official. I can understand the nominations of the Sponsor Bank and the NABARD being officials. But why do you restrict the two directors to be nominated by the State Bank also to be official? After all, we also have the non-official element when we are contributing to the share capital, then why don't you give that facility to us—at least one director official and one non-official? Is it not a discrimination?

SHRI BASUDEB ACHARIA: Sir, my amendment is also of identical nature. But now in the present Act the State Government can nominate two non-officials directly and this has been done away with in this amendment Bill. Now, only the Central Government can nominate two non-official directors and others by the Sponsor Bank, the Reserve Bank of India and the State Government. They can only nominate two officials. So, the same provision should be there. What is now still in existence is that the State Government can nominate, so that the State Government can nominate from among the non-officials, may be from the peasant organisation or agricultural workers' organisation.

AN HON. MEMBER: Why not MPs?

SHRI BASUDEB ACHARIA: Or can be MPs also who are interested in this work. And we also talk of workers' participation in the management, but there is no provision in this Amending Bill that at least one representative should be from the majority union. First, that association should be recognised and one of the directors should be the representative of the majority union because we talk of workers' participation in the management, for better management of the RRB. I suggest that one of the

directors should be from among the majority recognised union.

SHRI JANARDHANA POOJARY: Earlier one non-official Director used to be appointed by the Central Government and the sponsor bank used to suggest the name of another non-official, but approved by the Central Government. So, it was one from the Central quota and another from the sponsor bank quota, as approved by the Central Government. Now instead of the name being sponsored by the sponsor bank, the Central Government is directly appointing the non-officials. We have given up the appointment of officials, i.e. by the Central Government. Whereas two officials for each RRB were earlier appointed by the State Government. We have not reduced it from 2 to 1. Whereas in the case of Central Government, we have reduced it from 3 to 2. So, the amendments suggested by the hon. Members are not acceptable.

SHRI C. MADHAV REDDI: I agree with you that you have reduced the quota of Central Government from 3 to 2. That is Okay. But here, you are now nominating non-officials. These two directors going to be nominated by the Central Government are from non-officials. But another two directors to be nominated by the State Government are going to be officials.

SHRI JANARDHANA POOJARY: These non-officials are appointed from the district, within the jurisdiction of a particular regional rural bank. So, they are from the State itself, from the district itself. They are not from different States. But the appointing authority is only the Central Government. Now, that power is retained. So far as sponsor bank power is concerned, that is taken over by the Central Government because it was the sponsor bank. The sponsor bank is functioning under the Central Government. So, that power is retained by the Central Government now. Anyway, these two officials are from the State Government itself.

SHRI C. JANGA REDDY: Let it be for the State whether they appoint officials or non-officials in the operation area of the bank. Even the district unit has a regional bank. There are so many non-officials. Why are you hesitating to give this power to the State Government?

SHRI JANARDHANA POOJARY: We are also appointing from the State itself.

SHRI C. JANGA REDDY: You will nominate your own men, those who are defeated in the elections. *(Interruptions)*.

SHRI JANARDHANA POOJARY: It is within the district itself. Anyway, we will see it. We are going to keep it in mind.

SHRI BASUDEB ACHARIA: Will you consider this proposal?

SHRI JANARDHANA POOJARY: This is your suggestion for future action. But we will keep it in mind.

SHRI BASUDEB ACHARIA: Bring an amendment.

MR. DEPUTY SPEAKER: I shall now put all the amendments moved to clause 7 to the vote of the House.

*Amendments Nos. 2, 6 and 7 were put and negatived.*

MR. DEPUTY SPEAKER: The question is:

"That clause 7 stand part of the Bill."

*The motion was adopted.*

*Clause 7 was added to the Bill.*

*Clause 8—(Amendment of Section 11)*

SHRI C. MADHAV REDDI: I beg to move:

Page 3, line 4,—

after "The Sponsor Bank" insert—

"in consultation with the concerned State Government" (3)

SHRI BASUDEB ACHARIA: I beg to move:

Page 3, line 4,—

for "The Sponsor Bank" substitute—

"The National Bank" (8)

Page 3,—

for lines 6 to 12, substitute—

"Provided that no appointment of such an individual shall be made if such an individual is an officer of the National Bank, except after consultation with the Central Government." (9)

Page 3,—

for lines 17 to 25, substitute—

"(a) The National Bank shall have the right to terminate the term of office of the Chairman at any time before the expiry of the period specified in sub-section (1):

Provided that no such termination shall be made if the Chairman is an officer of the National Bank, except after consultation with the Central Government." (10)

Page 3,—

for lines 32 to 35, substitute—

"(b) the Chairman shall hold office during the pleasure of the Central Government." (11)

MR. DEPUTY SPEAKER: Shri D.B. Patil—not here.

I will put all the amendments moved to clause 8 to the vote of the House.

*Amendments Nos. 3, 8, 9, 10 and 11 were put and negatived.*

MR. DEPUTY SPEAKER: There are no amendments to clauses 9 and 10. Therefore, I will put together clauses 8 to 10.

The question is:

"That clauses 8 to 10 stand part of the Bill."

*The motion was adopted.*

*Clauses 8 to 10 were added to the Bill.*

*Clause 11—(Amendment of Section 17)*

SHRI C. MADHAV REDDI: Sir, I beg to move:

Page 4—

*after line 14, insert—*

"(c) in the second proviso after the words "the employees of the words" "Sponsor Bank," shall be inserted."  
(4)

SHRI BASUDEB ACHARIA: Sir, I beg to move:

Page 4—

*for lines 13 to 14 substitute—*

"(b) for the first proviso, the following proviso shall be substituted, namely:—

"Provided that it shall be lawful for the National Bank, if requested so to do by Regional Rural Bank, to send, during the first year of functioning of a Regional Rural Bank, such number of officers and other employees on deputation from the National Bank or from any other Regional Rural Bank to the Regional Rural Bank concerned as may be necessary or desirable for efficient performance of its functions." (12)

MR. DEPUTY SPEAKER: I shall now put the amendments moved by Shri C. Mad-

hav Reddi and Shri Basudeb Acharia to the vote of the House.

*Amendments Nos. 4 and 12 were put and negatived.*

MR. DEPUTY SPEAKER: The question is:

"That Clauses 11 and 12 stand part of the Bill."

*The motion was adopted.*

*Clauses 11 and 12 were added to the Bill.*

*Clause 13—(insertion of new chapter VA)*

SHRI BASUDEB ACHARIA: Sir, I beg to move:

Page 5—

*for lines 3 to 11, substitute—*

"(a) the continuance in service of all the employees and officers of the transferor Regional Rural Banks in the transferee Regional Rural Bank at the same remuneration and on the same terms and conditions of service, which they were getting or as they were being governed, immediately before the date on which the amalgamation takes effect without effecting the seniority of any employee or officer of the transferor Regional Rural Bank." (13)

MR. DEPUTY SPEAKER: I shall now put the amendment moved by Shri Basudeb Acharia to the vote of the House.

*Amendment No. 13 was put and negatived*

MR. DEPUTY SPEAKER: The question is:

"That Clause 13 stand part of the Bill".

*The motion was adopted.*

*Clause 13 was added to the Bill.*

**Clause 14—(Insertion of New Section 24A)**

SHRI BASUDEB ACHARIA: Sir, I beg to move:

Page 6—

for lines 27 to 33, substitute—

“24A. Notwithstanding anything contained in section 19 and without prejudice to the provision of section 35 of the Banking Regulation Act, 1949, the National Bank shall from time to time, monitor the progress of the Regional Rural Banks and cause inspection, internal audit and scrutiny to be made by one or more of its officers or by one or more officers taken on deputation from Regional Rural Banks to the National Bank and suggest corrective measures to be taken by such Regional Rural Banks.”(14)

MR. DEPUTY SPEAKER: I shall now put the amendment moved by Shri Basudeb Acharia to the vote of the House.

*Amendment No.14 was put and negatived.*

MR. DEPUTY SPEAKER: The question is:

“That Clauses 14 and 15 stand part of the Bill.”

*The motion was adopted.*

*Clauses 14 and 15 were added to the Bill.*

**Clause 16—(Amendment of Section 29)**

SHRI BASUDEB ACHARIA: Sir, I beg to move:

Page 6—

Omit lines 40 to 43 (15)

MR. DEPUTY SPEAKER: I shall now put

the amendment moved by Shri Basudeb Acharia to the vote of the House.

*Amendment No.15 was put and negatived.*

MR. DEPUTY SPEAKER: The question is:

“That Clauses 16 and 17 stand part of the Bill.”

*The motion was adopted.*

*Clauses 16 and 17 were added to the Bill.*

*Clause 1 the Enacting Formula and the Title were added to the Bill.*

SHRI JANARDHANA POOJARY: Sir, I beg to move:

*“That the bill be passed.”*

[*Translation*]

SHRI C. JANGA REDDY (Hanamkonda): Mr. Deputy Speaker, Sir, this Bill is now going to be passed. The Central Government will nominate two non-officials. What is the objection of conferring the right of nominating at least one of the two non-officials on the State Government? You have said that you will keep this in mind. But for how long? It will be of no avail. At least you should agree with the suggestions given by the leaders of the opposition. If you nominate two non-officials on political level, then the State Governments too should be given a chance to fulfil their political aim. They may nominate an official or non-official, but what is the objection in giving them a chance? I do not understand this. In the district there are members of your party, their party as well as of our party. By nominating non-officials, it will be clear as to how the rural banks are functioning. That person can not give a loan of more than rupees five thousand. The D.R.D.A. schemes are linked with the rural banks. The officer always think of completing his quota and the bank officials make an

assessment whether the money would be recovered or not. The bank people give money only to those persons who repay their loan and the fact is that those in real need of money do not have any possibility of getting money. I sent you a letter two-three days back telling you the conditions prevailing in the commercial banks and had given an instance that a manager of a branch of the bank gave loan to a person, but out of that money he deducted thirty five per cent as D.R.D.A. commission and paid twenty five per cent to the consumer and the remaining amount showed as loan but at the same time deposited it in the bank as fixed deposit. The schemes cannot be implemented like this. By mobilising deposits in Andhra Pradesh it has become first. Its name is Upla Branch, Karim Nagar District. So such type of things are happening. It is necessary to see whether the loans being given in rural areas are proving beneficial or not and the schemes are being implemented properly or not. Can a pumping set be bought with Rs 3000; it cannot be bought. So allocation for this purpose should be increased. A non-official will know this thing better than an official. An I.A.S. officer is more worried about achieving his target. A bank official has to see how the loan will be repaid. He gives the loan to those persons who can provide more surety. The project officer aims to finish the available subsidy as quickly as possible. If we look at the statistics, we find that there are very few people below the poverty line, but in reality it is otherwise.

Similarly there are different scales for bank employees in different States. In Uttar Pradesh and Bihar this has been kept at the level of B.D.O. But in both these places the scale of B.D.O. is different. So in the case of scales in respect of LDCs Employees of regional banks work according to State Government rules. This is not proper. The minimum scale for people working in rural areas should be same as that for people working in regional banks. Their salary is less than that of an officer in a commercial bank. UDCs and LDCs come

here on deputation who on promotion become chairman and chairmen of sponsored banks becomes sponsorers. Why do you appoint chairmen? They have to be provided with cars and the question of rise in overhead charges and their T.A., D.A. and salaries are also involved. Leaving aside all these things, a regional bank should be set up at regional level or by combining 10 to 15 districts keeping in view its viability. In so far as the question of viability is concerned, it has been observed that whenever anybody makes a fixed deposit, Government does not give more than 10%-11% rate of interest whereas commercial banks give a higher rate of interest. Therefore, efforts should be made to increase it.

The Honourable Minister may kindly keep in mind the amendments moved by us. Next time when an amendment is introduced, these too should be kept in view.

**SHRI JANARDHANA POOJARY:** Sir, I have already given my reply, in detail, to most of the questions raised by my hon. Member.

[Translation]

**SHRI C. JANGA REDDY:** You have given the reply but my question has remained unanswered.

[English]

**MR. DEPUTY SPEAKER:** He has forgotten. At least you may explain what he wants.

**SHRI JANARDHANA POOJARY:** Regarding the problems of employees, I have already stated that the National Industrial Tribunal is set up to look into all other amenities for the Regional Rural Banks. So, there is nothing more to add.

**MR. DEPUTY SPEAKER:** The question is:

"That the Bill be passed".

*The motion was adopted.*