

[English]

- (x) **Conversion of Bandel-Katwa Section of Eastern railway into double line and its electrification**

SHRI SAIFUDDIN CHOWDHARY (Katwa): Sir, people of all walks of life and of all political affiliations in the localities along Bandel-Katwa Railway line in the Eastern Railways have organised a determined movement on the longstanding demands of conversion of this line into double line and electrification of the route in order to enhance social mobility and economic development of the lakhs of people who inhabit this area.

The perpetual neglect of this line over the years has become unbearable to the people and they have come out in the street in a peaceful manner to attract the attention of the authorities.

I request the Minister of Railways to immediately call the representatives of the organisation leading the movement for a dialogue and take effective steps to improve the conditions of Bandel-Katwa Railway line within a time bound programme.

13.15 hrs.

BANKING, PUBLIC FINANCIAL INSTITUTIONS AND NEGOTIABLE INSTRUMENTS LAWS (AMENDMENT) BILL (Contd.)

[English]

MR. CHAIRMAN: We now take up further consideration of the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Bill.

Shri C. Madhav Reddi.

SHRI C. MADHAV REDDI (Adilabad): Mr. Chairman, I rise to make a few comments on the Bill amending thirteen Acts relating to the banks and other financial institutions and also the Negotiable Instruments Act.

This is a very important Bill, because it is not only amending the banking laws, but also the Negotiable Instruments Act. I would have liked a separate bill for amending the Negotiable Instruments Act instead of clubbing it with the Banking and Financial Institutions (Amendment) Bill. One thing common in all of these twelve amendments to the banking laws is that the Government wants to fix a uniform tenure to the Directors of these institutions. The existing provisions relating to the tenure of Directors, the appointment of directors the terms and conditions and the eligibility of appointment etc., are contained in the Nationalised Banks Management Scheme, 1970 and 1980. After the nationalisation we have prepared a scheme under which the Directors whether they are official directors or non-official directors, whether they are employee directors, workmen and non-workmen employee directors, all these matters are covered under this scheme. There is also a provision in the Banking Regulation Act about the appointment of directors. And yet today we have different laws. The Directors are appointed under various states differently, under different conditions and for different tenures.

I can understand the anxiety of the Government in this regard. Of course, it is strictly in consonance with the recommendation made by the Estimates Committee, but my point is that for the last four years these banks are functioning with truncated boards. No non-official Directors had been appointed on these Boards and every time Government came forward with the plea that the regulations are under revision and once these are revised, the non-officials will be appointed.

So, what is the position of the banks today? The board of every bank is consisting of hardly four or five members consisting of officials, the Chairman and the Managing Director, the Executive Director - if there is one - then the representative of the Government from the Banking Division and the Reserve Bank of India. That is all.

And what is the position? With these truncated boards which bank is regularly

holding the meetings of the boards? I find that many of these banks Boards do not function. The agenda notes are circulated to the members and they are approved without discussion.

The banking activities during the last four years have increased as the hon. Minister has pointed out yesterday enormously. Their activities, their schemes and their functions have increased. They have taken up a number of non-banking functions such as leasing activities equipment loans, mutual fund schemes and merchant banking activities in addition to many other social banking activities.

All these activities naturally have increased the workload and also the necessity to devote sufficient time and sufficient attention to the policies of the Banks. The role of the bankers has become important. During this particular period, which is a crucial period in the history of the banking, the Government had only truncated boards which remained almost non-existent in the sense that they consisted only of officials. What was the reason? I do not understand the reason. Finance Minister after Finance Minister, right from Mr. Vishwanath Pratap Singh to Shri Patelji, never considered this particular aspect of the management of the Banks. Why have the non-officials been excluded from the management of the banks? Of course, I know even if these decisions are taken these directors are appointed purely on political considerations. Even that also has not been done. Perhaps, the government is waiting for the elections to come. Now you are going to appoint these non-official Directors, Not one, about 300 Directors for 28 nationalised banks. Every Bank can have about 15 Directors and out of 15, about 10 Directors will be non-officials. At this rate, 280 Directors are going to be appointed. Perhaps they will be appointed just at the time when the elections are near so that you may satisfy a number of aspiring political people. The criteria for appointing these Directors are already in the Scheme itself. It is there already in the scheme as to how they are to be selected and as to what interest they should represent; they should

have experience in specialised fields like Accountancy, Agriculture, Small Scale Industries, etc. All these details have been given in the scheme itself. The fact is that the Government never followed these criteria and never tried to appoint these Directors in accordance with rules and kept the banks in the hands of the officials. I have nothing against these officials. But certainly their vision is limited. You had taken up Social Banking and so many other schemes. Certainly there was a need for non-official element to be associated with the functioning of the bank. But this has not been done during the last four years. Now that the Bill is being amended and uniform tenure is being fixed, are you going to appoint the non-official Directors atleast now?

Sir, I am very happy that the banks these days are going on initiating a number of schemes in the field of Social Banking. Recently four banks have joined together and signed a memorandum of Understanding. They are going to have a joint subsidiary, which is a new experiment in banking. So far, these banks had been forming subsidiary companies for taking up certain special activities. Now we will have a joint subsidiary for four banks for taking up activities such as merchant banking. I do not know whether the Government has been consulted before this decision was taken. In any case, non-officials were not there. I do not know whether the Government has been consulted when such an important decision was taken.

The hon. Minister pointed out that one of the important amendments relates to increase the capital base of these banks. The capital base of these banks is to be increased by increasing the paid up capital of the Bank from Rs. 100 crores to Rs. 500 crores.

I welcome that. But the point is that when you are going to increase the paid up capital, where is the money coming from? In this year's Budget, we have Rs. 200 crores, which was set apart for this purpose but already spent. The Government has been subscribing to the paid up capital for

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the last fifteen years. But now you have reached a ceiling and beyond that, the Government cannot subscribe to the paid up capital anymore, and hence this amendment. The paid up capital is being enhanced from Rs. 100 crores to Rs. 500 crores. Where is the money coming from? Interestingly, the financial Memorandum of the Bill says that no money is going to be given to the banks. It is only a book adjustment. What you are going to do is to see that when the banks get the enhanced paid up capital, with that capital they purchase the special Government securities, which means no additional funds will flow into the banks. The object of this is to see that the profitability of the banks is increased. The whole object is to see that the debt-equity ratio of these banks is enhanced to the international level. But the point is how the profitability is going to be increased because you are going to take away the money which you have given in the shape of purchasing the securities. This directly leads us to the question of banks' liquidity. As the hon. Minister has pointed out today the deposits of the banks have increased to about Rs. 1,17,000 crores, and out of these deposits, if I remember- I do not have the copy of the Minister's statement because it has not been made available to us; it is in the supplement because this statement was made by him at the fag end of the debate yesterday - he said that roughly Rs. 70,000 crores are the advances. That means there is a difference of about Rs. 50,000 crores. Now, where is this difference going? This is where the SLR and CRR become very relevant. What is this SLR and why are you going on increasing this? Today the SLR is 38 per cent and the CRR is 10.5 per cent. I have no dispute with the CRR, that is, Cash Reserve Ratio, but the point is when you increase the SLR, you are preventing the banks from investing their own funds as they like. The funds could go to the priority sector, to agriculture, to industries and to any other sector. The idea behind what you are going to see that the excess liquidity with the banks is checked. How are you going to check the excess liq-

uidity? If it is in the shape of cash with the Reserve Bank, it is O.K. That is CRR, which is 10.5 per cent. But if it is going to the Government departments because the banks are supposed to purchase the Government securities it is different. 38 per cent of the deposits which they are going to get, are going to be utilised for purchasing Government securities. What you are doing is you are taking the liquidity from the bank managers' hands to the bureaucrats' hands. You are not curbing the liquidity. Liquidity is there but you are preventing the banks from using this. You are taking away those funds and utilising in the Government department resulting in the increase of non-plan Government expenditure. This is not curbing liquidity to see that the inflation is checked. So, with this high Statutory Liquidity Ratio of 38 per cent, it is difficult for the Indian banks to make profits. What is the position of profitability of the Banks today? The profitability is going down. Today the banks' profitability has come down as low as 0.17 per cent, which is lowest in the whole world. 0.17 per cent is the profitability as percentage of working funds of the banks and they have to operate with such a small profit margin.

Coming to the question of the development of banks, the hon. Minister pointed out that the bank branches have been expanded, various activities have been taken up by the banks, priority sector lendings etc. have been increased. But what about the banks' other problems? Have the Government considered the question of the bad debts, the question of the frauds which are going on in the banks, the question of the overdue position?

The overdue position today is so bad that it was estimated in 1987 that the overdues were to the extent of Rs. 9700 crores, which form about 16.8% of the total advances. And it is still continuing and the Government of India has not been doing anything at all. I hear that the Government of India is considering to bring forward a new bill called Loan Recovery Bill so that you can prescribe how to recover the dues.

I do not know what type of Bill is under consideration because no proposal has come before us. But my point is that the remedies already prescribed by the Government of India have not been followed by the banks. The Government is not monitoring it. The Reserve Bank of India said that there should be a sort of a proper monitoring of these loans and particularly big loans given to the big industries. No proper monitoring is being done. Then the R.B.I. has also advised to follow a health code system, that the accounts should be graded, should be classified according to the health of the every account and operation of the accounts are properly checked to see that if a particular account is going sick immediately action should be taken. But nothing has been done.

Coming to the question of amendment, a very important amendment relating to the Negotiable Instrument Act, I am not able to understand why you want extra power the whole Chapter-16 is being added to the Negotiable Instrument Act. What is contained in Chapter-16? It says that if a particular cheque is issued by somebody on his account in discharge of a liability and if the cheque bounces -- the cheque is issued to cover a particular liability, -- then it becomes a criminal liability. Already in the Negotiable Instrument Act, there is a provision under Section 30 which makes it possible for the persons, who are holding the cheques to make him liable and he can be fined and in any case the lawyers know that it is a civil matter. After all, what is a cheque? It is only a Negotiable Instrument and if it is rejected, if it bounces, certainly civil action can be taken against him. How does it differ from a promisory note? If according to the promisory note payment is not made to the party, it does not become the criminal offence. Why do you make it here a criminal offence? It is likely to create a lot of problems, a lot of harrasments in spite of certain safeguards provided in the chapter. It is likely to create a lot of problems by making it penal offence and then punishment is so harsh that it can go up to

one year imprisonment and or, the fine which can go up to two times the amount of the cheque. Suppose the cheque is for one lakh rupees, the fine can be two lakh rupees. What is this? The whole idea, the whole objective is to see that the acceptability of the cheque is increased. You want that the cheque should be acceptable if it is issued to a person or to a Department, may be in the discharge of certain liability. But the point is that it is essentially a civil matter. Here you make it a criminal matter. In no other country it is a penal offence. I am not aware of any country where this has been declared as criminal offence. I will be happy to be told that there is a country declaring this as original offence. Unless it is proved that it has been fully and intentionally done, it was cheating, on that ground, of course, it becomes a criminal offence. but otherwise it is purely a civil matter. In any case you are going to enhance the rate of interest from 6 per cent to 18 per cent is being enhanced on the amount of the cheque which has been bounced. That should be enough. And I am opposed to this amendment to the Negotiable Instruments Act.

Sir, coming to the question of priority lending about which a reference has been made by the hon. Minister yesterday that the banks have taken up a number of schemes under which the lending activity has been increased for the priority sector such as agriculture, small scale industries etc. etc., well, Sir, we all know the position of the Regional Rural Banks. Only last year we passed an amending Bill and we know many of these Banks are sick and they are not in a position to give loans to agriculturists. Today we have a scheme, what the Government calls, a "service area" scheme and this scheme is supposed to be implemented from 1st January 1988. Now, under the service area scheme, you want to take up lending to meet all credit needs of those priority sectors, first you want to assess the total credit requirements, the credit requirements of that particular area. Survey work is being done, but as far as I know,

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there is no progress with regard to survey, there is no progress with regard to identification of the target groups or identification of the areas where credit requirements would be worked out; but there is no progress at all in this direction. Recently the Reserve Bank of India has appointed a Special Committee for each State to go into the aspect and they have found that it is difficult to adhere to the target date of 1.1.1989 by which time you are planning to start this service area scheme so that you may meet the credit requirements of the target groups in the country. I am afraid, Sir, this "service area" scheme is likely to meet the same fate as the other schemes have met. In addition to this, our Agriculture Minister the other day announced another scheme on the floor of the House. Without any preparation, without any spade work, he said that produce-linked credit will be given to the farmer. What is that produce-linked credit? 80 per cent of the requirements of the farmers would be met, 80 per cent of the value of the produce will be given to the farmer as a loan and then the produce will be kept with the farmer himself. But has any scheme been worked out on this? How are you going to do it? Where are the funds? These are the matters which have to be carefully gone into before any new scheme is announced. You get a thrill of announcing a new scheme, but in actual implementation, it loses all its importance, and it loses all its objectives.

Sir, these are the points which I wanted to raise, but there are some other issues which I wanted to raise with regard to this Bill because before this Bill is passed, there are certain things about which the Government has to be very clear in its mind. On Government's thinking about the venture capital scheme, we would like to know what the Government is thinking about it. The Parliament was meeting here, but a scheme has been announced in the press that a venture capital scheme or venture capital fund the subsidiary companies are going to floated. So far, only the IFCI, IDBI and ICCI are the only institutions which

have started operating the venture capital fund. It is very good that the Government wants that the Banks also should start the venture capital companies and take up the venture capital scheme. In the last Budget Session the hon. Finance Minister said that certain people, particularly the new industrialists, are not getting the equity capital from the market. It is difficult for them to raise the capital and something must be done to see that new companies which are coming should be able to get necessary subscription to the equity capital. For that purpose, a venture capital fund has been conceived. But why should you not announce such schemes on the floor of the House and explain the salient features of the scheme. I would like to know the total details of the scheme which has not been placed on the Table of the House. These are the comments which I wanted to make.

I am sorry, I have taken more time than what is allotted to us though I wanted to stick to the time.

SHRI VIJAY N. PATIL (Erandol): Thank you, Mr. Chairman. Madhav Reddiji was differing from the provision that has been made regarding the offence being treated as penal offence in case of bouncing of the cheque. We know, many people have started adopting the practice of issuing cheques without proper balance in their accounts. Even traders cheat the common people. Some of the bank staff also connive with these traders. This is nothing but cheating, falsification of documents and forgery. All these are covered under the Indian Penal Code. Although section 13 provides for punishment, it is very meagre, six months. The procedure was cumbersome. Now the procedure is cut short, simplified. At the same time, some exceptions are made for genuine people. I would like to urge upon the hon. Finance Minister that if the agent of the bank or any officer of the bank is found conniving with these things, he should also be punished. What happens is, sometimes, some persons, say A issues a cheque to person B and then it is sent to outstation bank for credit. For months together, he does not know whether it is de-

posited in his account or not. That is withheld by the bankers and after some time, it is reported that this cheque is bounced because the accountee was not having that much amount.

Mr. Chairman, Sir, now-a-days we find that the banks are increasing commission on drafts, cheques tremendously and because of this, it becomes difficult to give out-station cheques. We are having a policy of promoting banks in the rural areas. I would like to suggest that if the cheque is drawn on the rural bank or a bank in the rural area or it is drawn from a branch of a bank from the rural area to the city area, the commission should be a little less so that we can encourage banks in the rural areas and also encourage the people to open accounts in the rural areas.

Mr. Chairman, Madhav Reddiji was referring to the checking of equity of the banks. In this Amendment Bill, we are empowering the Reserve Bank of India to have special audits conducted at any time and appointment of auditors also to conduct audit at any time, of any bank.

When there is a provision for having the uniform tenure of Director of State Bank of India, directors from the employees and other people, I would like to refer to other banks also. In the case of other banks, some unions have gone to the court over the question of appointment. I will urge upon the Government to expedite the case so that Directors can be appointed from among the employees in those banks where the court case is pending. So also, to obviate the delay in the appointment of officials on the Board of Directors of the subsidiary banks of State Bank of India, NABARD, a provision is made in this Bill. But we are also having new banks like Housing Development Bank.

Then, there is a proposal for Small Scale Industries Development Bank also. In these Banks, we will have to bring new amendment. Instead of that, if these Banks are also covered by this provision, the need for bringing a new amendment will not be there.

I welcome the enhancement of interest from 6% to 18% on the non-payment of the negotiable instruments which are not cleared for payment. The tendency among the people is increasing to give such kind of negotiable instruments which are not honoured by the banks. This is a very good provision.

There is unenabling provision as far as the NABARD Chairman is concerned. The Chairman of the NABARD can act as a Managing Director for some time when there is a vacancy or till a new managing Director is appointed. There is a proverb "There is always room at the top". Here, there is always room at the top in many banks and public sector undertakings. Many senior executive posts are not filled. The Bank of India is operating only with four Directors. Instead of asking the Chairman to act as Managing Director, some senior officer can act as officiating Managing Director till the new Managing Director is appointed.

Also permit me to say that in this country where we are thinking of the socialist pattern of society, many top officials whether they are from the public sector or from the banks or from other Departments have a tendency to indulge in luxurious spending and there is no control over their spending on furnishing etc. There should be some limit, some standard. It is not that because of the luxuries in the office, people would come and take loans. It is the common people who deposit the money but they seldom see the Managing Director or the Chairman. People who come for taking large sums of money do not require that there should be five-star luxuries in the offices of the executives of the banks. Not only the Chairman has the luxuries. The Managing Director, even the Director and the subordinate officers have these luxuries. It is high time that we should think about this. The present hon. Finance Minister who was earlier the Chief Minister of Maharashtra had brought in zero budget to economise in the spending. Here also if he can bring this concept of economy in the luxurious spending of the officials on telephone bills etc., I think the common people of the nation would benefit.

[Shri Vijay N. Patil]

I want to make one more suggestion. You nationalise the banks are directly connected with the Central Government. State Governments or any other public bodies are not much concerned with the banks. Whichever Department or its subsidiary is directly connected with the Central Government, we have got some advisory bodies which include the MPs. For example, in the railways, we have the Zonal Advisory Committee MPs are also on the Advisory Committees of the P&T Department. Here we cannot appoint MPs as Directors of the Banks because it is an office of profit. But if we can think of this idea that there should be regional advisory bodies, some non-officials like, MPs, and economic experts can be appointed who would advise the banks about the functioning of the banks in that area. It will be a good proposition. Something good will come out of it. That is why, I suggested that regional advisory committees consisting of MPs and MLAs and some public figures and economic experts should be nominated in different regions in order to improve the functioning and working of these banks.

I thank you for giving more time to speak.

SHRI RAM SINGH YADAV (Alwar): Mr. Chairman, Sir, I rise to support the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Bill, introduced by the hon. Finance Minister in this House. I congratulate the hon. Finance Minister for introducing and implementing the Service Action Plan and I see the result of this Service Area Approach has been very successful so far as the rural lending is concerned. I hope the hon. Minister will continue this effort.

Sir, I may mention here the Report of the Reserve Bank of India contained in Page 76 wherein it has been said:

"The Major highlights of banking developments during the year are: (i) A new strategy for rural lending through

a Service Area Approach was introduced; with a view to improving the credit delivery system and the quality and productivity of rural lending..".

I am happy to say that the targets which were fixed - I think 17 per cent - in our Annual Budget for advancing agricultural credit have been achieved. I think the rate of rural credit has gone up to 16.8 per cent. In view of added urgency to raise agricultural production, the target for direct advances to agriculture was raised from 16 to 17 per cent to be reached by public sector banks by March 1989. I also congratulate the hon. Minister for having extended this Action Plan period for its implementation up to the end of March 1989-90. The report highlights:

"To further consolidate the progress, the Action Plan exercise is being continued for a further two-year period upto March 1990 with greater focus on qualitative aspects and special attention to upgradation of branch functioning, staff productivity, training, and quality of loan assets and recovery of bank dues..".

We are very proud of our Finance Minister. We are also very proud of the functioning and operation of our Banks in our country. We can say this boldly. We can congratulate all those persons who are involved in the Banking system that the Banking system in India is not inferior in efficiency and proficiency in comparison with any developed country in the world. I would request the hon. Minister that this Credit facility and operational proficiency must be inter-changed with the developing countries and the Socialist countries, because in the socialist countries, there is an urgency. So far as our exports and imports are concerned, our exporters and importers have some difficulty while dealing with the socialist countries. Therefore, there must be some sort of mutual exchange of persons who are involved in the banking system so that the persons belonging to those countries and the persons of India can go there and we may exchange operational efficiency. I think it is very necessary, so far as

the interests of our exporters and importers are concerned. I also request the hon. Minister to help these people in this regard. According to the Report, the Department has achieved a target of establishing bank branches in the rural areas. But still the report has identified that there are 854 blocks in which there are no rural bank branches. I would request the hon. Minister to establish the banks in all those 854 blocks. They are necessary for achieving increased production in agriculture as well as in the small-scale industrial sector. The Report further says:

"There is still some scope for opening additional branches in the rural areas of 854 deficit blocks, according to current population and distance norms..."

Sir, the efforts made by the Department and by the hon. Finance Minister are laudable. I would further request that more effort should be made so as to cover all these 854 deficit blocks. They should also be covered.

Now, I come to rural credit. As regards agricultural credit, there are three or four schemes -- Service Area Approach Concept, Lead Bank Concept, District Credit Plan and Annual Action Plan. Now so far as District Credit Plans are concerned, it covers estimation of the potential of the district, preparedness of the credit requirements of the district, allocation of target by banks and branches in the district and monitoring of performance of the banks. My submission is that the bank which has been given the charge of a particular district, sometimes that bank does not come up to the mark. Still there is need for revamping and strengthening the rural credit so far as delivery system in the rural areas is concerned.

Still the manager of the bank is not involved with the production plan of that particular areas. There is necessity of economic survey and the financial requirement of that particular area.

Therefore, my suggestion is that there should be economic survey and identifica-

tion of these beneficiaries who are to be given the credit and that economic survey should be conducted at the district level and at the block level. In those blocks, the Vikas Adikari, the Revenue Officer as well as Village Level Worker and the Agricultural Extension Officer should be associated and they should prepare the annual plan as to what is the requirement of the farmers of that area.

So far as agricultural credit is concerned, according to these norms, these persons who are actually needy and for that particular purpose, agricultural credit is needed for a particular block and that requirement should be with the managers of the each branch so that he can cope with the requirements of the particular area of the block and the district as a whole.

Even today the manager of the bank is not involved except where the recovery is concerned or when the advances are concerned, the manager of the bank comes into picture. But he does not know the requirements of those persons who are involved in small scale industries or in agricultural production. Therefore, it is very necessary that the manager or the officer of the bank should be apprised of the requirement of that particular area.

As regards self-employment programme, even today there are some defects in that programme. I may request the Hon. Minister. Sometimes entrepreneur say that he wants a particular discipline, a particular trade. The District Industries Officer or the person who is incharge of the bank says: "no, we have got these norms and you have to adopt a particular trade. Otherwise we cannot give you finance or the loan for that particular trade which is being desired by you." Therefore, there should be liberalisation or there should be some discretion with the bank authorities, the bank managers, so that even if that particular trade is being thrust upon or impressed upon that entrepreneur, that loan should be given according to choice, according to the requirements of the entrepreneur.

[Shri Ram Singh Yadav]

I will also say that the Hon. Minister has to identify those beneficiaries who have taken the agricultural credit from that particular branch. Now, today there is no proper demarkation of the villages. One farmer may take loan from the district level branch and he may take loan from the other banks also. There should be one branch. These Regional Rural Banks do not have full capacity of loaning. Therefore, they cannot give the full credit to the agriculturists according to their own demand. Therefore, proper funding should be done either through Regional Rural Banks or through commercial banks or through cooperative banks or through Land Development Bank. Whatever be the bank in that particular area that should be assigned the task that he fulfils all the requirement of loaning in that particular area so that those people who are working who are in the periphery of a particular bank branch, they can be given this and people can get loans from that particular branch of bank and they may not go from place to place and from manager to manager. That may be avoided.

14.00 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

There should be a continuous system of monitoring on the progress in the implementation of the plans and individual schemes. This is a lacuna even today because in the banking system no one is going to supervise or to see whether the targets which have been given to a particular branch or to a particular bank have been achieved or not. This monitoring system must be introduced in the banking system. I think the Minister will look into this aspect also. There must be some sort of an arrangement so that the monitoring system may operate.

Lastly, in this particular amendment which the Hon. Minister has moved, I have a suggestion. You have amended Section 141 and Section 140 of the Negotiable Instruments Act. In Section 141 you have given time to the person who is a defaulter or whose cheque has been dishonoured to

prove himself innocent and he can give the reasons as to why his cheque was dishonoured. You have given this concession to the company. But as regards the individual, you have not given the concession. Suppose there is some decree from the civil court. The whole amount which was deposited in a particular bank has been frozen or squeezed or has been withheld. And he cannot withdraw. Now because of that decree the cheque has been dishonoured of that individual.

So, this concept should be kept in mind and therefore I will say that there must be some provision, like the provision of Section 141, in Section 140 also that he may show the reason that under bona fide circumstances he issued the cheque and how it was dishonoured.

With these suggestions I fully support the Bill and I commend the action of the Hon. Minister.

SHRI AMAL DATTA (Diamond Harbour): It is very rarely that we get an opportunity to speak on bank even though this happens to be the highest democratic forum of the country. Whenever a question about banks and particularly their transactions, their debts, their loans, etc. arises, the Minister invariably takes shelter behind the banking regulations Act and say that these are all secret.

The Parliament has practically no control over the banks. I think the first thing that we should do is to establish some form of parliamentary control over the banks. If we speak on banks and criticise their activity only once in five years, when an amendment bill comes before us, it does not serve any purpose. So I will request the Minister to give it a serious consideration that this is a demand from both sides of the House that there should be a forum, a Committee for parliamentary control on banks. This should be done before the end of this Parliament.

When we nationalised the banks it was with the object of making loans available to poor people. Pursuant to that object, banks have been extended to rural areas. Certain

norms have been laid down for the purpose of seeing whether the banks in rural areas are sufficient or not. While in letter, in many cases these have been followed by setting up banks in a particular block and so on, in spirit it has not been.

What has happened is, banks have been set up in such areas that they are still not accessible to the majority of people living in the blocks. They are situated in a place which is most convenient for the bank officers located in metropolitan towns or big towns to go and visit them. When I asked them as to why they don't have banks in the interior of the block and in the central place of the block the stock answer is that houses are not available. I have pursued this matter a little further and have been told -- it is for the Minister to say whether it is correct or not -- that the banks do not want to spend money in building houses or buying houses or any land property for that matter because that is not allowed as a deduction in their income tax. As a result they go in for very high rental houses. If they are not getting suitable accommodation in a particular rural area then they would approach the richest man in the locality and would ask him to build a house for them. They would make available money by way of advance rent and the entire money needed for construction of the house will be given to him. When the bank staff lives in such houses they immediately become identified with the richer sections of the rural people. This way the bank staff gets alienated from the poor people for whom these rural banks are supposed to be established.

Then what happens is that the staff commutes from a distance. They have no knowledge of the local people. They have no sympathies for them. When small people approach them for small loans for cottage industries or for agriculture they are not allowed to cross the threshold of the Manager's room. I have had this personal experience. A number of times, I had sent people but they came back saying they were not allowed to meet the Bank Manager. Ultimately I had to send them to the main of-

office of the bank because the Manager of a small rural bank would not see such people. This is happening not at one place but at many places. Unless money passes under the table the Manager is not amenable to see them or give them any loan. This is something for which there is no monitoring. There is no way of knowing how many people and for what purpose had approached the Manager of a local bank and were refused. There is no way in which the bank monitors this. It must be done. Without that all these amendments by way of accounting year, board of directors and all that are not going to make any difference. Your system is totally defective and unless it is cured these measures are not going to go to the root of the defect at all.

Then the rural banks are just set-up in name only and two persons are put to man a bank. It is not enough. Further mostly they are not there. Only one person comes. The other does not come. So there is no way in which these poor people can get the loans or approach the Manager. Further the staff who are there are not properly motivated. There is no proper system of inspection and seeing what is happening in the banks the bank authorities have no knowledge about it. The bank authorities have no knowledge for what additional purposes the rural people are still going to the village money-lender. The money-lender still remains their main source. The banks have not been able to replace him even after 17-18 years of their nationalisation and after this big effort has been made. This is very serious. I think something must be done in this respect.

Another thing I have noticed is that if cooperative or some individuals have taken a loan 10-12 years ago and they could not repay that loan because of some natural calamity the banks have an elephant's memory in this respect and they will not allow any such person to get any further loan. Even if it is 10 years ago, even if it is by a cooperative whose management has defalcated the money and it is known to the

[Shri Amal Datta]

bank, even then they will not give any further loan. There must be some check on this. What we find is that so far as big business is concerned, one -- who has already taken a few lakhs or crores of rupees -- come back for further loan; he doesn't repay the earlier loan; he comes for a further loan and he gets it. But in the case of small people, poor people, the earlier loan may be Rs. 200 or something like that. The totality of it in the whole district may be a lakh of rupees. For that reason, these people are penalised. There must be some limit to the number of years for which the bank will carry this kind of memory forward and then refuse loans.

Because of lack of motivation, supposedly the loan *melas* were started. We have had a few questions and a few discussions on loan *melas* in this House but never very satisfactorily in the sense that we have never come to know exactly how the loan *melas* were organised, how the beneficiaries were selected and how much loans were given to them and what was the rate of recovery. I think this is very important now. I think, it has been sunk into the hierarchy that loan *melas* are not a very good way of giving loans. As a matter of fact, it is my knowledge that half of this was going to the bank managers in the local towns. But the selection of beneficiaries was being made politically and that was a very very bad thing. I believe the Reserve Bank has given notes against that. However, I would urge that loan *mela* experiment should not be repeated.

Now, about the directors of companies. There is a provision to have non-official directors. Who are these non-official directors and how are they selected? Is there any guideline? I believe, there is none. What has happened is that the hangers-on of the local, state or national leaders at various levels get selected. Their only purpose in going to the Board of the bank is to have the prestige, and to have connection. They build up connection with big business, richer people and they then sitting in the

bank board, act as touts of those people to see that they themselves personally, their relations, etc., get loans whenever applied for. These are not public-spirited people. They have come in the fringe of politics to get some share, some root out of the political process. These are the people who are put in the position where they can line their pockets.

As I said, there is no monitoring of the applications for loans which are granted or not granted. There is also no monitoring of the recoveries made of loans given. Although the Reserve Bank has the responsibility to authorise loans above a certain amount, apparently that responsibility is not being properly discharged. As is shown by several cases, loans have been given even to non-existing companies. One such cases which comes to my mind immediately is the Rajinder Setia's case. There, Rs. 200-300 crores were given certainly not without the authorisation of the Reserve Bank. How could it happen? Is there any explanation? Has anything been given by the Government in that regard?

Then, I come to the process of setting up of new companies where the financial institutions and the banks have to work together. There is no consort between the two. As a result, what happens? On the basis of RBI report, I know that a majority of the companies of small and medium size are sick by the time they have commenced their production. This happens because of the long gestation period between application for a loan and the time the loan is sanctioned and then disbursed, and ultimately for the factories or units to start. That must be there. There is no mechanism by which this harmony or consort can be established between banks and financial institutions. But it is a must if sickness of industries is to be avoided in future. If you have children born sick, then they will be sick all their lives. That has been the fate of many of the 1.5 lakh companies in India, which are sick today. This can be taken care of by this kind of action, where there is an organization to see that the

banks and the financial institutions move together and move fast; there must be a time limit within which loans have to be sanctioned or not to be sanctioned. If not sanctioned, or not adequately sanctioned, reasons must be given. What we are doing today is to follow the old practice of money lenders. The money lender would not give any reason why he is refusing any loan. But these are public institutions; these are meant for everybody. If they discriminate, then there must be a check against that. The banks must be obliged to give reasons on what grounds loans are being refused. We have to see and find out why for the same kind of projects, while A, B and C are being given loans, D, E and F are not being given loans. Why should it happen? This is discriminatory and should not be allowed in a country where the Constitution prescribes that this is a Socialist State.

I urge upon the Finance Minister to take note of this; there must be some check on the financial institutions and also the banks, the way they refuse loan to certain people, or the way they drag them on, so that ultimately the industries when set up become sick.

SHRI SOMNATH RATH (Aska): Sir, I rise to support the Bill. This Bill is going to invest powers to the Reserve Bank of India to have special audit of banks whenever considered necessary in the public interest demanded by depositors etc. It is certainly a very praise-worthy step. The Bill has also given due consideration to the principles enunciated by the Estimates Committee to provide uniform tenure to all the non-official Directors and employee-Directors on the Board of the State Bank of India etc. The Bill also empowers the Central Government to change the accounting year of any bank or any financial institution by notification. In this connection, I suggest that the financial year should be uniform for all the banks and the financial institutions.

In the Bill ceiling on the quantum of loans and advances which could be made by Reserve Bank of India to the Industrial Finance Corporation of India has been

waived. I think, this is a step which requires reconsideration, because giving unlimited powers to the Reserve Bank of India may not be good. The ceiling may be raised from time to time, not that the ceiling should be waived altogether and unlimited powers given to the Reserve Bank. This principles does not seem to be sound.

The Reserve Bank of India commands a great public respect for its credibility for its role as a strong custodian of the public exchequer. However, now there are occasions sometimes to suspect the integrity on the part of some employees of this Institution. The past glory seems to have been eroded and there is a comment that it has now been converted into a cesspool of corruption and malpractices by a section of the employees by using several ingenious methods.

Now that this has come on light, I would request the hon. Finance Minister to get it inquired into by the CBI and see that immediate and drastic steps are taken. Let us not be satisfied with departmental inquiries, because thereby the problem will not be solved and we will not gain public confidence.

Similarly, it is alleged that certain bank managers are involved in swindling the bank money in league with some industrialists. I would like to quote from an editorial entitled 'A Swindlers' Paradise' published in the daily Orissa Times, dated 26.11.1988:

"We wish to make references here to the case of Sewa Paper Mills, Koraput and the Paradip Marine Products and the Baragarh Autosprings in which the Bank managers were allegedly involved in the swindling of funds in collusion with crafty swindlers. The CBI can unearth the whole drama if it conducts a proper probe on it."

I request the hon. Minister to kindly take note of this. Let this matter be inquired into by the CBI as mentioned in the editorial of the paper.

[Shri Somnath Rath]

The Bill also empowers the Chairman of the NABARD to discharge the duties and functions of the Managing Director in case the post falls vacant. But let not this vacancy continue for a long time. The NABARD which serves mostly the agriculturists should advance credit in time. The credit for seeds, fertilizers, etc. and for other agricultural implements etc. becomes a mere waste unless provided in time. So, giving credit just for the sake of credit will not solve the problem. It must be given in time and in such a manner that the credit will be utilised for the purpose for which it is given. Due attention should be given to this aspect.

Banks have come in a very big way in the rural areas in assisting the poverty alleviation schemes. While giving credit assistance or loan to the beneficiaries, it must be given very quickly. The subsidy given by the Government is kept pending for years together and the banks invest this money and get interests. The beneficiaries are not given credit or loan in time. So, specific steps should be taken to check this practice of delaying and a probe should be made to find out as to which are those banks that keep the subsidy with them given by the Government for the purpose of poverty alleviation programmes for years together instead of advancing the loans in time. In such cases, I would urge that the interest gained by bank should be passed on to the beneficiaries. Thank you.

SHRI SHARAD DIGHE (Bombay North Central): Mr. Deputy Speaker, Sir, I rise to support the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Bill which is before the House. As stated in the Statement of Objects and Reasons, the Banking Laws were last amended in the year 1985. Since then several difficulties were brought to the notice of the Government. Therefore, in about 13 Acts, Amendments are sought to be done by this Bill. Most of the Amendments seek to improve the functioning of the banking institutions in India and also to strengthen

the Reserve Bank's powers, the Government's powers and the State Banks' powers. In many cases, it seeks to bring uniformity in the system by having the same accounting year or having the uniform term of office for these Directors, etc. I am not a banking expert, therefore I would not dwell on these several effects which these provisions would be on our banking industries. Nor do I propose to utilise this opportunity of reviewing the working of our nationalised banks. I am more disturbed with respect to the amendment in the Negotiable Instruments Act, particularly that Amendment which seeks to convert a civil liability into a criminal liability. Superficially one would feel that what is wrong if a person gives a cheque and the amount is not there; without the amount being there in the bank he gives a cheque carelessly or with a view to cheat somebody, why should he not be punished? That would be superficial thinking about this provision. But as a lawyer, I feel that we are introducing a very dangerous proposition as far as the jurisprudence of this country is concerned. Civil liability can never be converted into a criminal liability. It was in the old-old days -- in 12th or 13th Century -- that in England also for a civil debt, a person used to be imprisoned. When I was studying the other day the privileges of our Parliament, I came across a case in May's Parliamentary Practice that even the Speaker of the House of Commons was -- in the 12th Century -- arrested for civil liability and the Commons promptly elected the other Speaker. Therefore, the privilege of freedom from arrest came. Apart from that what I was emphasising was this that it was in old days for civil liabilities a person used to be punished by imprisonment, by fine and slowly as the civilisation progressed this idea was given up. In this country also even in the British regime, they removed from the Civil Procedure Code, those provisions which entitled a plaintiff to send the defendant in civil jail for not satisfying a civil decree. Therefore that principle has been firmly established in all the civilised countries, in all the progressive countries including this country, even from the British days. Therefore, we always used to say that arrest for civil liability is no

longer there. It is absolute now. But now for the first time I find that if a person fails to pay for a cheque, then he will be punished criminally. It will be deemed to be an offence. So it is a deeming provision and the provision that is made is, if for any debt or civil liability, a cheque has been given and if it is dishonoured, then within 15 days, the creditor will give notice of this dishonour.

Thereafter within 15 days if he does not make the payment, he will be deemed to have committed an offence; he can be sent to jail for one year and can be fined with double the amount given in the cheque. I submit a very dangerous proposition we are introducing; and once this is accepted, we may be tempted to go further in all civil liabilities for punishing persons for inability to pay. It has been established that inability to pay or poverty can never be an offence. You can have a civil decree against him, but, ultimately, if a civil decree cannot be satisfied, it cannot be converted into a criminal liability. Now, here, even both these defences are already taken out under Sections 139 and 140 which are introduced here, namely, that the consideration under the cheque will be presumed, it will be presumed that the holder of a cheque received the cheque of the nature referred to in Section 133 for discharge of the whole or part of any debt. So, that presumption is given. I can never say in the court, no, that consideration was illegal or anything of that kind. Secondly, it will not also be a defence that he has no reason to believe when he issued a cheque that the cheque may be dishonoured; that defence is also taken away under Section 140. In commercial transactions several times cheques are issued with the expectation that the arrangement will be made by that time, but, sometimes, that expectation fails; that does not mean that there is always necessarily an intention to cheat a person; and if cheating is the element, then still under the Indian Penal Code, he can be prosecuted under Section 420 of the Indian Penal Code, if it is provided that while giving a cheque or there was no intention to pay at all, then he can be again prosecuted and sent to jail. But

that is a different matter; cheating is a different matter. But in ordinary cases, why do you want to punish that person. Already, there are sufficient rules for the banks also. As you know, the question of reputation is there. Banks always close the account of those whose cheques are often dishonoured. The Central Bank is there; The Bank of India is there. I have come across cases where they say, well, your cheques are being dishonoured twice; now, hereafter, if they are dishonoured, then we will close your accounts. So, that is the protection which is there today; and in spite of that protection, in spite of the law which punishes a person who is cheating, why do you want to have this provision thereby in ordinary cases, when cheques are dishonoured, he will be punished as a criminal offence? Therefore, I urge upon the government to take a second look on the matter. You are introducing a very dangerous proposition which will go a long way in introducing further and further dangerous propositions. Therefore, I urge upon the government to look into this matter. With these words, I support this Bill.

SHRI SYED SHAHABUDDIN (Kishanganj): Mr. Deputy Speaker, Sir, 20 years ago, with great fan-fade, we nationalised the banking system to achieve a social purpose. During this period, there had been a phenomenal growth of the banking system. But, I am sorry to say that this growth has been largely disorganised, haphazard leading to incoherence in the system, creation of gaps, many situations of overlap and sometimes clash of interest. I believe, therefore, that the time has come for a critical look at the banking system, for an agonising appraisal, if that be necessary and for taking an objective view of our requirements and for a ruthless re-organisation if it is found to be necessary.

Rarely do we find a moment to discuss the banking system. And that is why while the Bill before us is largely innocuous, with the possible exception of two or three provisions which have already attracted the attention of my learned colleagues, I would

[Shri Syed Shahbuddui]

like to take this opportunity to place before the Government and the hon. Minister some aspects of the banking system.

First, let us take the branch expansion policy. We have gone into the rural areas, and yet there are deficient blocks. Perhaps those blocks are inaccessible ones but even in the blocks which have been theoretically serviced, there are large areas, perhaps whole Panchayats, which remain unserved because they are inaccessible, off the main highway. But what is worse is that in this branch expansion spree, we find that all nationalised banks and all private banks have been permitted to open branches all over the country. Every bank today operates practically in every State of the country, and vice-versa every State has a multiplicity of banks operating therein, not only at the State level, not only just at the main centres of population but even right down to the rural level.

PROF. N. G. RANGA (Guntur): That is not bad.

SHRI SYED SHAHABUDDIN: No, it is bad. In my view it is bad. It is administratively not justifiable, because it leads to waste, unmanageability, a infrastructure which is costly, and which is wasteful to the nation. And also, it leads to lack of coordination, it leads to almost complete lack of rapport, complete inability of the Government at the State level or district level or at the block level, to have any meaningful dialogue with the banks which are operating in a given area.

PROF. N. G. RANGA: There is need for competition.

SHRI SYED SHAHABUDDIN: You have your views; I do not dispute your views. You will have your opportunity of stating your views. Let me state mine.

The State Bank of India should have a national run. There is no question about it. But why should all the banks -- some banks

are situated in the deep south or in the west -- have operations all over the country? And, therefore, I believe, for one thing, let the State Bank of India have a subsidiary for each State. And then in each State, either the State Bank of India or its subsidiary should operate along with it not more than two other nationalised banks and of course a Grameena bank system, operating therein.

Similarly in every district. We shall of course have the SBI or the SBI subsidiary and then the lead bank. Let the lead bank perform the functions of the expansion of the branches. We have been told, perhaps that may not be legally, easily possible. But I was also told that the Government has set up a committee and there are possibilities of amalgamation of mergers, of exchanges. I suggest that the Government could go ahead and take a critical look at this branch expansion policy.

Next item is specialised banking. Over the years we have developed specialisation banks in export and import, in industry, in agriculture. Now we are going to have in housing and we have of course the cooperative system. We should have these specialised banks and they should cover all the major areas of economic activity in that particular sphere.

I forgot trade. There may even be a bank purely for leasing operations, specialising in that particular type of hire-purchase activity. But, why should every bank engage in every type of activity? You can have, therefore, a specialisation, a system of specialisation. Let us delink them. We can have separate banks as I said for whole-sale trade, for agriculture, for industry, for internal trade for export and import and for housing and then if I may suggest, for the consideration of the hon. Minister -- because social banking has a different purpose from commercial banking, let there be a specialised bank, a National Bank for Social Welfare. Because I know that the commercial banks are not fully implementing the policies laid down by the Government for credit flow to the minorities, to the Scheduled Castes, to the Scheduled Tribes and

other weaker sections of the people. Perhaps the Commercial bank Managers, who have got a particular approach do not quite appreciate the social compulsions of the Government in prescribing those schemes, and therefore they are not particularly attentive towards them.

Sir, the rural banking system that we have developed has become a focus of discontent, because you cannot have two systems of wages for the same job. This is essentially the problem. I am sure that the hon. Minister is ware of it. While I plead for the rural branches to be skeleton branches because they do not require a very big staff, we should conceptualise them as barefoot bankers, a three-man operation -- a Manager, a Cashier and a Messenger. What I want is, those who operate at the rural level must have the same terms and conditions of the service as their counterparts in more advanced banking system. Why should they be discriminated against because they are serving in the rural sector, because they are serving the rural masses? This has created discontent. This must be done away with.

Sir, the service area approach adopted by the Reserve Bank, I fully appreciate. But I would like to inform the hon. Minister that many Gram Panchayats and many villages in Gram Panchayats have no access to the banking service. I know Panchayats which do not have access to IRDP facility for this reason. Theoretically they are on the map of the development administration, but when it comes to actually getting credit, no bank caters to them. I would suggest that every lead bank in every district must publish panchayat-wise list of banks which are supposed to service them.

Sir, I would not like to say too much about the coordination between the administration and the banking system. Development administration should not merely be coordinated with the administrative apparatus but it must be detailed into the banking system. It is not so. The banks are like a State within a State. That to speak of the poor BDOs, what to speak of the District Magistrates, even the State Govern-

ments have no control over the flow of credit or over the way the banking system function. This needs to be probed into. I would request the hon. Minister to pay some attention to it.

Sir, I would like to say that the credit to the weaker sections under DRI Scheme or to the minorities under Prime Minister's Fifteen Point Programme has not been suitably monitored. I know my friend Shri Faleiro has been trying to set up a monitoring apparatus. I wish him success and I hope that he would come soon before this House and tell us about the result that he has achieved.

Sir, when you are giving the power of special audit to the Reserve Bank, let the Ministry also monitor the question of frauds, the question of write-offs and the question of overdues at suitable intervals, may be annually, I do not demand a non-freeman system, but you should not come and tell us that you do not know about it. As a Government, you are accountable to us and we expect you to be fully informed about such cases of frauds, write-offs and overdues.

Finally Sir, I come to the question of customer service. The customer today is unhappy with the system. Apart from being cesspool of corruption the banks have becomes across between a fish market and a den of opium-eaters. Nobody does any job. I hope the hon. Minister will look into it. Rules and regulations will not do unless the personnel becomes more efficient, more punctual, more courteous and more attentive to the customers' demands.

SHRI K. RAMAMURTHY (Krishnagiri): I rise to support this Bill which is under consideration. I also congratulate the hon. Minister of Finance and also the Minister of State Incharge of Banking for having brought this Bill. This Bill mainly envisages some sort of uniform functioning, uniformity in the power of Board of Directors in the matter of appointments and so on and so forth. If I remember correct, exactly a year back i.e. on 24th November, 1987 the INTUC unions functioning in banks along with 100 MPs from treasury benches had agi-

[Shri K. Ramamurthy]

tated by Dharna before the Banking Department. Now some of the demands have been conceded through this Bill. That is why, I congratulated the hon. Minister.

I am in full agreement with Mr. Amal Datta when he says that as on date the banks are not under any control. The highest democratic forum in our country is Parliament. And you will be surprised to know that Parliament does not have any control over Banks. Neither PU nor EC nor PAC has any control over them. Whenever we demand that the banks should be brought under the control of any one of the parliamentary committees, every time the bureaucratic reply is that under the secrecy clause, under the Banking Companies Act, it is not possible to do that. Is it correct on the part of bureaucratic system to keep the banks away from parliamentary control? That is why I am in concurrence with Mr. Amal Datta on this issue. We must have a rethinking on this. If the banks are brought under the purview of either PU or EC or PAC, their functioning will improve. And it will give real social justice to the people of this country.

As on date, the functioning of the banks is nothing but miserable. These are now completely managed by the bureaucracy, chief executives and some of the trade union colleagues who are in the Board. The full-fledged board which was re-constituted on 31 March, 1985 is still pending with the Government. There is no full-fledged board. There is no control of Parliament. At the same time, in the absence of the statutory audit, how do you expect that these banks will be functioning properly? This is a vital matter.

These banks have been nationalised by our late Prime Minister, Shrimati Indira Gandhi, to bring about social change and social justice to the people. With that laudable objective these banks have been nationalised. But nothing has been achieved in this direction so far. This is my agony which I am putting before this august House.

About the chief executives of the banks, the less said the better. Can you imagine that the letters of MPs are not replied by them? They think that they are supreme in this country, more than anybody else. Even if I write a letter to a Chief Executive, he asks one of his General Managers to reply to that. It is only now that the Chief Executives have started writing to MPs. Even though we have abolished privy purses, we have created 28 new princes in this country. As the hon. Members have pointed out, everybody is having his own empire in this capital or wherever these banks are situated.

If you see the expenditure of the Chief Executives not only on their bungalows but also on their travelling expenses and other things, you will have very great astonishment and surprise as to how these people are looting these banks. Can you show me a Chief Executive who has not undertaken a foreign tour within three months? What check is the Department of Banking or the Minister having on the foreign tours of these chief executives? Once I came across one such chief executive. I asked him "When there is no bank branch of yours in that country, then why are you going there?" He said: "I am going there to explore the possibility of opening a bank branch in that foreign country." This is the way in which the banks are functioning nowadays. How far is it going to give social justice to the people, or how far is it going to give better financial management in this country?

It is good that the Bill is bringing out some amendment for making a provision for the amalgamation of the banks. Are we rich enough to maintain twenty-eight banks here? Why not we amalgamate them into three banks or four banks to minimise the expenditure on account of overheads and also the establishment charges? This is a matter of very serious concern and the Banking Department should go into it. For restricting the bank branches in foreign countries also we have to do something. In some of the Far-East countries, you can see the branches of our banks just as you see them on our Parliament street. So, can't we

think of limiting them to one or two banks alone in foreign countries?

The other thing is with regard to employees. I want to make it a point that three years back the settlement has expired. For the last three years, the IBA is going on negotiating and negotiating but till date, nothing has been achieved. No agreement has been reached. So, in all urgency, I demand that immediate concluding of the negotiations of both employees and officers for an amicable settlement is necessary. How long can they wait for it?

Another problem about the functioning of the banks is the transfer policy of the banks which they are now practising. When some case of transfer was pending with the Supreme Court, at that time the Supreme Court Judges had held that transfer is not a punishment. But when the Government started transferring even the High Court Judges, then they started hue and cry. They said, yes, it is a punishment; this is a vindictive attitude. Actually, in the banks, transfer is a weapon used by the bank executives to see that some union or the other does not function within the bank. The industrial relations policy practised by the nationalised banks is worse than even the apartheid policy of the Pretoria regime. The Minister is laughing. He knows it fully well how it is going on in this country. Can you imagine that on behalf of the union, the State Bank of India, till recently, was not allowing me to open an account. Am I a smuggler or am I debarred from opening an account in this country. This is the practice of the State Bank of India. Not only in the State Bank of India, in all other banks the industrial relations policy is nothing but apartheid policy. So, this must be looked into. Please see that the infrastructure and the basic facilities for a normal trade union functioning are given. The banks are practising the untouchable policy towards INTUC union because they want to patronise their captive unions. The funniest part of the thing is that the banks are not only managing the bank affairs, they are running the unions also. So, this worst thing has to be looked into at all levels and some remedial measures have to be taken.

The other point is that the officers in the banks do not have any grievance redressal machinery. Of course, other staff members are covered under the Industrial Disputes Act but the officers are not covered by any such procedure. It is the whims and fancies of the bank's management to see how they can be victimised. So, my suggestion is that the bank officers should be covered by the Central Government Administrative Tribunal; otherwise there is no justification at all. Suppose one officer is suspended or he is terminated, knowingly or unknowingly, he has to wait for fourteen years or fifteen years to get justice in a court of law. So, it is high time that the Government should think whether the jurisdiction of the Central Government Administrative Tribunal can be extended to the bank officers also.

It is good that the Government has come out with restricting the period of bank directors' term of office to six years.

Sir, in this connection, I would like to point out that an officer -- Director in the State Bank of India is continuing for more than 9 years.

AN HON. MEMBER: It is very bad.

SHRI K. RAMAMURTHY: Sir, the State Bank of India has not intimated the term of office of the Board of Directors to the Government. I am told that the particular Board of Director has submitted his resignation, but it has not been forwarded to the Government. I am sorry to state that we are having this type of Chief Executives, this type of Managing Directors in the banks. We say that the policy followed in this regard in Government Department is worse. But so far, for four years, they have not appointed a full-fledged Board in the banks. How can a bank function if this situation is obtained there? So, Sir, these are some of the points placed before this august House and I hope the hon. Minister will kindly consider them and take necessary action. I welcome this Bill.

[Translation]

*SHRI R. JEEVARATHINAM (Arakkonam): Sir, I welcome the rise in the limit of paid up capital of the banks. At present the banks are charging higher interest rates. The interest rates particularly those charged from the trading community and other small businessmen must be reduced. Likewise the interest rates charged by the rural Development banks must also be reduced. The number of rural Development banks must be increased and every such bank should be set up at block level. The local people must be employed in those banks. Priority should be given in employment in these rural development banks to women and harijans. Special vigilance officials must be appointed in every branch of the banks to monitor the malpractices being committed in these banks. Information on these malpractices with details regarding punishments meted out to the erring officials must be contained in a report which should be presented to this Parliament every year. The report should clearly reflect the number of malpractices detected, the number of complaints received, action taken on these complaints. This report must be made bankwise and must be submitted alongwith the annual reports of the banks.

The private chit fund organisations and private money-lenders must also receive the watchful attention of the Government. These money-lenders and private chit funds are charging exorbitant interest rates. The money-lenders sometimes charge 30%, 35%, 40% and even 60%. The interest rates chargeable by these money-lenders and chit fund agencies must be fixed to a minimum level by a Statute as in the case of banks. Ering agencies and money-lenders who violate the statutory limit must be punished severely. Nationalised Banks charge 10% to 16% but such a limit does not exist in the case of private money-lending agencies. The nationalised banks must offer attractive interest rates for fixed deposits so that money from the public is mopped up for nation-building activities. Presently the sub-

sidy provided to industries in industrially backward areas in Tamil Nadu, particularly to the bank any hotel industry has been stopped. This has affected many persons, who have already started the industry in the hope of receiving subsidy from the Government. This has also resulted in unemployment. This question must be seriously considered and provision of subsidy to industries, particularly, to hotel industry in industrially backward areas in Tamil Nadu must be resumed. There are many educated unemployed in the State. Atleast the vacancies in the banks must be increased by 10% so that the unemployed graduates can be absorbed in employment in these banks.

The grievances of the bank employees must be redressed without delay. The bank employees often resort to strikes and this affects the public interest. At all costs the bank strikes must be avoided. The Members of Parliament should be allowed to oversee the activities of the banks in their respective constituencies. Hon'ble Member Shri K. Ramamoorthy pointed out that the State Bank of India officials do not properly respond to letters written by Members of Parliament. Even when Members of Parliament it the banks, the banks officials enjoy their lunch time without even courteously receiving the Hon'ble Members of Parliament. They even depute their P. As to reply to the Members that the officer is very busy and that the Members of Parliament cannot get an interview. This condition must go. Hon'ble Minister must pass necessary orders to all the bank officials so that Members of Parliament are received properly by the bank officials and replied properly when they write to them. While providing loans, the banks must give priority to national development programmes. In all official functions connected with the banks the Members of Parliament must be given proper respect and priority. When a branch is to be opened in a particular area even the M.P. concerned is not informed. The functions are hold without the Members of Parliament and other public dignitaries. This is a very bad attitude on the part of the bank officials.

* Translation of the speech originally delivered in Tamil.

As Hon'ble Member Shri K. Ramamoorthy has said that it is the officials of the banks who decide about the functions without even informing the concerned Members of Parliament. The representatives of the people should not be given such a raw deal. The public representatives are embarrassed before the people when they ask the Members of Parliament the reason for not attending such functions. Hon'ble Minister may please issue strict guidelines to be followed in respect of Members of Parliament while organising such functions.

In the nationalised banks the commissions being charged on Demand Drafts are very high. The private banks charge only 2%, 3% or 5% but the nationalised banks charge 10%. If a person wants to take a Demand Draft of Rupees on lakh he has to pay 1000/- rupees as commission. Instead of paying such a huge commission he can send the money by a personal messenger. Hon'ble Minister may kindly look into this.

I had already said that the number of educated unemployed is on the increase, and, therefore, before the age limit for employment is crossed the educated unemployed must be provided with employment. With these words, Sir, I conclude.

15.02 hrs.

STATEMENT RE: ESPIONAGE ACTIVITIES
OF TWO OFFICIALS OF PAKISTAN
EMBASSY

[English]

THE MINISTER OF EXTERNAL AFFAIRS (SHRI P. V. NARASIMHA RAO): Two Pakistani national were detected by the Special Branch of the Delhi Police at Ranjit Hotel on the evening of 30th November, 1988, while they were in the process of receiving a secret Defence document from an Indian contact and passing over to the Indian contact a sum of Rs. 50,000/-. There was also another Indian national who was an accomplice of the Pakistani nationals.

When they were apprehended, one of the Pakistani nationals claimed that he was a diplomat although he had no documents to establish this. It was subsequently confirmed that he was Brigadier Z. I. Abbasi, Military Attache in the Pakistan Embassy. His associate was identified as Mohammad Ashraf Khatib, an official of the Pakistan Embassy. After observing the usual formalities, Brigadier Abbasi and Mohammad Ashraf Khatib were released. A case has been registered under the Official Secrets Act.

The Government of India have declared Brigadier Abbasi persona non grata and have advised the Pakistan Embassy that Mohammad Ashraf Khatib is also no longer acceptable. The Embassy has been asked to ensure that they leave India within twenty four hours.

15.05 hrs.

BANKING, PUBLIC FINANCIAL INSTITUTIONS AND NEGOTIABLE INSTRUMENTS
LAWS (AMENDMENT) BILL — Contd.

[English]

SHRI INDRAJIT GUPTA (Basirhat): Mr. Deputy-Speaker, Sir, this Bill to amend the laws covering our banks, financial institutions as well as negotiable instruments laws is a big disappointment, I should say. It is because we had expected that a Bill of this type would propose some basic changes in the structure of the nationalised banking sector. The structure had continued unchanged for nearly 18 years now since nationalisation took place. There should be some review of this period and then only, it can be argued whether there is no need to change the structure and that it is doing very well as it is. At present, there are 28 nationalised banks which are engaged in free-for-all competition with each other. This was in the private sector which we took over but it still continues. These 28 banks which are competing with each other involve a huge amount of wasteful expenditure, top heavy management. By all logic