

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.

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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.

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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

[Shri Indrajit Gupta]

and reason, they should be amalgamated and integrated into, not more than say 6 or 7 homogeneous units. There is no need at all for this type of proliferation of independent banks, all of them being within the nationalised sector. We all know that the country is suffering from a great crisis—if it is too strong a word, you can use a softer word—as far as resources are concerned. The accumulated total deposits in the nationalised banks represents a massive block of resources which are available to the Government for investment and development purposes and that was one of the main objects of nationalisation itself—that these deposits instead of being at the disposal of the previous private owners of these banks, all these should be made available to the Government and the States for a planned investment in the interest of the country's development and in order to help the less fortunate sections of the people. I do not know, what is the latest figure about the value of the total deposits in the banks. I know that a year or two ago, it was about Rs. 81,000 crores. I presume that figure has gone up further now. This is a solid block of banking capital resources which are available. And the least the Government can do is—when there is so much strain for resources which is today operating on so many deficits, revenue deficit, trade deficit, balance of trade deficit, dwindling foreign exchange reserves and all that—the least it can do is to ensure that this money which is lying in the banks and which is increasing naturally from year to year should be utilised to the best advantage of the country.

As far as I see, this Bill is only another link in the chain of economic liberalisation which the Government is pursuing for the last two or three years. Hitherto this liberalisation policy was mainly confined to Industry and to trade—import and export. Now it seems to me that the long arm of liberalisation is now reaching the financial structure also.

If it is the object of the nationalised banking sector and if its prime priority is to

help the private sector to develop, then, I have got nothing to say. But, as far as specific amendments which are incorporated in this Bill are concerned, for example, we find Clause 5 omits the ceiling which was there on the quantum of loans which can be advanced to the IFCI by the Reserve Bank of India. Clause 35 increases the limit on the paid-up capital of new banks from Rs. one hundred crores. to Rs. 500 crores. But, nowhere in the Bill is there any indication of what are the priorities of a national credit policy of banking which would really employ this banking capital in the manner in which I think it was sought to be employed at the time when the banks were taken over.

I cannot do better than quote Shrimati Indira Gandhi herself who was the author of this institution of banks. She said and I may quote:

"Public ownership and control of the commanding heights of the economy and its strategic sectors were considered an essential aspect of the new social order being built up in India. Financial institutions are among the most important levers that any society has at its command for the achievement of its social and economic objectives. The nationalisation of major banks was a significant step in the process of public control over the principal institution for the mobilisation of people's savings and canalising them towards productive purposes. The Government believes that this step would help the most effective mobilisation and deployment of national resources so that the national objectives would be realised with greater degree of success."

My submission is that the present credit policy which is being followed by the banking sector with the blessings of the Reserve Bank and the Government of India is not a policy which is aimed at achieving the national objectives to which the then Prime Minister had referred. It is not our national objective to make the public sector a vehicle

or an engine for developing the private sector. That is not the priority of our national banking policy. It is not our national objective to allow the lion's share of bank credit to go to the big business sector. I know of some weaker sections and poorer people and some persons who previously had hardly any access to banking loans and to bank credit. But even now, the figures show that even out of 70% bank credit, the lion's share is helping them further to concentrate their wealth, to develop their assets and to lead to a concentration of wealth which is certainly not part of our national objectives mentioned in the Directive Principles of State Policy in our Constitution.

MR. CHAIRMAN: You may conclude.

SHRI INDRAJIT GUPTA: There are many suggestions to make. So, there is a mis-direction of Bank credit, in my own opinion. Moreover, this credit is being given to such business houses whose own share of equity capital in the business in which they own and control is virtually nil. This is a fact which is well known in this country. The big business houses like the Tatas, Birlas, Lafatal, Singhania, Thapar, Sriram and Goenka are there and the corresponding figures are also there. What is the percentage of equity capital which they themselves contributed to their own business? All the figures of these big houses which I have mentioned, come to less than one per cent. The rest is being provided by whom? It is provided by these banks and financial institutions of the public sector. Is this the purpose for which Smt. Indira Gandhi spoke of national objectives to be pursued in the wake of nationalisation? I don't think so. Anyway, since you are ringing the Bell, I will only mention one or two points.

Sir, as far as this amendment to the negotiable instruments law goes, about the question of checks - I think the law should be such that in case it can be established that this defective check is the result of a bona fide mistake, that can be excused. But in all cases where it is obviously done deliberately in order to swindle somebody

through dishonest act, I am all in favour of punishment being made more severe.

The other question I would finally like to mention is that the Banking system, as it is developed over the 17-18 years, is not only doing nothing to safeguard the interest of the small investors. There is a fellow called the small investor who runs into lakhs in this country. But rather it is contributing to the duping - I will say duping - of the small investor by promoting public issues which are floated but which are bogus. I have no time at my command now because you say there is no time. I could have given you figures to show that the nationalised banks have been promoting and supporting at least 225 public issues which are bogus and in which small investor is duped into putting his money. These companies are floated by dishonest Directors with the assistance of the banks and the interest of the small investors are therefore sacrificed. This is an aspect into which I would request the hon. Finance Minister to look because it is giving the entire banking structure not only a bad name but a totally lopsided character.

Sir, I would just enumerate a few suggestions which I wish to make. In the first place, I would say that a Central Banking Authority is required other than the Reserve Bank. The resources of a geographical command area should be pooled with definite responsibilities for all-round development. We have got a ridiculous state of affairs now-a-days you will find that there is this Lead Bank Scheme. The Central Bank of India with its Headquarters in Bombay has been made Lead Bank for the district of Darjeeling in West Bengal. The UCO Bank of Calcutta has been made the Lead Bank for some snow-bound district of Himachal Pradesh. The Syndicate Bank with its Headquarters in Karnataka, is the Lead Bank for some districts in Haryana. Is there any logic, any sense in all those things? Would anybody ever go into this and find out what is going on? So, I would suggest that a Central Bank Authority should be set up to investigate and re-organise this whole structure and to regulate, monitor, and over-see the working of these banks.

[Shri Indrajit Gupta]

Secondly, there should be an independent audit system for the banks. You know, Sir, the number of frauds is increasing. We do not have to tell the Government as to how many bank frauds have taken place in the last few years.

An independent audit system is required.

Thirdly, an overseas Banking Corporation should be set up with all foreign branches of Indian Banks and Indian Branches of foreign banks. There should be a bank on the collection of public deposits by private sector companies. You are running a rival banking system to flourish under the private sector and deposits which could have come to the public sector banks are being taken away by higher rates of interest by so many private companies and speculative financial institutions - non-banking. This should be stopped.

The bank credit to the MRTTP and FERA companies should be given at higher rates of interest.

The credit to industrial trading houses should be linked to their cycles of production. I am sorry, I cannot go into details because there is no time.

Those industrialists who erode net worth of their company and make them sick should not be given any institutional finance. Rather the Directors of these companies should be black-listed. Do you know how much bank capital is locked up in these so-called sick units which have been made sick by those owners themselves? There are plenty of reports available on them.

There should be an accelerated flow of credit to the rural sector especially to the smaller, weaker and poorer sections including artisans, handloom weavers and other people, Bank should be statutorily obliged to disclose the names of the defaulting borrowers. Then you have questions of bad debts and doubtful debts.

Somebody has to go into it. Why should there not been scrutiny by some independent authority? These sanctioning loans are now allowed to write-off the loans. I sanction the loan and then I write-off them saying that it is bad loan or doubtful loan. I think, this is a very wrong and harmful measure. There should be an independent authority set up in order to review all these loans and decide which are bad, which are doubtful, which should be written off or not to be written off. About Rs. 200 crores per annum are being written-off. The Banking Directors Board should be re-constituted with persons having more expertise and also having some commitment to the public sector. Although there is a system - finally I would say that worker's Directors, employees' Directors should be on these Boards. I know something about that aspect of it - the suggestions and proposals which they have made from time to time are never treated seriously and never taken into account and nothing is done about those proposals. Many of these proposals I have made have been made by those workers' directors also. But who bothers about that? Nobody bothers because those Boards are dominated by those people who are the main beneficiaries of the bank credit, that is, big business houses, people who have made industries sick and who want to take bad or doubtful debts and get them written off. Such type of people are there. I would say finally that this Bill has turned out to be a disappointing Bill because it is just tinkering with one or two small aspects of the problem. What is needed is a review and on the basis of review, restructuring of the whole nationalised banking structure. If this is not high time after 17 or 18 years. I do not know when it will be high time.

[Translation]

SHRI GIRDHARI LAL VYAS (Bhilwara)  
Mr. Chairman, Sir, I support the Banking, Public Financial Institutions and Negotiable Instruments Law (Amendment) Bill, 1988.

I would like to draw the attention of the hon. Finance Minister towards its provisions which are being made in this Bill and towards the shortcomings of the Bill. Some of

the hon. Members also mentioned that such provisions should be incorporated in the Bill under which loan can be easily available to the people. Big capitalists deceive the banks and people of this country by misusing the funds provided to them by the banks. Therefore a system should be evolved by which the banks can have full control over the property secured by using funds provided by the banks. But this control can be exercised only if the working of banks is not proper as the instructions issued by the Directors, Managing Directors or Chairman are not followed and such vested interests are made directors, managing directors and chairman, who instead of working of the profitability of banks or to strengthen the reputation of banks oblige their own kith and kin. So it is necessary to make these rules foolproof.

Shri Ramamurthy gave a suggestion here, which I have been giving for the last 7-8 years. There is no higher authority of the banks who can monitor the affairs of banks. This Parliament has no authority over these banks except that we can criticise their working or tell one or two points to the hon. Minister. A financial committee like the Public Accounts Committee should be constituted with the Members of Parliament on it to go through the working of banks and which can take action against them in the event of bungling. The aforesaid committee should be empowered to take action wherever irregularities are committed. In the recent years many cases of fraudulent works have come to light that managing directors, managers and high officials of banks have given hundred crores of rupees as loans to their kith and kin and no amount has been recovered upto now.

The Government neither takes any action nor gets the matter investigated against those officials in banks who are involved in weakening the financial position of the banks by withdrawing the money from the banks on one plea or the other. So it is utmost necessary to make some provision to meet this type of situation. Audit of bank accounts is essential. We have not seen any audit reports or any other system enforced

in this respect. Due to this reason it becomes difficult to take any action in respect of irregularities committed in the accounts of the banks. At present 70-80 thousand crore rupees deposited by the Central Government, State Governments and common people, are kept in the banks, and what is required is to see that how the entire money is invested. The Government as well as the hon. Members of the House are well aware of the system of working of the bank officials. Our Government is working for the eradication of poverty and launched a programme for this purpose but the authorities appointed at district level do not pay heed to the public representatives like MLA's or MP's, nor they are allowed to become Members lest they should draw the attention of the committee towards the grievances of the district or people of their respective in case constituencies or any other irregularities. It is essential to pay attention towards the proper implementation of the various directions issued to the banks for eradication of poverty and solving the problem of unemployment in the country. Those directions are quite important and I would, therefore, like to invite your attention specially towards this aspect. I have been inviting your attention towards the improper distribution of subsidy portion in loans sanctioned by the banks under the schemes of self employment, IRDP or any other programme. It is an open secret that the Bank Managers and Development Officers as well as other employees indulge in the malpractices. It is very essential to check the misuse of funds allocated by Central Government for the eradication of poverty. The Government will have to take certain stringent steps to check the irregularities in the Banks. As it has been indicated, bank officials are involved in various malpractices. Shri Ramamurthy has invited the attention towards trade unions that these bank officials give recognition and provide every possible assistance to the union of their own choice but discriminate against other trade unions. They do not take sympathetic view of other Trade Unions such as INTUC. This is the situation in the banks where the high posts are held by those officials who adopt negative atti-

[Shri Girdhari Lal Vyas]

tude towards the poor people and the trade unions, they are totally indifferent to the poor. Shrimati Gandhi took the revolutionary step to nationalise the banks in order to help the common people and to improve their condition. But instead of providing any financial assistance to them they assist the capitalists and industrialists. So the Government should pay special attention towards this matter. The hon. Minister would observe that 70 per cent amount of loan is sanctioned for the capitalists and hardly 30% of it is sanctioned for the poor people, including subsidy portion which is in fact distributed among the bank employees and Government officers and employees while the poor people get only loan amount. So, as I had requested earlier also, the Government should stop allocating free funds and sanction interest free loan to them to enable them to receive full amount and distribution of subsidy amount is stopped. It would provide entire benefit to the poor. It is utmost necessary to make such a provision.

Secondly, the institutions like IDBI and others assist or provide loans for sick industries. There is a bank Director in every institution who should try to find out why the big capitalists make the industry sick. These capitalists transfer the entire assets somewhere else and take maximum advantage by making the industry sick. No action is taken against them and they continue to indulge in such activities with fictitious names. Bank officials holding high posts and directors cooperate with them but they are not sympathetic to the poor. In the light of these facts the Union Government should monitor the functioning of the banks and take firm action wherever it is necessary.

The Government keeps control over its exchequer very well. In case a single penny is misappropriated from the Government Exchequer, the high officials are taken to task and prosecution is launched against them under section 420. But no action is taken in cases of fraud worth crores of rupees taking place in banks.

When, I was a member of Public Accounts Committee, Chairman of which is also present in the House, we had detected a case. In that incident the gold sent from Bombay to Agra disappeared on its way. The persons involved in the incident could not be identified and bank authorities hushed up the whole matter and no action was taken against the bank officials. That gold has not been found till today. Similarly, the Government is fully aware of the incident happened in England, in which a sum of Rs. 200 crores was withdrawn from the bank but even then no action was taken against the Manager of that bank. The Government of India and Reserve Bank of India have not initiated any action in spite of such big frauds. What is the reason that no action is taken against these culprits? I would like to urge the Government to introduce certain effective legislation. This legislation is not so effective. It involves amalgamation of one or two companies only. If there is no need of more than one bank then one will do. A supreme authority should be set up which should control the functioning of all the banks. There is no need to set up various companies. The life style of the managing directors and directors is more luxurious than that of the rulers.

Bank employees and officers get maximum pay-scales in India but they are the people who indulge in maximum bungling. Still the Government find itself helpless in taking any action against them owing to lack of any specific powers. These banks have become the powerful institutions against which the Government cannot take any action. In the light of these facts, the Government should frame such laws through which their activities could be restricted and action could be taken against them whenever required. Such directions should be given to the banks through which important policies of our Prime Minister and the Government concerning elimination of poverty and unemployment could be effectively implemented. The poor people can be benefited only if the money in banks is utilised properly. The Government should evolve such a system by which common people

can get adequate amount of loans which would enable them to have an opportunity to become self-reliant. Shri Faleiro himself is aware and we have also repeated the same quite often. I would like to urge hon. Minister of Finance to solve these problems so that our policies can be implemented effectively. If our policies are not implemented properly, public would dismiss the Government as it happened with the Congress Government in the year 1977 and with the opposition in the year 1980. Only one year is left and the Government should be positively cautious regarding proper implementation of the policies. The Government should keep strict control over the function of banks so that the poor people could get maximum benefits.

I would urge the Government to extend the banking facilities so that maximum number of persons may avail the benefits.

SHRI SHANKAR LAL (Pali): Mr. Speaker, Sir, I rise to support the Banking Financial Institutions (Amendment) Bill No. 105 moved by the hon. Minister.

Mr. Speaker, Sir, 13 Acts related to the functioning of various banks are being amended through a single Bill. It is true that it will save time. But at the same time, we wouldn't be able to do justice in discussing the amendments concerning all the 13 Acts and it would not be possible to draw any fruitful conclusion which could be done had there been separate discussion on different Acts.

Mr. Chairman, Sir, the aim behind nationalisation of the banks by Shrimati Indira Gandhi and 20 point programme which has been extended under our present leader Shri Rajiv Gandhi is to remove poverty and unemployment. It will have to be seen how this aim is accomplished through this amendment.

Mr. Chairman, Sir, clause 2, 3 and 4 have been amended and it has been stated therein, that if a cheque is dishonoured the drawer will be penalised. It has been stated further that he can take no defence.

[English]

"It shall not be a defence in a prosecution for an offence under section 138 that the drawer had no reason to believe when he issued the cheque that the cheque may be dishonoured on presentment for the reasons stated in that section."

[Translation]

What type of section is this? If the intention of a man is clear, why cannot he defend himself? Even the criminal offences committed in our country are viewed in light *mens rea* i.e. the intention of the offender. If the intention of a person is not clear and he wants to deceive somebody then it is all-right. But if his intentions are clear why cannot he take defence. This point should be considered. Besides a provision of one year imprisonment has been made in such cases. The amount can be recovered or a fine can be imposed, but the punishment of imprisonment does not appear to be appropriate. Even a director could be held liable. Suppose the cheque does not bear the signatures of the director, and if it is discovered that he is connected with the firm, he can also be held liable. I would urge that this should be liberalised a bit. If the intention of a person is clear and he has not done it deliberately, he should have a right to seek defence.

Mr. Chairman, Sir, I want to say one thing more. The Reserve Bank of India Act, 1934 was amended and consequently the Industrial Finance Corporation started getting a loan of Rs. 15 crores. This limit has been increased now I would therefore, like to know who are the people who are going to be benefited from this increase. There should be a provision in this Bill that the amount which exceeds Rs. 15 crores advanced to the Industrial Finance Corporation should be distributed among small scale industries, cottage industries and the unemployees. It should be distributed among the poor because the aim of our leader and our Party is to remove poverty and unemployment. If the Industrial Finance Corporation is allowed to disburse,

[Shri Shankar Lal]

this amount also to big industrialists then, as many colleagues have said, we can not accomplish our task and the very purpose would be defeated. It is a good thing that our paid up capital will increase from Rs. 100 crores to Rs. 500 crores by this amendment. It is good that such an arrangement has been made by amending the State Bank of India Act. The tenure of directors in all the banks and their nomination process should be uniform so that delays can be checked. When an unemployed person or a poor man in a village goes to a bank for loan he is asked to produce N.O.C. from all the banks of the district specifying that he has not taken any loan. It is true that he can not take loan from two places at a time but when he goes to other banks and agencies to obtain N.O.C they take one or two months to issue it and the poor man keeps running from pillar to post. There should be a provision that the bank should ascertain on its own if any loan is outstanding against the man. This can be done easily because the agency possesses enough facilities with them. The man who has to run from pillar to post knows what type of difficulties he has to encounter. I would like to cite an example. There are district industries committees at the district level through which loans are advanced to the unemployed people. Suppose this committee approves a scheme for a particular person and he is asked to contact the bank for loan. But when he goes to the bank they refuse the loan. There is no co-ordination between the bank and the committee.

I want to submit that the programmes of eradication of poverty, unemployment and advancing loans are not running successfully. The speakers who spoke prior to me suggested that there should be a parliamentary committee to monitor these programmes and I agree with them but I would also suggest that the Collector who is the head of the district, M.P. from that area and people's representatives should be included in the committee at the district level which should co-ordinate the activities of all the banks. The position as it stands today is

that no bank follows any advice. The lead bank should control and co-ordinate all banks and if a complaint is received by the committee at the district level that injustice has been done to some body or there has been deliberate delay in advancing the loans, they should look into it. Inordinate delays and corruption is the order of the day there.

Mr. Finance Minister you will have to settle all the common complaints which are received. Only then, we will be able to accomplish our aim. I do not want to go into the details of all the amendments, but I would like to say that provisions and amendments should like to say that provisions and amendments should be made in accordance to our objectives because only then will it prove beneficial and in the interest of our people.

[*English*]

SHRI N. TOMBI SINGH (Inner Manipur): Mr. Chairman, Sir, I support this very important Bill. This is as important as the nationalisation of banks which was done about 20 years back under the initiative of our former Prime Minister, Shrimati Indira Gandhi. Sir, some hon. members have mentioned that this was done only as a mere 'fanfare.' I do not agree with them at all. This was a very great historical event of great significance.

After the nationalisation of the banks, the Government have learnt certain lessons during the last 19 years. Now they know where the shoe pinches.

In fact, there are some regions in this country where just like medical consciousness, banking consciousness also is yet to emerge. Therefore, in order to make available the facilities like bank loans, etc., the Government and the Reserve Bank of India must see to it that this banking consciousness is developed in backward and remote areas. These banking facilities should reach the backward and under-developed areas and the poorest of the poor sections of the people.



This Amendment is a very comprehensive Amendment. It covers 19 important Acts of banking and financial institutions and negotiable instrument laws. This is a very important Act. What I would like to suggest by way of taking part in this debate is that in the backward areas where banking consciousness has yet to start, the role played by the lead banks has to be reviewed. It is in the fitness of things that after two decades of examination of these banking laws, we could have a rethinking - a fresh look - at the functioning of the banks.

I would like to mention certain important incidents of the failure of the lead banks in my region. Take for example the State of Manipur. There the UBI is the lead bank. UBI so far, as I understand, has surrendered so many licenses and it is not allowing other nationalised banks also to open their branches because it is a lead bank. This lead bank has failed to catch up to meet the requirements of that region.

Another aspect is that there is a regional rural bank in that State. This covers the entire State. The existing law is welcome.

The local language is used for the transactions; that is very good. But it so happens that the Chairman of the rural bank in that State is a non-resident of that State. I have nothing against him-about his integrity and all that. But I would say, he cannot simply function effectively because he does not know the local language in which the transactions and all other things are taking place in that area. So, I would like to suggest that either the Chairman of this lead bank should learn the local language or a suitable person from the same area - there are so many suitable persons; it is for the Government to choose from among the available people - then I think these rural banks will be able to function better. Then side by side, I would also like to suggest that wherever lead banks are there in the North-East Region, they are not fulfilling their requirements so far as the opening of their branches are concerned. I do not know what is the national percentage of popula-

tion. I understand for every 7000 or 8000 population, this lead bank should have a branch. In a backward State where the banking consciousness is yet to start, the lead bank is not motivating the people and at the same time, it is not discharging the duty of opening of new branches at the rate of 7000 population. One bank for every 7000 population has not come up. So, this has to be taken care of in order to see that the banking facilities should reach there.

Now comes the aspect of motivation. The banking consciousness has started in that region very recently. I remember, after independence - three-four years after independence - the first lead bank was started and that also in a very meagre state and even that could not succeed. When the State Bank of India was started in the country, then the local bank that was started, was taken over and it started functioning. It took time to motivate people, the traders and the people who can invest and who can deposit their money in the bank. This banking practice is very new. Now branches of many of the nationalised banks are there in the State Capital - Imphal. I quote this because this will be a pointer to similar cases in similar backward areas. But these banks are serving only the needs of those who are already experts and those who are already well established in trades, such as *Marwaries, Punjabis* or the outsiders who are already well established in commerce and trade.

They are safe, so far as customership is concerned; the banks are safe with them. So, it is not merely the safety which counts; the benefits should also reach other population, small industrialists, small traders, small entrepreneurs; all these have to be covered now. We know that it is very difficult for these small entrepreneurs, small people, individuals, even agencies to approach these nationalised banks and their branches for financial assistance. In order to remove this kind of an handicap for the backward people, the government may kindly just look into it.

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After the nationalisation of banks, there has been a competition among the nation-

[Shri N. Tombi Singh]

Bill is to make it more progressive and improve the banking system of the country.

alised banks; competition should always be welcome. But when the competition becomes unhealthy - I am not an expert in banking, but I have heard from bank experts, high officials of different banks from their own angle that there is an unhealthy competition - then it becomes difficult. Some hon. members have suggested that there should be another authority besides the Reserve Bank of India to see that the competition is healthy; and to that end, I would like to suggest that the competition should be healthy and it should reach agencies, the people and the level where it is necessary.

In every session, we have been experiencing that they are trying to amend the laws; and the banking laws are also amended to some extent. But, in spite of all this, there is no sign of any achievement in the banking system, no change in the system; and that is why there is a total unhappiness in the minds of the people of the country about it and they feel that the *modus operandi* of the functioning of the banking system in the country is most unsatisfactory.

16.00 hrs.

[SHRI SHARAD DIGHE *in the Chair*]

In some District Headquarters, in hilly District Headquarters, the branches of the Lead Bank do not work as a banking treasury; I do not know the exact technical term of it. Now when a cheque is passed by a treasury in a hilly town, say, like Okhru- It is a Hill Capital - from there a person getting that cheque from that treasury has to go to the State Capital covering 80 kms taking all the risk. There are District Capitals and small municipal towns in the hilly areas without any treasury banking facility. So, for these areas also, the Lead Bank should be persuaded to open this facility; if the Lead Bank is not capable of doing this thing, then some other arrangement should be made. Only last year there had been a lot of killings of State Government officials taking money to the district officials. If they are given this facility to open a treasury, then this problem can be solved. They have their own norms how to carry money and make arrangement for its security and all that. If this is done, then a lot of difficulty of the local people will be removed. There are not many District Capitals; I think 3-4 of them are left out. So, we may persuade the Lead Bank to open this treasury facility over there. If the Lead Bank fails to cope up with the situation there, I think, it is time that we should change it. Why can't the State Bank be made the Lead Bank of those areas with treasury bank facilities and expertise?

If you go on changing the law, amending the law, in my opinion it will not help, unless you consider and train most of the people who are involved in it. You are manning the train, instead of training the men. So you must have a broad-based dialogue to materialise the policy, the existing policy of the Government. The entire policy is a total failure. In the banking system in the country so far as the nationalised bank, the lead bank and other rural banks are concerned, the benefits are going to the big business houses and not to the actually deserving persons, the small entrepreneurs.

SHRI BHADRESWAR TANTI (Kaliabor):  
The idea of the proposed amendment of the

Before coming to the point, I must draw the attention of the House to one thing. On the 18th October, the hon. Minister of State Mr. Faleiro invited the members of the North-Eastern region to an informal consultative committee meeting at Shillong. I was lying ill and on receipt of the letter I thought that being a public representative I should be present in the meeting. I had gone from my constituency Kaliabor to Shillong and ultimately found that the meeting was neither held nor postponed. I sent a chit to the Minister concerned, who did not even allow me to see him, while he was in a discussion. I do not know with whom he was discussing in the Bell View Hotel or Pine View Hotel. This is the functioning of the Ministry, so far as the Ministers are concerned. I do not know what is left to the officers.

Nor did he send any information to the concerned representatives or MPs about the postponement of the meeting. This is one of the instances of how this Ministry is working.

Here you had taken a civil liability by Section 138 to criminal liability. But the law is already there under Section 430 of the Indian Penal Code. If a man cheats, dishonestly does anything, he can be dragged to the criminal court under Section 420 and what necessitated them to bring this particular law, the civil law into a criminal law, I do not know. An existing law is there. The man by a *bona fide* mistake issues a cheque and for that he cannot be tried. He cannot be tried and punished. Of course, I am not for not punishing any gentleman who commits any offence. But I do not find any reason because the law is there under the Penal Code. Last time also when the Defamation Bill came, even though there was an existing law already there you brought another bill for changing that law. I am not in favour of this amendment because it will not help. It will not help at all; just changing civil liability into criminal liability will not help.

A man may commit an offence under the Code of Civil Procedure. For that, he cannot be tried under the Criminal Law. Under the Banking Law, you cannot bring the Section of the IPC and punish a man.

Sir, to my utter surprise I found the loans under IRDP and DRI schemes is not granted to young entrepreneurs or small entrepreneurs. Hundreds of cases have been sent to District Industries Centre for approving the loans. The small entrepreneurs have to meet the officials concerned several times, but they did not get the loan. A big business man need not meet him at all and he gets the loan over a telephonic call. This is what is happening in the country. That is why, our country is lagging behind far from development.

There should be some restriction on the private credit companies because they are squeezing the poor people. The moment

they collect the money from these people, they disappear. This is what is happening. I can quote many instances. There should be a Central Banking Authority to look into this matter so that the innocent people who deposit the money either with the private companies or lead bank or with the nationalised banks are not cheated.

Now the big business houses like Tatas, Birlas, and Dalmias are very easily getting bank loans. But the small entrepreneurs do not get the loan easily. These 'big business houses are always cheating the Government and the people of the country. You cannot punish them because they escape somehow with your own influence. You cannot give any example where a big business house has been penalised under the Criminal Law. This is our experience.

Sir, in my State, there are about 780 Tea Estates. These Tea Garden owners are enjoying the benefits of the bank as far as the loans are concerned, but they are not giving good wages to their poor workers. In Kachar District, a woman working in the Tea Garden gets Rs. 2.50 per day. They take loan for the construction of labour quarters or for the improvement of their tea gardens, and they divert the money to other industries. This is what is happening today. There is no agency to control it. Simply if you go on changing the law, the system cannot improve. They are jeopardising the policy of the Government and there is no authority which can bring them to book. But if a small entrepreneur fails to make the payment in time, he is harassed and penalised. District Industries Centre is the authority which supervises and submits the report of any project of that district to the authority for sanctioning of loan. After approval, when we send the papers to the banks, they sleep over the matter. In this way, they harass the public. If a tout goes to the banking authority, he can very easily arrange the loan. But if a young entrepreneur, a *bona fide* person goes for loan, he does not get any loan. So I submit that there should be a Central Banking Authority and in every bank there should be a special officer to help the small en-

[Shri Bhadieswar Tanti]

trepreneurs or loanees so that they can very easily get the loan.

So far as criminal liability under section 138 is concerned, I feel that it should not be there because there is an existing provision under section 420 to take cognisance of the matter if a person deceives or gives false statement, etc. I do not think, there should an over-laping provision both in banking law and in Indian Penal Code.

SHRI SRIBALLAV PANIGRAHI (Deogarh): I rise to support the Bill. There are many welcome features in this Bill which has been brought forward before the House in the form of this amending Bill in order to streamline the functioning of the banks, also to plug the loopholes which have been noticed in the process of implementation of banking laws which were amended after 1985.

There are provisions of amalgamation of different types of banks and limiting the term of Board of Directors to six years. You know, banks were nationalised in 1969. Over the period of about two decades, there has been a spectacular growth in banking. Of course, the hon. Minister in his speech has referred to this growth. In June, 1969, prior to nationalisation, we had 7000 branches of banks. Now these branches have gone upto 53,000. Deposits were also Rs. 3,896.97 crores which have now gone upto Rs. 97,663 crores. Bank credits were roughly about Rs. 3,034 crores and now it is about Rs. 60,000 crores. So, in the matter of bank credits, deposits and establishment of branches, manifold increases have been there and we welcome all these things.

The most important part is that the banks, as you know, Sir, were treated as an organisation of the rich people. Before nationalisation, they were an organisation of the rich people and the industrial houses. But now there is a spectacular change, as I said. Even common people have the feeling that the banks have undoubtedly done a lot in financing, in funding our anti-poverty

schemes, industrial schemes and so many other schemes. But still a lot of scope is there for improvement. There are some bank officers, some bank staff people, whom I would not hesitate to call black sheep, who are bringing a bad name to the functioning of the banks as a whole. They are indulging in corruption while sanctioning loans, etc. under different schemes. There are some persons who refuse to implement the Government of India's policy with regard to eradication of poverty. In the meetings taken by the District Magistrates and Collectors, when certain quotas are allotted to be financed by different banks, those banks do not oblige. This is the allegation of the Chief Secretary of Orissa. Those people should be stopped from doing such mischiefs, which they are doing for obvious reasons. Therefore, it is time to get rid of such people, of such erring officials who are out to malign the Government, who are out not to implement the Government policies. In fact, they are committing a sin thereby. I would request that it is time to do something. We do not find a change in the attitude of the bank officers. They are not in a position to accept mentally that the banks are there to finance the poor people. This is a very serious thing. They are not mentally prepared to entertain this belief that the banks are meant for the poor people. A revolutionary change in the attitude, in the approach of the bank officers is called for. A new work culture has got to be included in the functioning of banks, in the running of the banks.

There is also a lot of confusion in the banking sector. We have so many banks operating in the same area. I am not opposed to healthy competition. That brings good results. But, at the same time, I would place before the Government for their serious consideration whether it is time to have amalgamation of different banks. There is a provision here. But it should be seen whether four or five regional banks, under the overall control of RBI, SBI, etc. could be amalgamated. They should judiciously expand their activities and go in for establishing branches in all deserving places. Why not we introduce an Indian Banking Service

to avoid confusion in the matter of recruitment, promotion, postings, inter-bank transfers, etc. according to the Pillai Committee recommendations? The Pillai Committee's recommendations have been partly accepted. So, to avoid confusion, to bring in more coordination, I think it would be better to introduce an Indian Banking Service, an amalgamation, in a judicious manner, of different banks. For instance, we have one regional bank in Orissa, that is, Bolanghir Grameen Bank. That has the jurisdiction over three big districts in Orissa including the one in Sambalpur. I have a concrete allegation to place before our Minister of State in charge of Banks. They say that even after the allotment, they have been entrusted with work by the District Magistrate, etc. . They earlier gave consent to those things. Later on they went back. So, what is happening in this field? It is only the ruling party which is brought to disrepute and ridicule. They are setting up branches but they don't have money to fund anything. Sir, there are some good officers working field officers in that bank. But such good officers are taken to task by their Chairman and the Bolanghir Collector and the Collector of Sambalpur have written to the Chairman that they are not cooperating at all with the district administration in implementing the 20-point programme. But surprisingly, Sir, those officers have been certified as very good officers by the concerned bank authorities. So, all these things are there.

Now, I would say that if there is delay in amalgamation of Sambalpur District and Sundergarh District, there should be a separate regional rural bank free from the control of Bolanghir Grameen Bank. If they amalgamate in the meanwhile, I do not press for this.

Secondly, about the tenure of bank Directors, I welcome this provision. But why should that be continuously for six years? This should be deleted in toto. It should be six years because we smell a rat. As it is in the amending Act till now, if this is continued, what will happen? Even after six years, within a gap of one month somebody of his

closely known person will be inducted. He will name his own son. So, it should be six years in total.

Now, Sir, in the accounting year, the new financial year starts from 1st of April. I would appeal to the Finance Minister that in our system the financial year should not commence from 1st April every year because the monsoon months intervenes and hardly 7 months' gap is there for real field work, that is, after the budgetary process, parliamentary work is over passing of budget, giving of clearance and after the allotment etc. is made, there is hardly any time for field work. So, I would request the hon. Finance Minister to give serious thought to this as to whether we should not have the financial year from July to June or from September to August so that for actual field work we get 10 months time.

Now, about the bank officers I mentioned about their lapse. It is about six years now since the hon. Finance Minister, Shri Poojary had been to Orissa and he attended a Credit Mela in Bagacha in Sambalpur district. He donated himself some funds and he distributed the sanction orders. But they are yet to be honoured. Six years have passed. So, these are the officers in the field who are just bring the Government to disrepute and ridicule. They are bring the good programmes and laudable schemes to mockery. Therefore, I would say that there are some good provisions, safeguards, etc.

There are penal provisions existing in the Bill in respect of the account-holders who issue cheques without having any money in their accounts. I do not know whether there is any opposition to this provision from the other side and one account holder without having any money in his account, if he issues cheques which are not honoured, that amounts to fraud. Naturally, we cannot encourage that.

There are many good provisions in this Bill, we welcome these measures, at the same time, about the overall functioning of the banks, as I told earlier, there is a lot of

[Shri Sriballav Panigrahi]

scope for further improvement, and in the light of the suggestions we are given, the Government may kindly consider bringing in overall improvement in the functioning of the banks so that many of our 20-point programme and anti-poverty programmes are properly implemented and the banks come up to the expectations of the common man. In 1969 Madam Indira Gandhi brought in a revolution by nationalising commercial banks. This had aroused a lot of expectations and the sense of belonging in the common man in the working of banks. This has got to be ensured. Thank you.

SHRI HET RAM (Sirsa): Sir, this Bill has come after a long time. It was in 1969 that Banks were nationalised with a fanfare stating that banks will go for the common people. But that was only a political decision and the Government has done nothing for the last 20 years for the betterment of Banks. They have been bringing in only amendments or resolutions, but they never stood up to the need or any policy or programme which may enhance the profits of banks, the working of banks and the reputation in the international market. The paid-up capital of banks is so small and even the biggest banks with a small paid-up capital are not having any credit in the international market. Prior to nationalisation there was one satan, that is, the capitalist. But now there are three satans -- the capitalist, the politician with a loan mela, and corruption. In the loan mela the Ministers or politicians come with 10,000 applications not knowing whether the branches to whom these applications are to be submitted are in a position to cope with the workload to assess the disburse the loans and if their loans are going bad due to heavy load, there the bankers are held responsible instead of the politicians. The punishment for the bankers is there.

About corruption, Mrs. Indira Gandhi said that 'it is an international phenomenon, which has crept into the banking industry in the post-nationalisation time'. Even when the bank premises are to be rented, there is

a deal to settle the rent for the branch. That means, from the beginning the corruption starts. Politicians and the big persons are involved here. Most of the buildings are owned either by politicians or by big businessmen and the deal is negotiated for a higher rent. Like that corruption in various banks starts. When a poor person who is to be provided with subsidy comes to the bank, he will not get it, and his loan amount and subsidy amount will be divided between bank officials and the gross root political workers. The politicians who are working at the grass roots are taking the major share of the 'loot'. They come with 10 or 20 persons to the branch and the poor fellows are forced to pay to the political workers a percentage of their subsidy and some money will go to the bankers.

Now coming to the Government business, regarding promotion policy from clerical to officers grade, there is no policy at all. There is no policy reservation for reservation in total banking industry from the 4th grade onwards. At the 7th grade, there is no Scheduled Caste or Scheduled Tribe person. They are saying, they are not getting capable persons. Even after 1,000 years, they will not get, if they are to be selected according to their own norms. For settlement, there are three-items. First bank is there. Then, it will go to IBA, Indian Banks Association; and then it will go to the Finance Ministry for clearance. That will take 3 to 4 years.

The condition of bank staff is such that they are not even paid for what is paid to their cadre in the Central Government. It is because, the manager of the bank is supposed to do what the Minister cannot do. That is, he is to alleviate poverty. When the Minister has no policy, he is expecting that the bank manager will change the total economic condition. That is asking for the Moon or something like that. The manager cannot do all the things whether it is 20-point programme or whether it is IRDP.

If any subsidy is to be given to any person, he should be verified and assessed and the subsidy and the loan amount should be

given to the borrower at his home. It is because still the premises of bank are such that people are afraid to go there as they fear, whether the bank officers who are educated and qualified persons, would listen to them or not. For this, it is better that banks should go to the people instead of people coming to them.

Now, what is the raw material of the bank. It is the deposits which are coming from the common people. But the rate of return is even less than P.O. NSC, or Unit Trust of India which are also Government enterprises. But these agencies are only accepting deposits but not helping the depositors. But banks are helping them, when need is there. But their rate of return is very low and sometimes if inflation is taken into account, the rate of return will be negligible. The rate of inflation on the deposited money is also high because it would be 10 to 20% or so. Therefore, the rate of interest on the deposits should be increased. There should be enhancement in the rate of return on deposits so that it may attract more depositors.

Government has nothing to do with the Banks because it is nowhere in the picture. What help it is rendering for the last 20 years? It is only the personnel who are working in the banks against the odds are doing some service to the people. If in Punjab, some terrorists had killed some bank employees, the Government is sleeping over there. They are not doing anything. They will say, you take help from the State Government. But if the manager telephones the S.P. for the security of the staff and the money, the S.P. will say, "I am not having sufficient persons to guard your bank". The bank is always dealing with money and is prone to such attacks. But the Government has no policy in that direction. They should be protected.

Government should also motivate the employees. First give them whatever is required for them. They may give better service to the public and the public may be given better return so that bank should be given a paid-up capital of higher ratio. It is

because in the international market, Indian banks are having very low ratio of the paid-up capital.

This amendment to provide penalty for bouncing of cheques is not needed. In India, people are not educated and illiteracy is there. Instead of writing the figure "100", if a person inadvertently writes "1000", then the balance of Rs. 900 would remain and the cheque is sure to be bounced as there is no money in his account to that extent. And, therefore, he may be penalised. It was not intentional. Indians are not Europeans or Americans who are well-read and who know the system well.

So, I would say that there should not be any type of wrong calculation in the banks in our country. If any fraud is there, they may go to the court under the Indian Penal Code.

There are no worker and other workmen Directors in the Apex and in the nationalised banks. Most of the staff in the Banks are only employees. Directors are not posed. God knows what for the Finance Ministry is there. Government is not appointing any Director even though two or three years pass.

Most of the population of India consists of farmers, petty shopkeepers and industrial and agricultural workers. Their representatives are not there in the banks. There are only representatives of Tatas and Birlas in the banks.

As regards the Advance Section, I have been in the bank earlier before coming to this august House, and I know that all the advances are given to the private sector only. Advances are given to the tractor companies. The advances indirectly go to the industrialists. The price of a tractor in 1977 was Rs. 28,000/-. Now it is Rs. 98,000/-. Instead of helping the farmer, you are helping the industrialist. You are financing fertiliser. Fertiliser industry is flourishing because of the demand for fertiliser. The fertiliser companies are getting the bulk of these advances given to farmers.

[Shri Het Ram]

What was available in 1977 for Rs. 30/-, the same amount of fertiliser is now available for Rs. 130/- per bag.

As far as advance given to small men is concerned, the total advances given is only 1%. 90% of the population of India are small men. The total advances granted to them as per the policy of the Government is only 1%. Why is it so much less? Only the sons of Tatas and Birlas are going to set up the accessories required for their industries. If a big industrialist is there, his son applies and he will get the necessary accessories. Instead of directly financing the bigger houses, you are indirectly financing the big business houses through the banks.

What is the banking industry in toto? I have been in bank. I know what the actual position is. If any survey and check is made, you will find that most of the accounts are fraudulent. Some Managers are saying "We are here to wipe out black money". How? There is a procedure. If I am a farmer, I have no liability to income tax. Somebody gives me Rs. 50,000/-. He will ask me to deposit it in the bank. I deposit the Rs. 50,000/- in the bank. It is given as a loan to others. Thus black money is wiped out! This is a very nice thing indeed!

It is said that in the NABARD Bank, even the Directors are to be appointed by the Reserve Bank of India. The hon. Minister may be knowing that NABARD deals with agriculture. To deal with agricultural matters and to understand agriculture, there should be a Director from the Rural Agriculture in the NABARD. Then only he may know the rural conditions and background and help NABARD to work for the benefit of the agriculturists.

As regards the Export Import Bank, it is doing all the business and extending all the help to the exporters. But I do not think Export Import Bank advances anything to the farmers even though most of the products which are exported from India are

grown in the fields of the farmers. All the benefits go to the businessmen, middlemen who get the produce from the farmers and then store and export the produce. All the export benefits are going to the middlemen instead of the farmers. Something should be done. The Export bank should help the farmers. They may select the area like rice growing area etc. All that is exported from India should be exported from such an area.

Sir, I have come to know that some politician has cornered some Rs. 60-70 lakhs out of the rice export (*Interruptions*). I am not naming anybody.

Sir, Banking is a very good sensitive industry. There are employees who are working for the poor and for the industry. They should be motivated and rewarded instead of being punished. There is another aspect also. There is competition among the nationalised banks. The scheduled banks are doing business to the tune of one per cent only. The rest is done by the nationalised banks. Therefore, to avoid unnecessary competition, there should be some authority like National Banking Authority. Sir, in cities like Delhi where only 200-300 banks are required, there are nearly 5000-6000 banks. It creates unnecessary burden as far as accommodation is concerned and there is duplication of the same thing. Same business is snatched out from one branch to another, from one bank to another. There is unnecessary misutilisation of personnel. There are a large number of people employed in the Banking industry. They are highly qualified personnel and are assets to the country. Their service should be utilised in a better way. If they are utilised in a better way, the society would benefit.

SHRI PIYUS TIRAKY (Alipurduars): Mr. Chairman, Sir, first of all I would like to draw the attention of the hon. Minister and the Government to one important aspect. There is a news item in the Indian Express on 29th November, 1988 which says:

"40 adivasis in Malkangiri area of Koraput district were imprisoned for



having failed to repay loans advanced to them under poverty-amelioration programmes like IRDP and NREP.

According to reports reaching the State capital, the tribals have been sent to jail as they failed to clear debts ranging from Rs. 2,000 to Rs. 5,000. In fact, two Congress (I) legislators have alleged that the tribals were never paid the entire amount.

Pointing out that these centrally-assisted programmes enriched the middlemen and bank officials more than the poor adivasis...".

There is a report about Bihar also which says:

"The study said of the 77 households studied in the tribal dominated districts of Ranchi, Gumla, Singhbhum, Lohardagga and Palamau, 46 beneficiaries could not generate any income from the assets supplied to them under IRDP...".

If further states:

"The study said the pronounced poverty gap among the Scheduled Tribe beneficiaries came in their way of crossing the poverty line. Assistance given to them by way of loan and subsidy was also very low...".  
(Interruptions)

Sir, the amount was so little that the Adivasis could not benefit. The average assistance to the 77 beneficiaries amounted to only Rs 1690. only. This is the bank doing for the poor people. The poverty alleviation programme is going on. In the rural areas, these banks are playing havoc. What happened to them? When these sorts of things are going on why don't you arrest them or ask the banks to be equally harsh to them also?

THE MINISTER OF FINANCE (SHRI S. B. CHAVAN): Which bank is this?

SHRI PIYUS TIRAKY: The name of the bank is not written here. But I ask the Government to enquire about this incident which took place in Bhubaneswar in Korapur District. It is a severely drought prone area and hunger deaths also have been there. The bank is working there in an inhuman way specially with the tribal people. So, immediate inquiry should be made and all the money which has been given to them should be written off in that district.

You are very harsh towards the poor people for the recovery. But if the same thing has been done towards the people in the high-up, the black marketeers who get from other sources and those who evade their income-tax, and the food adulterators, those who want to kill human beings - even milk is adulterated and the child food is adulterated - you are giving them money through bank. Why don't you black-list these people? The young generation is being killed due to adulterated food. These kinds of things should not happen. With all the money they are ruling the country, financial position, economic position is in their hands. We are on their mercy. We cannot even have pure medicines. Even the child food is not pure. Even the oil which is used daily is adulterated and you are giving them money. They have no assets, no capital and all the money from the banks and the Government which is the public money is with them. These people have no regards for the nation. They are against the people and these people are flourishing day by day. Their capital is increasing every month. You should bring a very comprehensive Bill to meet our socio-economic needs of the Indian people. This Bill is amended for so many times. And you have said this in your statement: "Bill further to amend the Negotiable Instruments Act, 1881." I think, India is not so lucky to have its own law for its own people according to the socio-economic condition of the country. Why don't you leave out all this? It is all rubbish of 19th century. Why don't you come up with a comprehensive Bill which can meet the demands of the country according to the socio-economic condition of our country?

[Shri Piyus Tiraky]

I am very much disappointed with this amendment. My request is that you have many programmes. You think of that. You speak on the Floor of the House for the good of the people, for the poor people and for the unemployment problem which is going on. To meet all these demands you should act accordingly money is completely sucked by these people. They are not sincere for the development of the country. They are only sincere for their own self and for their own pocket. They can do anything for profit. They have no check. They want only money. Even the generations can be killed. But they want money at any cost. Such people are very much benefited. You must have to look towards this very sincerely. All the schemes and programmes, everything is going to fail because of want of money. Your Government is giving more incentives to import things and to get their industries modernised. You have to think about that. Everybody wants to have modernisation. Common people should not be kept behind. These people should be equally allowed to modernise themselves. You have a sort of check on the gold. But what is happening everyday? Tonnes of gold is coming smuggled. For the poor people's marriage, they don't have gold and they are harassed. This kind of thing is going on in our every day life.

Banking system is the main source from where people can get their capital. So, you have to bring a comprehensive Bill leaving out all the unimportant points and concentrating on the improvement of the socio-economic condition of the country. The public money should be put to proper use for the good of the common people and the nation.

THE MINISTER OF FINANCE (SHRI S. B. CHAVAN): Mr. Chairman, Sir, I must express my gratitude to all the Hon. Members on both sides of the House for expressing their views very candidly. In fact, at the fag end of my speech I had made a special mention that besides the Amending Bill I will be very much interested in getting the

views of the Hon. Members about the working of the banking system.

I must say that a very few of the Hon. Members have spoken on the Bill as such. They have emphasized mostly on the working of the banking system and the kind of reforms, adjustments that they would like to have. I don't think that I will be within my right to say that this is beside the point and that is why it has become irrelevant. It will not be proper on my part to say that. But at the same time I cannot possibly reply to all the points which the Hon. Members have made. That is why I thought it necessary that instead of my replying today, it will be better if I were to reply tomorrow so that some of the points which the Hon. Members have made, I will be able to do some kind of a justice.

This debate has to go on till about 5 p.m. I think it will be fit and proper on my part to see that I reply to the debate upto 5 p.m. and thereafter seek your permission to reply to the rest of the points by tomorrow.

So far as the Amending Bill is concerned, I cannot possibly say that it is a comprehensive Bill which takes into account the conditions prevailing in the country and the socio-economic objectives at the time of bank nationalisation which was announced by the Late Smt. Indira Gandhi. Whether the entire gamut is going to be covered by this Bill, well I had never claimed that it is for that purpose. That is why I could see the point that comprehensive bill, as the Hon. Members have talked about, will have to be considered at its proper stage.

But there is a case for going into the entire thing, studying the entire objectives and whether the banking system has been able to come to the rescue of the members of the society, who in fact have been neglected so far. It is a matter on which we will have to consider separately and bring a comprehensive legislation which will cover all aspects of the question.

At this stage one thing which I think is absolutely necessary for me to clarify. That

is about - only one part I have done - Mr. Chairman, you were also pleased to observe and other Hon. Members were of the same view, why is it that the government is thinking in terms of penalising all those who by mistake seems to have issued a cheque and thereafter the cheque bounces or not honoured. In spite of the fact that there is a provision under 420, why is it that the Government is thinking of penalising the same person under this Amending Bill. I should say it is a valid point which might occur to any Member who is interested in smoothening the entire process of banking. First of all we have to make a very clear distinction with regards to persons who are honest; by mistake they may have issued a cheque knowing or not knowing that the balance is not available in their account.

I think if you are to read the entire procedure which has been laid down under this Section that will make the position absolutely clear. There is a validity period of six months unless it is written somewhere that it is less than six months. So within six months the cheque which has been issued has to be honoured by the person or at the time of presentation of the cheque. After that if the bank would tell him that there is not enough money in the account of the person who has issued this cheque then a notice is given by the person who is the receiver of the cheque. He is also allowed sufficient time to say whether it was by mistake; whether he did not know or he had some other reason due to which he thought that the money is available there and that is why he issued the cheque.

Ultimately what we are interested is to make the cheque system popular and let the cheque system be in vogue.

16.57 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

If the feeling were to go amongst the people that the cheques can be issued; they can be honoured, dis-honoured or it can bounce then, of course, the entire banking system which in fact is built on this will itself

collapse. That is why it is absolutely necessary that for honest person he should not be penalised but all those people who in spite of the fact that notice is given to him somehow or other there is not enough money in your bank account please see you make good whatever the difference and in spite of that also if the person were to fail then I do not think that any other conclusion can be drawn than the one which we have drawn, namely, that he will have to be prosecuted and that too none else has the authority to prosecute the person than the person in whose name the cheque has been issued. If he were to complain then only the complaint can be filed and then one can be prosecuted and it is for the courts to take the decision.

SHRI E. AYYAPU REDDY: Sir, breach of contract has never been made penal so far in India. Now breach of contract becomes penal where there is an element of cheating. Under Section 420 of the IPC wherever there is an element of cheating, breach of contract or *mens rea* then it becomes penal and punishable. Therefore, if a cheque is dis-honoured and if the court finds there is an element of cheating and *mens rea* is there he is made punishable but where there is no *mens rea* breach of contract has not been made punishable. Now for the first time you are singling out breach of contract with reference to cheques only as penal. Article 14 requires that there should be equal treatment and equality. Clause of equal treatment must stand. A promisory note contains an unconditional undertaking that he will pay on demand the amount but if he is not able to pay the amount it does not become a penal offence. So also is the case with contractual offences and contractual obligations. There are any amount of contracts which are processed through the system of banking. Then you have to bring all those contractual relations which have got affected on the banking system as penal offences. This is the important point which has been sought to be made out by Shri Madhav Reddi also. Therefore, that may be kept in mind and you may give the reply.

[Shri E. Ayyapu Reddy]

17.00 hrs.

In fact, we even thought this aspect of the question. If the *mens rea* is established, already section 420 is available under which he can be prosecuted. There should be no difficulty about it. But it is bound to take considerable amount of time. If the banks have to wait or the payee has to wait till he gets something from the court, then, I am sure, that the entire banking system will collapse. That is why we just wanted to find a middle way by which some kind of fear will have to be instilled in the minds of those people who issue the cheques that if we don't do it, we can be prosecuted. It is not always that they are going to be prosecuted.

SHRI AZIZ QURESHI: Who will pay the expenses of the prosecution - the bank or the payee?

SHRI S. B. CHAVAN: Actually the person who, in fact, is the aggrieved party. I don't think that the person who issues the cheque can be an aggrieved party. The aggrieved is the person who received the cheque. And after going to the bank, if he is being told that there is not enough money in his account or there is no money in his account at all, then the person, who has issued the cheque, gives a notice saying: "Though you have issued the cheque in my name, there is no money in your account. Please try to make it good."

After giving him full opportunity to make good the money which he has written on the cheque, if he fails to do the same, then, of course, he gets the right to prosecute the person. There is a higher judicial authority also. Metropolitan Magistrates have been specially empowered under this Act so that an honest person, who, somehow or the other could not fulfil all these conditions even in the court of law, is able to establish that there were very valid reasons due to which he had to issue the cheque but he

could not help it; then, of course, ultimately it is for the Magistrate of the first class or the Metropolitan Magistrate to go to the extent of almost penalising him up to double the amount and with an imprisonment of one year, separately or both. This is the power which has been given to the courts.

MR. DEPUTY SPEAKER: You may continue next time.

17.04 hrs.

#### DISCUSSION UNDER RULE 193

[English]

#### Dismal Performance of Indian Sportsmen in Seoul Olympic Games

MR. DEPUTY SPEAKER: The House will now take up discussion under Rule 193 to be raised by Shri C. Janga Reddy. Mrs. Margaret Alva is not well. She has suddenly got sick. Now Mr. Santosh Mohan Dev is taking down the notes. Cabinet Minister, Mr. Shiv Shanker, will be coming. He is now in the Rajya Sabha. After that, he will take the notes.

[Translation]

SHRI C. JANGA REDDY (Hanamkonda): Mr. Deputy Speaker, Sir, after every Olympic games, we have a discussion on this subject in this House. What is the reason that we cannot win gold medals? Not only this, we could not even obtain entry into many games. We have constantly drawn your attention towards it. Have you ever thought how we are performing in the games? In the recent games at Seoul we could not win even a single medal out of 711 medals. Leave aside the gold medal, we could not even get a bronze or a brass medal. After all, what is the reason? We are lagging behind in the games.

SHRI INDRAJIT GUPTA: There is no brass medal.