

17.28 hrs.

[English]

PUBLIC ACCOUNTS COMMITTEE
Eighty-Sixth Report

SHRI SHARAD DIGHE (Bombay North Central): Sir, I beg to present the Eighty-Sixth Report (Hindi and English versions) on Action Taken on 71st Report of the Public Accounts Committee (10th Lok Sabha) on Production of an armoured vehicle 'Z', its gun and ammunition.

17.29 hrs.

[English]

**STANDING COMMITTEE ON PETROLEUM AND
CHEMICALS**
Twelfth Report

SHRI SRIBALLAV PANIGRAHI (Deogarh): Sir, I beg to present the Twelfth Report (Hindi and English versions) of the Standing Committee on Petroleum and Chemicals on Action Taken by Government on the recommendations contained in the Fourth Report of the Committee (10th Lok Sabha) on "Exploration, Production, Distribution and Conservation of Oil and Gas."

[English]

MR. SPEAKER: I think we may not take up 'Matters under Rule 377' today because we shall have to pass this Ordinance, and I think the Members will cooperate in seeing that the Ordinance is passed.

SHRI RAM NAIK (Bombay North): Sir, I am on a point of order and also on a point of information.

[Translation]

Discussion on President's Address was one of the items included in yesterday's list of Business but in today's agenda, discussion on General Budget has been included. Two months have passed since the President delivered his Address and I think it is not proper to present a Motion of Thanks on President's Address so late. To my mind, the Budget should be passed quickly and the House should be informed as to what are you going to take up next....

(Interruptions)

MR. SPEAKER: All this has been done after holding discussions with the party leaders and we expected that the leaders must have conveyed this to you.

(Interruptions)

SHRI RAM NAIK: Sir, this should be conveyed to the House also ... *(Interruptions)*, Moreover, I am not raising any objection ... *(Interruptions)*

MR. SPEAKER: Look, this is such a delicate point as might get derailed if you raised it.

SHRI RAM NAIK: No, Mr. Speaker, Sir, it is a question but the President should also... *(Interruptions)*

[English]

MR. SPEAKER: I will explain to you. We shall have to pass the J&K Budget, Vote on Account (Railways) and Vote on Account (General), we have to complete the general discussion on the Budget and only then the Budget will go to the Standing Committees. The time is not available for these things. And one of the most important considerations was—we have the highest respect for our Rashtrapathiji who is part and parcel of Parliament, without him Parliament is not complete—if we start discussing the Motion and then break the discussion and take up something else in between, that also does not look nice; there has to be some continuity also. It was because of these physical constraints and the paucity of time, all the leaders in their wisdom came to the conclusion that this way of dealing with the business before the House would be more appropriate. So, we came to that conclusion.

SHRI RAM NAIK: If it was decided that way, then we have no objection.

SHRI BRAJA KISHORE TRIPATHY (Puri): Sir, what will happen to 'Matters under Rule 377'? Will you take it up tomorrow?

[Translation]

SHRI VIJOY KUMAR YADAV (Nalanda): Sir, what will be the fate of 'Matters under Rule 377'?

MR. SPEAKER: That we will take up tomorrow.

(Interruptions)

PROF. RASA SINGH RAWAT (Ajmer): Sir, we requisitioned four times the Budget for Jammu and Kashmir from the publication counter but we have yet to receive it.

MR. SPEAKER: You just start speaking anything. You will definitely get a copy thereof when J&K Budget is taken up.

17.34 hrs.

**STATUTORY RESOLUTION RE: DISAPPROVAL OF THE
BANKING COMPANIES (ACQUISITION AND TRANSFER
OF UNDERTAKINGS) AMENDMENT ORDINANCE; AND
BANKING COMPANIES (ACQUISITION AND TRANSFER
OF UNDERTAKING) AMENDMENT BILL—Contd.**

[Translation]

MR. SPEAKER: Shri Girdhari Lal Bhargava may speak now.

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Sir, my submission is that the Government has brought in this Banking Companies Ordinance in order to streamline the banking system in the country which is in keeping with the Government's policy of economic liberalisation but the Government has come to rule through ordinances. Yesterday also, I had registered my protest and had said that 434 ordinances have been brought and since June alone, 39 ordinances have been brought in. Sir, I had opposed this tendency of running the Government through ordinances and that the Government is not taking the

Parliament into confidence. That is why I moved a resolution of disapproval of this ordinance before you.

Sir, I must say that the Government's basic intention is to bring in this Banking Companies Bill and thereafter shape it according to the dictates of the World Bank. In the process, the Social objects clause has been totally and grossly ignored. Similarly, there is no mention about the benefits likely to be accrued to the weaker sections of the society. My second point is that there was nationalisation of Banks which gave hope that banks could earn profit then but things went otherwise. The principal banks of India have incurred a loss of 8500 crore of rupees during the last two years.

A loss of Rs. 8500 crore is quite astonishing, unique disquieting and tends to raise apprehensions in the minds of people. The latest example of this loss is the New Bank of India which has been merged with the Punjab National Bank because it had incurred a loss of Rs. 400 crores. Another point of concern about which I would like to know is that how is the Government going to make up this loss after the merger or is the Government going to write off this amount? You are going ahead on the path of liberalisation but the banks will have to become self-reliant, come into the open competition and we shall also have to ponder over the foreign banks' capital. How far can we pull along with the help of these crutches? What I mean to say is that we shall have to consider all pros and cons of regulating the foreign banks also. What will be their policies and what conditions shall be enforced on foreign banks coming to India? Will the foreign banks also work towards social objects, give loans to the farmers and the labourers? My submission is that the foreign banks should be asked to open their branches in the backward areas so that our banks can stand in competition with them; otherwise Indian Banks will be lost and relegated to the background against the foreign banks, which are well equipped with the computerised systems and ultramodern facilities.

Besides, our banks do not provide satisfactory services, the loan disbursement procedure is faulty and there is inefficiency. We shall have to make up all these lacunae. Some private sector banks like the UTI banks, the Industrial Bank, the Global Trust bank etc. have also emerged on the scene. We should scrutinise their half yearly report to see whether they have functioned properly or not? The money that will be granted to make up the loss of banks or to write it off will be earmarked from the public money realised in the shape of individual taxes. This point has also to be considered.

Mr. Speaker, Sir, the ordinances were brought with two objectives in view. The banks having surplus funds may lessen their equity base and circulate the money in the open market and sell their shares at higher prices. The second aspect was that the losses of those banks who were running in losses, may be written off cumulatively and when balance sheets of both types of banks become equal, they may come into the market and sell their shares. Therefore, all these aspects should be considered.

As I said earlier that the Vasal Commission submitted its report in 1988 with regard to the merger of New Bank of India with the Punjab National Bank but the Government slept over the matter for 7 long years and did not consider it. Thereafter, the matter was brought again on September 4, 1993 but the PNB had not set its balance-sheet right. Then, the issue was again brought on January 4, 1995 but the PNB paid no attention to it upto March, 1994. Someone should be made answerable for all these mistakes. Attention should also be paid to the non-performing assets worth Rs. 35000 crores outstanding against big people and also, how to carry on the development of the country?

Lastly, I would like to submit that the Directors of the banks should be able and experienced people and not the favourites and sycophants.

MR. SPEAKER: The Bill is with regard to accounting alone.

SHRI GIRDHARI LAL BHARGAVA: I am submitting about the banking system.

MR. SPEAKER: Accounting does not mean everything related to the Bank.

SHRI GIRDHARI LAL BHARGAVA: I am not talking about everything related to banks. How can, Mr. Speaker, Sir, we stand on a firm footing in comparison to foreign banks? My submission is with regard to that. Once again opposing this tendency of bringing ordinances time and again and this gap of 7 years', I thank you for giving me time and this opportunity.

[English]

MR. SPEAKER: Mr. Minister to speak.

...(Interruptions)

PROF. SUSANTA CHAKRABORTY (Howrah): My name is there, Sir.

MR. SPEAKER: Please understand that if we do not complete this business, we shall be required to work on Saturday because we have no time left. Otherwise, we would have allowed you to speak.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY): Mr. Speaker, Sir, I am thankful to all those Members who have participated in the discussion. Many hon. Members have expressed their unhappiness over the issue of the Ordinance. I wish to make it very clear that the Government resort to Ordinances only in unavoidable and extraordinary situations. The Parliament was not in session when this proposal was before the Government. And then the Government decided to resort to issuing the Ordinance. Today we are discussing about replacing that Ordinance.

I would like to restrict my comments only to the aspect of amendment to the Banking Bill. Many of the Members, including Prof. Rasa Singh Rawat, Shri Bhargava and others, have expressed their views that the priority lending is going to be reduced. I wish to inform those members that the majority of the banks have achieved their targets

in priority lending. And in the recent Budget also, we have provided for deposits with the NABARD for meeting any shortfall in the targets of the priority sector. This is a very limited amendment. Banks and corporations in private sector are governed by the Companies Act. After we took over the Government in 1991, to maintain the capital adequacy norms, we as owners of these banks, provided and contributed to the banking industry. In 1993 we had contributed about Rs. 5,700 crores and a provision has been made for Rs. 5,600 crores during the year 1994-95. The present case is about the merger of the New Bank of India with the Punjab National Bank. As I have already pointed out, the nationalised banks do not have this facility. To provide this, we have come before this House with this amendment. The New Bank of India has been amalgamated with the Punjab National Bank since 4th September, 1993. A special audit by the Reserve Bank of India showed that as on 4.9.93, the erstwhile bank had accumulated a loss of Rs. 433.22 crores.

The New Bank of India had a negative net worth of Rs. 238.7 crore which represent the liabilities of the Bank of India which are in excess of its assets. The Punjab National Bank was not able to finalise their Audit Report and the Balance Sheet. As per the new provisions, the negative worth can now be adjusted against the capital of Punjab National Bank under their Balance Sheet. I wish to inform some of the hon. Members who spoke about the foreign banks that all these banks including the foreign banks are controlled by the stipulations of the Reserve Bank of India. Many of the hon. Members have suggested that the foreign banks should open their branches even in the rural areas. It is very difficult for them to do it because they have no rural branches. That is why they feel that providing rural credit would be very difficult for them. Foreign banks should also adhere to the norms and the guidelines set out under the priority sector and the export credit is also included in the definition of the priority sector for the foreign banks. There is a stipulation of advances for small scale industries advance. The should advance at least not less than ten per cent of the net bank credit. If there is any shortfall they should deposit the same with the SIDBI. As I already pointed out, the RBI has considerable control over the foreign banks.

As I have already replied many of the important points, I would request the Mover of the Resolution and the hon. Members of this House to pass this Bill.

SHRI SOMNATH CHATTERJEE (Bolpur): He has given his name also. He will be very brief.

MR. SPEAKER: Okay, I will allow him to speak at the time of consideration of the Bill.

SHRI LOKANATH CHOUDHURY (Jagatsinghpur): I have given my disapproval to this Ordinance. As the hon. Minister has stated, the problem arose with the amalgamation of two banks, that is, the New Bank of India and the Punjab National Bank. The matter came to the fore in 1933.

MR. SPEAKER: You must have spoken on this, I suppose.

SHRI LOKANATH CHOUDHURY: I am just going to point out: Was there any necessity of bringing an Ordinance? Was there any extraordinary situation? It is the misuse of the power. It is the non-functioning of the Government.

MR. SPEAKER: That point you must have made when you moved the Resolution.

SHRI LOKANATH CHOUDHURY: It indicates the non-functioning of the Government.

MR. SPEAKER: You have just moved the Resolution, you have not spoken!

SHRI SOMNATH CHATTERJEE: They are also admitting.

SHRI LOKANATH CHOUDHURY: They have admitted. So, naturally this the process of amalgamation of sick banks with the healthy banks. I do not know what this process will be aimed at. Whether the sick banks will affect the healthy banks or the healthy banks will have overall effect on the sick banks? It is a question which requires the critical observation by the Government. You know what has happened in our banking system. I am not going to repeat that which has already been told here. But, one point I want to tell. Yesterday, Shri Sriballav Panigrahi has said that waiving of the loan to the extent of Rs. 10,000 crore to the agriculturists is mainly responsible for the crisis. I want to stress that now there is a bad loan to the tune of Rs. 38,000 crore.

SHRI SRIBALLAV PANIGRAHI (Deogarh): Please do not put words into my mouth. I did not say that. I said loan waiver also created a situation wherein this crisis has arisen. I used the word vitiated the atmosphere of loan recovery' That is what I said.

SHRI LOKANATH CHOUDHURY: There is Rs. 38,000 crore bad loan, out of which Rs. 28000 crore belongs to the corporate sector. This is not a big amount. This is a small amount. This shows that big people have an influence on the banks. What I want to stress is that they can make Rs. 28000 crore bad loan - Rs. 38000 crore is the total out of which Rs. 28000 crore belongs to the corporate sector-but if for poor people a loan up to Rs. 10000 is waived it does not affect the whole thing. This is only an outlook. The very outlook of not looking to the poor people, of looking to the big people and giving them the facility is not the attitude of the Government, it is the attitude of the banks. That is exactly the attitude of the banks. They always like to advance loans to the people with assets. That has become a practice where our banks have failed. Even in respect of poverty alleviation programmes, loans are not given. The practice actually that is taking place is that money is not going to those people who are taking loans. This is a very big thing. Therefore I want that the Minister should monitor that the banks do

advance loans to the people whom the Government or the different institutions want to give, that is the poor people, for the purpose of poverty alleviation. He should see that I reaches the poor. This is being pickpocketed by the bank employees; I say bank employees and the bank officers. They pickpocket a major portion. That is a major problem. This is a big thing because the Government is going to depend upon this. The present Budget also indicates that more more should be spent on poverty alleviation programmes. I would only request that one practice that is there so far should be corrected. If it is not corrected, there would be further crisis in the banks. Because who do not take even fifty per cent of the loans, actually they would not be able to pay it back, they would not be able to create assets and that will create a crisis. Then they will come to a conclusion that giving money to these people under poverty alleviation programme or JRY or Prime Minister's Plan was wrong. You will come to that Conclusion.

With my experience I must rather suggest that the Minister must create a monitoring cell at some level, so that the money really reaches the people for whom it is meant.

Lastly, I oppose the Ordinance and I stick to my Resolution.

MR. SPEAKER: The question is:

"That this House disapproves of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Ordinance, 1995 (No. 4 of 1995) promulgated by the President on January 21, 1995."

The motion was negatived.

MR. SPEAKER: Now we shall take up the Consideration motion. Prof. Susanta Chakraborty may speak.

PROF. SUSANTA CHAKRABORTY: Mr. Speaker Sir, from my party my name was given, but because of constraint of time you did not allow me to speak. I am sorry, Sir. But since you have given me this opportunity, I shall take three or four minutes time, only to register my protest against the culture of ordinance that has been so fondly developed by this Government, carefully and in a calculated manner.

So far as the Bill is concerned, the object is very limited. It is only to extend the prudential norms in the case of private sector banks. In the particular case, the New Bank of India was amalgamated with the Punjab National Bank as early as in 1993. Now because the New Bank of India made losses, the Government had no alternative but to apply these prudential norms in this case.

Sir, I would like to ask the hon. Minister to consider one thing. What shall be the position of the employees of the new bank after this amalgamation? What benefits will they get? Will the past benefits be allowed or not? I would like him to consider these things.

As to the loss of the New Bank, some questions arise in my mind. Did the Government ever before consider whether there is failure of proper audit in banks? I would like to know whether the Government would agree for the

audit of the banks and the financial institutions by the Comptroller and Auditor-General of India.

Why are there arrears in the reconciliation of inter-branch accounts of banks, because of which we do not get the true picture of the performance of the banks? I would like to know whether the steady erosion of equity over the years was due to poor accountability of those in charge? There are defaulters. What is the harm in publishing the names of the defaulters? What measures have the Government taken to punish those defaulters? The functioning of the banking system in our country shall never improve.

Lastly, the Finance Minister, in his last budget speech, assured us that the Regional Rural Banks would be restructured. Now, these Regional Rural Banks cater to the needs of the weaker sections of our country. They are situated in the far-flung districts of our country. So, these banks require restructuring. The restructuring of these Regional Rural Banks has been taken up only in phases. How long will it take to finish the restructuring? In the meantime, there has been a direction by the Reserve Bank of India that in the name of development plans, all the Regional Rural Banks have been asked to lay more stress on profitability than on the coverage of weaker sections. This is a deviation from the original aim of establishing RRBs. This means, the Government is not prepared to exclude even the institutions catering to the needs of the weaker sections from the market forces. So, in the interest of the weaker sections of our country, may I ask the hon. Minister to expedite the restructuring process and see that the banking system in our country does come out of the ills that it is suffering.

MR. SPEAKER: Very good points. If you want, you may reply.

...(Interruptions)

MR. SPEAKER: Every point deserves a reply.

SHRI M.V. CHANDRASHEKHARA MURTHY: The restructuring of the Regional Rural Banks is before the Government and it will take shape shortly.

MR. SPEAKER: I think the House agrees to complete the business of this Bill.

SHRI JASWANT SINGH (Chittorgarh): On this Bill, yes, Sir. But SEBI is an important Bill and there are a number of speakers. The Security Bill, if you consider our request, can be taken up tomorrow.

MR. SPEAKER: Tomorrow is Friday.

SHRI JASWANT SINGH: We will finish it tomorrow. There is plenty of time for that.

MR. SPEAKER: Okay, we will do that. But tomorrow the only thing is that this unlisted business time should be limited.

SHRI JASWANT SINGH: Basudebji is saying that half-an-hour would be enough, Sir.

MR. SPEAKER: It is a very reasonable suggestion.

SHRI M.V. CHANDRASHEKHARA MURTHY: Sir, our banks as well as the Regional Rural Banks will continue to lend to the needy and poor sections in the rural areas and

to the poverty alleviation programmes. The RBI will closely monitor and supervise these leadings.

18.00 hrs.

MR. SPEAKER: Thank you!

The question is:

"That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, as passed by Rajya Sabha, be taken into consideration."

The motion was adopted.

MR. SPEAKER: Now, the House will take up clause-by-clause consideration of the Bill.

The question is:

"That Clauses 2 to 4 stand part of the Bill."

The motion was adopted.

Clauses 2 to 4 were added to the Bill.

MR. SPEAKER: The question is:

"That clause 1, the Enacting Formula and the Long Title Stand Part of the Bill."

The motion was adopted.

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

MR. SPEAKER: The Minister may now move that the Bill be passed.

SHRI M.V. CHANDRASHEKHARA MURTHY: I beg to move:

"That the Bill be passed."

MR. SPEAKER: The question is: "That the Bill be passed."

The motion was adopted.

MR. SPEAKER: We thank Shri Basudeb Acharia!

...(Interruptions)

MR. SPEAKER: The House stands adjourned to meet tomorrow, the 24th March 1995 at 11 A.M.

18.01 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, March 24, 1995/Chaitra 3, 1917 (Saka)
