

Ord. 2 of 1995 "21. (1) The Industrial
ment Bank of India
(Amendment) Ordinance,
1995 is hereby repealed.
The motion was adopted.

**"Repeal
and
Saving**

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

"That the amendments made by Rajya Sabha in the Bill
be agreed to."

MR. CHAIRMAN: The question is:

"That the amendments made by Rajya Sabha in the Bill
be agreed to."

The motion was adopted.

[English]

16.40 hrs.

STATUTORY RESOLUTION RE: DISAPPROVAL OF THE
BANKING COMPANIES (ACQUISITION AND TRANSFER
OF UNDERTAKINGS) AMENDMENT ORDINANCE

AND

BANKING COMPANIES (ACQUISITION AND TRANSFER
OF UNDERTAKINGS) AMENDMENT BILL AS PASSED BY
RAJYA SABHA

MR. CHAIRMAN: Now the House shall take up Item
numbers 17 and 18 together.

Shri Lokanath Choudhury to speak.

SHRI LOKANATH CHOUDHURY (Jagatsinghpur): Sir,
I beg to move:

"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 MINISTER OF STATE IN THE MINISTRY OF
FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY): Sir,
I beg to move:

"That the Bill further to amend the Banking Companies
(Acquisition and Transfer of Undertakings) Act as
passed by the Rajya Sabha on 20th March, 1995 be
taken into consideration."

As one of the features of financial sector reforms, the
Reserve bank of India has introduced prudential accounting
norms in the banks in respect of income recognition, asset
classification and provisioning based on the record of recovery.
Besides, the Reserve Bank of India has also introduced certain
norms of capital adequacy based on system of risk-weighted
assets to be achieved in stages by 31st March, 1996. The
prescription of capital adequacy norms has also necessitated
the Central Government as owner to provide adequate
additional capital to the nationalised banks.

Banks in the private sector are incorporated under the
Indian Companies Act, 1956. This Act permits the capital
structure of such banks to be varied through addition to capital,
reduction of capital and conversion of debt to equity whereas
the Banking Companies (Acquisition and Transfer of
Undertakings) Act, 1970 and 1980 have no comparable
provision. The proposed amendment allows this facility to the

nationalised banks also and would enable them to restructure
their capital and reflect it in the balance-sheet in the same
way. The proposed amendments, inter-alia provide for:

- (i) reducing or cancelling the paid-up share capital to
the extent it is lost on account of losses or is unrepre-
sented by available assets;
- (ii) paying off by a bank to the Central Government any
amount of share capital which is in excess of its wants;
- (iii) reducing or cancelling paid-up share capital by banks
which have accessed the capital market, by a resolu-
tion passed at the Annual General Meeting by the
share-holders, and;
- (iv) a provision to the effect that paid-up capital of a corre-
sponding new bank shall not be reduced at any time
so as to render it below 25 per cent of its paid-up a
capital on the date of commencement of the Banking
Companies (Acquisition and Transfer of Undertakings)
Amendment Ordinance, 1995.

As Parliament was not in session and as the above-
mentioned amendments were required to be made urgently
for enabling the corresponding new banks constituted under
the aforesaid Acts to restructure their capital, the President
promulgated the Banking Companies (Acquisition and Transfer
of Undertakings) Amendment Ordinance, 1995 (Ordinance 4
of 1995) on the 21st January, 1995. This Bill seeks to replace
the Ordinance.

With this, I commend the Bill for consideration of the
House.

MR. CHAIRMAN: Motions moved:

"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."

"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."

[Translation]

PROF. RASA SINGH RAWAT (Ajmer): Mr. Chairman,
Sir, through you I oppose tooth and nail the tendency of the
Government of promulgating ordinances. As my friend Shri
Girdhari Lal Bharagava has told just now that the Government
has so far promulgated more than 500 ordinances and 7
ordinances have been promulgated in this very session.
Though the Ordinance may be a good one, a good law and
though it may have been promulgated in the interest of the
nation yet it is not a good practice and it cannot be called
appropriate. Because Good objectives must be followed by
good and fair means. Gandhiji had said so. I consider the
tendency of promulgating ordinances as an undemocratic and
unparliamentary act. So through you I oppose it tooth and
nail.

It seems to me that promulgating ordinances has
become the habit of the Government. Members from
opposition parties had been raising their voices against the
promulgation of ordinances. A comprehensive Bill should be

presented in place of it with complete preparation and necessary amendments can be brought later on. But the Government issues ordinances every now and then even when the House is just going to commence ordinances are promulgated through hon. President. It is contempt of the House. It is a breach of privileges of Members and we oppose and condemn such tendency of the Government. I request you to condemn the Government for it and curb the practice of promulgating ordinances.

I would like to draw your attention towards the intentions of the framers of the Constitution. At the time of writing of the Constitution, when various articles including the provision of promulgating ordinances were being discussed, it was clearly stated at that time when extraordinary circumstances arise or there is a threat of foreign attack or there is some unavoidable circumstances, the provisions of promulgating ordinance will be used. But it seems that the Government has taken it lightly and it has become an easy method to promulgate ordinances through backdoor entry and it is contrary to the intentions of the framers of the Constitution. When staunch supporter of democracy, Pt. Jawaharlal Nehru was asked about this provision he said that this provision should be implied only during unavoidable circumstances but today those people from ruling party do not pay heed to his feelings and I condemn their such undemocratic tendency.

So far as the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Bill is concerned, I welcome it because its intention is good. I welcome this Bill because most of the nationalised Banks are running in losses. There is mismanagement among most of them and there are so many other problems. The Government has stated a small reason for it that New Bank of India has been merged into Punjab National Bank because it was incurring losses. Now that bank has been merged into a profit earning bank and this ordinance has been promulgated to solve the matters regarding shares and equity base of New Bank of India.

Sir, I would like to say that in 1991 the Government introduced the policy of liberalisation and financial reforms were also introduced in 1991 by this new Government. New Bank of India was merged in Punjab National Bank on 4th September 1993. One year has passed since then but Government tried to escape from the reality. It only awoke when the problem became an eye-sore when the problem of correcting the balance-sheet arose before Punjab National Bank in March 1994 so that it would enter the market with a good balance-sheet and would have earned more equity shares after selling its increased shares and would earn good reputation. For this purpose this ordinance was promulgated on 4.1.1995. Today Government has presented this Bill in this House for that. Through you, I would like to know from the Government that the policy of economic liberalisation was introduced in 1991 and I would also like to tell the hon. Minister that financial reforms are parts of a continuous process at international level.

There is no need to say that the Bank of International Settlements Organisation in Switzerland had set up a commission, which was called Baisley Commission. This commission had made several recommendations to improve the financial situation of the world, improve financial

management and for making banking system more strict, all alert and efficient and in that context prudential guidelines were issued in our country in 1992. Reserve Bank of India has also issued guidelines through Narsimham Committee to all the banks working under but the Government paid no heed to it. It is never too late, therefore, I would like to say that today in the name of economic liberalisation the Government has changed the objective of socialism introduced during Nehruji, Indiraji and Rajivji's regime. But later on this socialism changed into nationalisation and that policy became unsuccessful and now policy of economic liberalisation and free economy is being introduced which is contrary to it.

Sir, we were in favour of free economy since beginning and had opposed nationalisation of banks. Private sector should be made competitive, qualitative and banks should perform their social economic responsibility properly. In the name of nationalisation, fourteen banks were nationalised at first in 1969 and now this number has increased up to 28, out of them most are incurring losses.

I would like to draw your attention and tell the members of ruling party that now they have left the path of socialism and nationalisation, and they are advancing towards privatisation. In the name of liberalisation, they are moving towards free economy. Therefore, this truth must be accepted that earlier we were mistaken and now through privatisation, we are atoning for our earlier mistake.

Sir, the person who admits his mistake is more wise than the person who commits mistake and does not admit. Sir, through you I would like to make a submission before this Government that instead of implementing new economic policy in the name of liberalisation, free economy, privatisation of banks and increasing the equity base of banks, it should admit the fault of old economic policies formulated by former leaders which have adversely affected the economy. You should admit fault and rectify it.

Russian pattern has proved unsuccessful and what you have been saying for years holds no meaning at present. This is the reason for which the Government has to meet the losses of Rs. 5500 crore incurred by banks during 1993-94. Through you, I would like to tell this House the contents of the Bill. It has two main points—first thing is that the banks which have more money could reduce their equity base and go to open market for selling their shares at a higher rate. The second thing is about write off the accumulated losses of the banks which are incurring losses continuously, so that these could go in open market with a balance sheet which will enable them to get higher price for their shares. These two points should be understood clearly. New Bank of India was incurring losses and Punjab National Bank was earning profit. After merging these two banks, the Government has issued the ordinance and moved this Bill in the House. I would like to know from the Government as to whether the hard earned money of public, paid as taxes, will be utilised to meet such losses only. Whether the Government will not take other steps to meet these losses. The taxes levied by the Government are deposited in banks and it becomes responsibility of banks to ensure that this money should be spent for development of the country which should benefit common man, small industry, and agricultural sector. But today their condition is very poor.

Prime Minister's Employment Scheme has been introduced and persons among unemployed youth are selected for it. Later on District Industry officer sends them to banks for getting a loan upto Rs. 1 lakh. But banks always harass them for one or other reasons and they do not get loan. I would like to say that whether the Government funds will always be used to meet the losses incurred by banks. Illiterate farmers and person belonging to Scheduled castes who go to banks under DRDA scheme to get loan for digging well or buying cattle but these people are harassed by them. I would like to say that it is an era of competition and you should go to market to create goodwill and banking service is essentially improved for creating goodwill. Today banks employees threaten us to hold strike and business of the whole country come to a standstill.

17.00 hrs.

Banking is an industry. The policies of the Government are responsible for its continuous deterioration. The Government has let such a set up flourish in the name of nationalisation that mismanagement cropped up in banks. The development of the banks have come to a stand still and the number of subscribers of the banks has been reduced on account of it. I would like to cite an example of it. Earlier this Government was following socialism but now it is heading towards capitalism. If capitalism heads towards extreme then "excess of everything is bad" "Aati Sarvatra Varjayet". As the excess of nationalisation was wrong, in the same way excess of capitalism is wrong. Always the Government invests its money to cover up the loss of the banks, it is improper. In capitalistic countries the Governments, pay less attention towards the common public but take much care about the interests of the big industrialists and vested interest. So, we have to keep away ourselves from such extreme. If once it happens, it would be impossible to look back.

I would like to quote the words of Gautam Buddha. He had once said that do not pull the wires of the *veena* so much that it is broken and do not let it be so loose that it may not play. Keeping the national interest at the top and keeping in view the context of our country, more and more profit of the banks.... (Interruptions) Sir I have started just now. I want your protection.

Therefore, I would like to submit that the guidelines of the Reserve Bank should be followed while accepting the culture of privatisation or liberalisation or in improving the financial condition of the banks. Keeping in view the national interest and the context of our country I would like to say one more thing that the present Government came to power after 1991 and the policy of liberalisation was introduced therefore who is responsible for the scam. A Joint Parliamentary Committee was set up to look into the matter. Crores of rupees of the people deposited in the nationalised banks, whether it included the amount of shares also but when the scam of the banks was unearthed none could say where the amount of rupees 5000 crore or rupees one lakh crore had gone.

Now the Congress party is disarrayed. Though it is matter of your home but an hon. Member and an honourable former Minister of the Government of India is asking after all where the amount of bank scam has gone. There is a word

and use. After all who was the final beneficiary? Where the money had gone at last?

I would like to urge upon the Government through you that the banking system of our country needs a drastic change. The centralised controlling authority of the various banks should be so strong that such scam should not occur in future whether it may be the case of transaction or reconciliation of the statement or the internal development of the mechanism, through which the daily balance etc. can be checked. I would like to know through you that the scam of crores of rupees in the banks. (Interruptions)

SHRI AYUB KAHN: (Jhunjhunu): Look at the condition of Rajasthan, what it going on there.

PROF. RASA SINGH RAWAT: He is remembering Rajasthan. There are no such scams in Rajasthan. I am talking about the Central Government. I am ready to talk about Rajasthan if, the issue pertaining it will be raised.

My submission is that humanitarian ground and social obligation should be given due consideration regarding the amount of the people deposited in these banks.

What sort of control will we have on the foreign banks, which are coming to our country? You are imposing certain restrictions, conditions and guidelines etc. on the national banks. But impose certain conditions on the foreign banks otherwise these will earn profit from here and will take our money there. May be, that a new scam come up. Due to one Hongkong based person the oldest bank of England had gone bankrupt and later on the bank was taken over by someone else. Let such situation not come up here, therefore I would like to urge upon the Government that the foreign banks should not be allowed to enter freely. Have some control on these.

40 per cent of the bank deposit should be spent on the development of the nation, it should be spent on the development of the villages, the irrigation system and on the upliftment of the weaker section. A part of the profit earned by the foreign banks should be spent here since they earn profit from the customers here. There should be some restrictions on them.

We are celebrating the centennial year of Shri Morarji Desai's birth. May God bless him with a long life. "Jeevem Saradam shatam". According to him—deposit mobilisation is the quality of service to the customer. It should also be taken into consideration. Likewise, the socio-economic policies should be framed on the basis of the priorities of our Five Year Plan and our planning department and the amount of the profit of the banks should be spent on these. If we look at the account, we will come to know that on account of the mismanagement, how much loss we have been suffering. There are 7 subsidiary banks of the State Bank of India. Their profit went on increasing and in 1991, it was 16 crore rupees, which shot upto rupees 244 crore in 1991-92 but the total earning proportion was 1.8 percent only. Net profit is not at all important because the earning proportion was 1.8 percent. The profit of the nationalised banks is very less. It was 2.6 percent in 1991-92 and the net profit of the private banks was 5.7 percent. The profit of our foreign banks was 8.7 percent in 1988-89 and 1991-92. One can guess about the condition of our banks through it. The Government interference and

control it going downwards slowly. They should be made to stand the competition. There is a need to bring efficiency in these. The hard working and efficient officers in management should be given incentives. If someone has a neglecting attitude and derelicts in his duty, there should be a provision of punishment for him so that competition in banks can be encouraged. Banks should be mass-oriented and their quality should be improved. Their business should be directed towards earning profit. These should function for the interest and the development of the country.

With these words, I would like to say that the nature of the ordinance is undemocratic and unparliamentary. The aim of the Bill is good but I wish that it would succeed in its aims. If the sword is handed over to weak hands, it will fall down. Therefore, the Government is being given the rest tool of improving the management of banks for the welfare of the nation.

I would like to urge upon the Government through you that by making the proper use of this Bill, the economic condition of the banks should be improved. Besides, the Indian banking system should be over handed and made strong so that our country can stand firmly with dignity before the world banking system.

With these words I conclude.

[English]

SHRI SRIBALLAV PANIGRAHI (Deogarh) : Mr. Chairman, Sir, I rise to support this Banking Companies (Acquisition and Transfer of Undertakings) Amendment Bill. This is a very simple Bill and has been brought before the House to replace the Ordinance which was promulgated some months before under compelling situation when the House was not in Session. The objective of the Bill has been explained very clearly by the learned previous speaker, Prof. Rasa Singh Rawat. Prof. Rawat had only opposed the promulgation of the Ordinance. I am also opposed to an Ordinance being promulgated one after the other in general. But when there is a compelling situation, the Government cannot avoid promulgating an Ordinance.

[Translation]

SHRIVISHWANATH SHASTRI (Gazipur) : Mr. Chairman Sir, the House lack quorum.

[English]

SHRI SRIBALLAV PANIGRAHI : He is not insisting on Quorum. He made a casual observation. He is not serious about it.

[Translation]

SHRIVISHWANATH SHASTRI : The Government is not serious on this issue that the quorum can be there in the House.

[English]

MR. CHAIRMAN : The quorum bell is being rung.

Now, there is quorum. The hon. Member, Shri Sriballav Panigrahi may continue.

SHRI SRIBALLAV PANIGRAHI : Sir, I was referring to the business being transacted in the House during the last week and this week. What I mean to say is that I am also not

in favour of promulgating ordinances. It is only the ordinances that we are giving approval to on priority. This ordinance is fifth in the series and probably one more will follow. We have got the supplementary agenda now. My observation is that no Bill, howsoever important, does not get priority in this House unless it is an ordinance. This is an important matter to which all the hon. Members irrespective of their party affiliations should address themselves to. Otherwise, these intelligent Ministers might resort to promulgating ordinances in order to get them approved on priority. It is our observation that the Parliament does not find time to transact and pass legislations even if they are important. Therefore, I would request the hon. Members to address themselves to this situation. We should find out ways after discussing with leaders of different groups, Minister of Parliamentary Affairs and the panel of Chairman to get rid of this unpleasant situation of issuing a large number of ordinances and then coming to the House for its approval.

Now, I will come to this Bill. The aims and objectives of this Bill have very clearly been explained and even the Opposition Members are supporting the Bill and I need not dwell on that at length. The banking system, as you know, remains an important instrument of our development. The industrial Development Bank of India about which we were discussing before this has played a very laudable role in the field of industrialisation of our country. The industrial production is on the rise on account of a meaningful role played by Industrial Development Bank of India. As you know, our Government is committed to steering the banking system in line with the socio-economic objectives of our nation. It is very important, that is why our late lamented leader Indiraji took a revolutionary step in nationalising as many as fourteen banks when she was the Prime Minister. Thereafter we have gone a long way in helping the poor people. But I am not able to understand one thing. That is during the discussion on a Bill like this, so many extraneous points like bank interest, bank rates, scams, stock exchange are being brought. This being the Budget Session soon we will be having discussions on General Budget.

That would provide an ample opportunity to the hon. Members to deal with broader aspects of the economic policies and liberalization policies. The background is that the two banks were to be merged—the New Bank of India which was making losses and the Punjab National Bank which is making very good profit all the time. Although the decision to this effect was taken in September 1993. It could not be implemented because of certain defects with regard to the preparation of their balance-sheets, etc. Therefore, to get rid of this difficulty, this Bill is before us today.

This provision seeks to restructure the capital of the banks. This is the sole objective. This type of facility is enjoyed by the banks in the private sector. That is being extended to the public sector banks. This is quite a welcome feature. I lend all my support to this Bill.

A decision was taken in 1993 to bring about good health in the banking sector, to remove sickness of certain banks. Its implementation should not take so much of time. It has been delayed very badly. I understand that there was some legal advice given to the Ministry of Finance that by merely amending certain rules and regulations, it could be done. But,

later on, again, the Law Ministry revised its opinion that it was the basic law which needed to be amended. So, the Ministry of Law and the Administrative Ministry should be very careful about it; they should thoroughly examine all these things at the time of taking the main decision. Due to these difficulties, the implementation should not be delayed so much thus defeating the laudable purpose underlying the amendments.

Another disturbing feature in the banking industry is the accumulation of large arrears. This Bill is before us because of the loss sustained by a bank. We have to find out the measures carefully as to how such a situation should not recur not only with regard to this particular bank which has got merged but also with regard to other banks.

The banks are the charitable institutions. Of course, there is a social objective, a social obligation, a social commitment which they should fulfil in the right earnestness. But, at the same time, they are not just charitable institutions; they should not be allowed to function on losses; they are commercial organisations, commercial institutions; they have to function properly; they have to earn profit also. So, in that way, there should be close monitoring on them. Rs. 46,000 crore are the arrears against the industrial houses and also small scale industry which have taken loans and advances from different banks. So, they are quite affluent people, rich people; they are not poor farmers, poor artisans. They are trying to play with the banking system, etc.

So because of bad debts the banks are running into rough weather and running into difficulty. Therefore, while sanctioning advances, loans etc. there should be close monitoring and close scrutiny of these.

Of course, it is a matter of gratification that for the last two years the Finance Minister is taking interest in monitoring this particular aspect. There is a Cell in the Ministry now and according to the Economic Survey things have improved a great deal. The RBI has now a Board for supervision and judging by the results of the banking system in 1993-94, there is a distinct improvement. For this I congratulate the Ministry. It has to be pursued in future also.

All these banks have their Boards of Directors but in many cases there are vacancies persisting for quite some time in the past. These vacancies should be filled up by right type of Directors. The choice should be correct so that those persons who will take interest, who are knowledgeable, who have proven integrity should be inducted into the Board of Directors. I suggest that they should be given some more responsibility, more powers and more autonomy. But at the same time, they should be made accountable. Without accountability just giving power will not bring in desired results.

All the time the Ministry is represented by senior officers who are also serving different banks in the Board of Directors as Government nominees. I am pained to bring it to the notice of the hon. Minister and it was our experience as Members of JPC also that these officers, these Government nominees are not serious in their business. They do not attend the meetings and if at all they attend any meeting they are not serious. They should report back to the Government. They are the *via media* and the link between the Government and the banks. Their work should also be reviewed. The hon. Minister should

sit with them from time to time and see the health and functioning of different banks so that the ill reputed scam which has its different kinds of repercussions is not repeated.

I would rather take this opportunity to suggest the Government that the recommendations of the JPC should be accepted and acted upon with all seriousness and sincerity. We have to see that such a situation does not recur under any circumstances in our country.

Of course, the sickness of the banking sector was aggravated by the scheme of loan waiver in 1998 which vitiated the atmosphere and the climate of loan recovery. It should not happen again. That is a fact. I say that the entire atmosphere was vitiated and even those who were not defaulters earlier developed the tendency not to repay. That was the situation. Therefore, as I said, one of the planks of our economic policy is to see that wealth is not concentrated in the hands of a few people.

Banks are the trustees and people deposit money. Now even poor people deposit their money in the banks. So all the banks must fulfil the social obligation.

Earlier, under pressure from the Government, loan *melas* were being organised and we have our own experience in this regard. So the bank representatives should attend DIC meetings for different works chaired by the Collector.

The beneficiaries of anti-poverty schemes are chosen in the presence of the bank nominees. Every bank has to share certain percentage of the expenditure incurred by the district authorities under different anti-poverty schemes. Certain banks, which had committed to fund certain projects for unemployed youth in the presence of the Collector, in the meetings chaired by the Collector, had backed out. When the unemployed people approach the banks, they are not honouring their own commitment. This is the situation. This is also true in the case of Prime Minister's Rozgar Yojna. When the beneficiaries, who after a great deal of trouble to get their names sponsored under this scheme, approach the concerned bank, in most of the cases they have been disappointed. This is a very serious situation and the Government also has to find a way-out for that.

The Government, with the best intention to see that no employee is thrown out, takes over the public sector sick units without examining its viability. This is not a good trend in the changing situation. The Birla group, the Tata group and several large industrial houses have different units. When one of their units becomes sick, why should not they merge that sick unit with their profit-making units? Why should they put pressure on the Government through the Labour Unions to take over the sick units? In that area such consideration should be there.

My last point is about restructuring, reorganisation of the banking sector. That also should receive the attention of the Government on priority. Of course, the Narasimham Committee's Report is being implemented in phases.

Now I will come to Regional Rural Banks. The functioning of RRBs is far from satisfactory. Just for name sake, they are affixing the board. No real banking function is being transacted in the rural areas. These banks are not able to perform their duty of giving stipend to the Scheduled Castes,

and the Scheduled Tribes high school students. In our locality, in our constituency, when the decision to set up the branches of RRBs were taken, the village people were not enthusiastic, were not happy and were opposed to the setting up such branch and they wanted either the branch of SBI or for that purpose the branch of any other commercial bank. In certain areas, there is overlapping of branches of banks and in certain other areas, absolutely there is no bank to serve. Therefore, restructuring should get priority.

I do not like to take much time of the House. As I said, this is a very simple Bill. The objective of the Bill is laudable. The objective of this bill is to restructure the capital of the banks. The private sector banks are already enjoying this facility. This facility should be extended to the public sector banks. Once this Ordinance is replaced by an Act, the purpose will be served.

The Government will consider all these aspects and try to pluck the loopholes in the banking sector also. Banks are the effective means of our socio-economic changes and this purpose will be served only in its entirety. This very laudable purpose at best how it could be served by the banking sector, that way also, I think the Government will address itself to bring about necessary reforms.

SHRI D. VENKATESWARA RAO (Bapatla): Sir, I am not going into the issue of promulgating the Ordinance in this particular juncture.

I rise to support the Amendments proposed to be made in the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Bill, 1995. The Statement given by the Minister clearly shows the need for this kind of Amendments. While merging the Punjab National Bank and the New Bank of India, certain procedural requirements had to be met. That is why the Government propose this kind of Amendment. Sir, while supporting this, I would like to bring to the notice of the Government regarding the performance of the banks. The banks are incurring huge losses. For example, for this very reasons one of the banks was being merged with the Punjab National Bank. Here the estimated losses were, say, Rs. 5000 to Rs. 6000 crore a year and there were further accumulated losses over a period of time. This is giving an impression to the users as to how this banking sector is working and why it should be allowed for such a long period.

Sir, as regards the scam, the JPC Report has said that many higher authorities, higher officials are being involved. So far, the recommendations of the JPC have not been fulfilled. In the same manner we have been observing from outside, the people who take advantage of this banking sector. The People who should be kept in the black list are not being kept in the black list even though they commit grave mistakes by not paying back the amounts that they have taken. I have been seeing many people who start industries and make them sick. Again the same people start the industries and the banks in turn are giving money. This is the cause for the accumulated losses. These kind of things should be checked up. As our hon. Member has just mentioned, in 1990, the waiver of loans for the farmers was about Rs. 8000 to Rs. 9000 crore, this is the main reason for this kind of activity. Whereas in the other areas, in the industrial sector itself, every year we are seeing

this kind of loss. This is not the main reasons for the losses. Sir, the main reasons is that the banking sector is not being looked into to find out where exactly this misspending is taking place. Accountability is being given up. This kind of thing should be looked into. As the other hon. Member said, poverty alleviation programmes or socio-economic programme are also being taken up by this banking sector. Those schemes are not being monitored. They are not performing in a correct manner.

Then, for example this Rozgar Yojana, one of the primary programmes for poverty alleviation that has been started by the Government, everybody feels, is not being implemented in a proper manner.

In the same manner very recently the Government, has come out with various poverty alleviation programmes and the banking sector has been made responsible for implementing them. There is no budgetary support for this kind of activity that has been started by the Government. The banking system working in the manner in which it is working there is no real activity at all now to reach the poor people.

With these few words, I support this Bill and I give these comments for the consideration of the Government.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur) : Mr. Speaker, Sir, this Bill proposes merger of the New Bank of India with Punjab National Bank and I would like to draw the attention of the hon. Minister to it that Wassan Committee had submitted its report in 1988. You did not take any action for five years after that. The report of the Wassan Committee remained pending with you. You did not study the said report and did not consider the ways to meet the losses incurred by the New Bank of India after its merger with the Punjab National Bank. Seven years have elapsed but you have not taken any action. Please tell us who is responsible for this negligent attitude? The Government should own its responsibility. In a way it is a mockery of the Lok Sabha. The bills are introduced, withdrawn and amendments are made at the whims and fancies of the bureaucracy. That means bureaucracy scores over the Lok Sabha. That is why you should decide as to whose responsibility is this. Unless this responsibility is fixed, we will not be able to have a proper arrangement. This bill has been pending for seven years and no discussion was held on it. Shri Loknath Chaudhary ji must have read this report. We have not read it as in 1988 we were not Members of this House. I submit that the report of the Wassen Committee should be distributed among the hon. Members. They snapped out of their slumber on 4th September, 1993. Even then, till March, 1994, Punjab National Bank had not prepared its balance sheet, and did not bother to meet the losses in the balance sheet. That is why you brought this Bill on 21st January by admitting your mistake and gave it a form of an ordinance on 21st January. First of all, we should know as to why this mistake was committed? Who was responsible for this mistake? This is my first question.

Mr. Chairman, Sir, I would like to say that this Government is functioning on the basis of ordinances. As I have already said that around 437 ordinances were brought earlier and 31 more ordinances were issued on 1 June, 1991 after

the new Government came to power. I would like to ask whether the Government would continue to rule with the help of ordinances only? They issue an ordinance whenever they feel like. This is not proper. It amounts to avoiding the Lok Sabha. That is why, I oppose this "Ordinance Rule". Though I support the objectives cited in it yet I oppose the basis on which it has been brought.

I would like to say that there are two reasons behind coming out with this ordinance. First, banks are to get equity from the open market through shares and people should buy the shares from banks at higher rates. Secondly, there are some banks which are incurring losses in which the Government have also invested. You want that the money invested by the Government should be written off and then the banks should enter the markets after preparing their balance-sheets. Only then they would be able to get good price of their shares.

Mr. Chariman, Sir, they are deviating from the policy of nationalisation which used to be followed in the times of Indira ji and Rajiv ji. If you do that, then you as well as your party will have to see bad times. Out of 12 States, your party has lost power on several States and if you continue to stick to this policy then after the next Lok Sabha elections you will have to sit on the other side of the House....(Interruptions)

I am coming to the main point. I would like to know why the banks are in a bad shape even after 30 years. You must consider it. What is the condition of the banks? Now-a-days, it is difficult to get loans from banks. If somebody wants to avail loan facility, he is made to fill up scores of kinds of forms. You tell me, how will you feel when you go to a bank to avail its loan facility but you are asked to mortgage your land, your house, and asked to get this paper/document or that to get attested from the court, from a first-class magistrate. I mean to say that now-a-days it is difficult to take loan from a bank. All our unemployed youth are not able to get loan from banks even though they have got their cases approved by the district Committee, yet they are being harassed. That is why, I said that the poor people do not get loan from banks. There is mismanagement and incompetency in the functioning of banks which is behind the harassment of a large number of people. The hon. Minister should tell the House as to what steps are proposed to be taken to streamline the functioning of banks because now banks have lost their credibility for the common man. I do not mean to say that all the banks have lost credibility or all the banks are bad. I know that workers of some banks are really nice and they have a nice way of working and they deal with customers in a proper manner but I would only like to talk about your ways.. (Interruptions)

Yes, it may include Ministers also. Now you have said it in the end. In the end, you are talking wisely. When you had come here in the 9th Lok Sabha, at that time you had not said anything like that. May be that is why we have green carpets in Lok Sabha which is a signal for leaving whereas in Rajya Sabha they have red carpets which signifies that the members would stay here for 6 years at a stretch. Whenever I bring somebody with me to show Lok Sabha proceedings he asks me as to why Lok Sabha has green carpets and why Rajya Sabha has red carpets, then I give him an example that like a train stops at a red light and starts moving at the green light, similarly, green carpets in the Lok Sabha signify departure

and Rajya Sabha's red carpets signify stopping for 6 years at a stretch.

Hon. Minister, I would like to make another submission to you about non-performing assets because our banks have an outstanding amount of Rs. 35 thousand crore against big industrial houses which are termed nonperforming assets by you. Here you talk about recovering outstanding dues from small farmers, small businessmen and people engaged in medium scale business, carpenter, hair-cutting saloons etc. Will you tell the House as to what schemes you have in mind, what action is proposed to be taken to recover those dues. When an amount of Rs. 35 thousand crore are outstanding against big industrial houses then how will our country make progress. You will also have to consider that if the country does not progress then from where will you get funds to invest?

A good Finance Minister makes it clear at the time of presenting budget as to how much he is going to spend on different items, as, after the address by the Rajasthan's Governor, the Chief Minister had announced that he will spend Rs. 75 out of Rs. 100 on the development of villages. Similarly, you should also make it clear as to how much provision has been made in the budget for the promotion of agriculture, small scale industries and big industries. You should fix that. You should also consider the situation which may arise if all the provisions are not made. (Interruptions)

SHRI RAJVEER SINGH (Aonla): I can reply to these questions only when I become the Minister. Otherwise how can I reply. (Interruptions)

[English]

MR. CHAIRMAN: Do not disturb the House, please. Mr. Bhargava, please address the Chair and conclude.

[Translation]

SHRI GIRDHARI LAL BHARGAVA: Mr. Chairman, Sir, I am concluding. I am aware that it is his allotted time, not mine. I was submitting that this way the country would not progress. You, please tell us, that if the foreign banks who have proper seating arrangement, computers, coolers, steno-typists etc. and are fully modernised start functioning here they will offer a better service to the customers, then what will become of our Indian Banks which do not have even proper basic facilities? Our banks will not be able to stand before them. If the domestic banks are to be brought face to face with foreign banks then they should also be modernised and provided facilities which are being enjoyed by foreign banks.

This should also be made clear as to how much investment will be made by foreign banks in the social sector and they should also be made to work as per our terms. When you pressurise our domestic banks to invest a certain amount of money in the social sector, then foreign banks should also be asked to do that.

Sir, it should not happen that the foreign bank officials and RBI officials meet together and take decisions and then, they may go in for its simplification just because it has been decided. If you follow a lenient policy for foreign banks and put fetters on domestic banks then you will not succeed. You should ask foreign banks also to open their branches in the social sector and in backward areas also, be it an American

bank or an English bank. The foreign banks should also be made to invest a stipulated amount in the social sector. I feel if it happens then they will also meet the same fate as is met by domestic banks.

Sir, by the word 'Shakha', I do not mean a 'Shakha' of 'Rashtriya Swayam Sevak Sangh', it means a branch of a bank. The banks should be modernised.

Tell me what kind of people should be selected as Bank Directors. They should be efficient people, they should be talented people but the people who are selected are...*(Interruptions)*"

[English]

MR. CHAIRMAN: That unparliamentary word will not go on record.

[Translation]

SHRI GIRDHARI LAL BHARGAVA: Mr. Chairman, Sir, how can it be unparliamentary? Kindly consider it again.

[English]

Messages from Rajya Sabha —Contd.

17.59 hrs.

SECRETARY-GENERAL: Sir, I have to report the following message received from the Secretary-General of Rajya Sabha:—

In accordance with the provisions of sub-rule (6) of rule 186 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to return herewith the Customs Tariff (Amendment) Bill, 1995 which was passed by the Lok Sabha at its sitting held on the 20th March, 1995 and transmitted to the Rajya Sabha for its recommendations and to state that this House has no recommendations to make to the Lok Sabha in regard to the said Bill.

[English]

18.00 hrs.

Statutory Resolution Re: Disapproval of Banking Companies (Acquisition and Transfer of Undertakings) Amendment Ordinance,

And

Banking Companies (Acquisition and Transfer of Undertakings) Amendment Bill—Contd.

As passed by Rajya Sabha

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Mr.

Chairman, Sir, kindly consider the word again which you have expunged from the record, it is not unparliamentary

(Interruptions)

A person who is a professional and an expert should only be nominated as the Director of a bank. If an illiterate person is nominated to this post then it will be useless. *(Interruptions)* I submit that sycophants should not be appointed. *(Interruptions)*

[English]

MR. CHAIRMAN: Please take your seat.

Now, it is 6.00 p.m. Do I get the sense of the House for sitting late till this item is finished?

SEVERAL HON. MEMBERS: No.

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI MALLIKARJUN): Mr. Chairman, Sir, let this item be completed today.

MR. CHAIRMAN: Can we complete this Bill today?

SEVERAL HON. MEMBERS: We can take it up tomorrow.

MAJ. GEN. (RETD.) BHUWAN CHANDRA KHANDURI (GARHWAL): Mr. Chairman, Sir, we have given names of some more Members who want to speak on this Bill. So, we can continue the discussion on this Bill tomorrow.

MR. CHAIRMAN: There is a Supplementary List of Business also.

MAJ. GEN. (RETD.) BHUWAN CHANDRA KHANDURI: There was a Supplementary List of Business yesterday also and today also there is a Supplementary List of Business. We do not want to sit late today.

SHRI LOKANATH CHOUDHURY (Jagatsinghpur): Mr. Chairman, Sir, the House can continue after 6.00 p.m. only with the consent of both the sides of the House.

MR. CHAIRMAN: Do I get the sense of the House to finish this Bill today?

SEVERAL HON. MEMBERS: No.

MR. CHAIRMAN: Now, the House stands adjourned to meet tomorrow, the 23rd March, 1995 at 11.00 a.m.

18.02 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, March 23, 1995/Chaitra 2, 1917 (Saka).