

14.32 hrs.

STATUTORY RESOLUTION *RE* :
DISAPPROVAL OF BANKING
REGULATION (AMENDMENT)
ORDINANCE,

AND

BANKING REGULATION
(AMENDMENT) BILL—*Contd.*

As Passed By Raja Sabha

[English]

MR. DEPUTY SPEAKER: Now we shall take up the Statutory Resolution and the Banking Regulation (Amendment) Bill. The time allotted to these subjects is two hours. Already seven minutes are over.

Rajveer Singhji has moved the Resolution and the hon. Minister also has moved the Bill for consideration. But, unfortunately, Rajveer Singhji could not put forth his views properly. If the House agrees, I think we can just ask Rajveer Singhji to putforth his views.

SOME HON. MEMBERS: Agreed.

MR. DEPUTY SPEAKER: Thank you. I would request the Whips of the political party to send the slips of the prospective speakers, taking into consideration the time allotted to each political party.

[Translation]

SHRI RAJVEER SINGH (Aonla): Mr. Deputy Speaker, Sir, I rise to oppose the manner in which this Banking Regulation (Amendment) Bill, 1994 has been introduced.

Mr. Deputy Speaker: Sir, the intention of this Government is to run the Government by promulgating ordinances. It was known to them that the Session of the Lok Sabha is due to start from 21 February but even then, they promulgated the ordinance on 31 January. They have always been denigrating this House. They want to run the Government by promulgating ordinance. There was no need to bring in an ordinance on 31 January. Further, what extraordinary achievement they have made since 31 January. It has become the habit of the Government that they increase the prices before presenting the general budget. If the prices of some items are increased before the budget, the very purpose of presenting the budget is defeated. This Government had increased the prices of various essential commodities, under Public Distribution System before presenting the general budget. Even today, our hon'ble Minister is also following the same policy; I am of the opinion that the Government should have avoided this step. When they promulgated the ordinance, we had thought that they would come out with a good ordinance, but the half-hearted manner in which this Government has brought this Bill, is not worth appreciating. The need for bringing this Bill is felt because the Joint Parliamentary Committee, constituted to inquire into the securities scam, had in its report pointed out some short-comings of the banks and drawn the attention of the Government thereto. But it appears that the Ministry of Finance has not paid attention to it and just ignored the report of the JPC, which was prepared unanimously and with hard labour. So far, no action has been taken on the recommendations made in the report. I want to know that what steps the Government have taken to check recurrence of such a bank scam. In this Bill, nothing has been said about such measures. In such

a horrible circumstance, only a healing touch has been given to the seriously staggered banking system. In this new Bill there is no mention about the changes to be effected in the system. Now, you are going to close down some branches. Yesterday, the Hon'ble Minister had himself said that the Government propose to close down 172 branch of the banks. It is also said in the same context that about 3000 branches are incurring losses.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): I had not told about three thousand branches... *(Interruptions)*...

SHRI RAJVEER SINGH: It is good if you do not intend to close down three thousand branches. But you have definitely said something about closing some branches. This will result in unemployment. Further, where would the retrenched employees go? The most distressing point in the Bill is that the Government have not taken any step to revamp the banking system. As a result, the situation has reached to such a point that every ordinary person is trying to open an account in a foreign bank and not in any domestic bank. If the money taken out from the indigenous bank is deposited in foreign banks, the whole profit would be taken away by them. You have said about the new banking system in this Bill. We would welcome it only on the condition that they would be opened by Indians. It has *nowhere been mentioned in the Bill* that they would not be foreign banks. We fear that under new banking system, you could allow any foreign company to open its bank here. That is why we have said that this Bill has been introduced in a half-hearted manner. However, we support it. It is because that we have been persistently requesting the Government

to correct their policy, the Government have taken steps in that direction. But, still it seems that the intention of the Government is not bonafide. Though, on persistent requests, they have taken some corrective steps in their policy, but they still have to make their intentions clear. We can pressurise them to correct their policies but we cannot do so to make their intention clear. Their intention has always been mala-fide. Now, they will have to make endeavours to refine their intention. Merely correcting the policy will not suffice. You would have to refine your intention for achieving success.

I do not want to speak much on this Bill but I want an assurance from the Hon'ble Minister that the Banks would not be handed over to foreign companies. Further, the employees of bank branches, you propose to close down, will not be retrenched and you would make more resources available to those bank branches which are located in rural areas so that they could function more effectively there. With these words, I oppose promulgation of the ordinance and say that keeping all points in view and resolving all problems, this Bill may be withdrawn and a fresh Bill may be introduced in this House.

[English]

SHRI SYED MASUDAL HOSSAIN (Murshidabad) Mr. Deputy Speaker, Sir, there is no quorum in the House.

MR. DEPUTY SPEAKER: The bell is being rung—

Now, the House enjoys quorum.

Kumari Mamata Banerjee to speak now.

[Translation]

KUMARI MAMATA BANERJEE (South Calcutta): Sir, I rise to support Banking Regulation (Amendment) Bill and thank you for giving me an opportunity to speak. I also agree with some points of the Hon'ble. Member, who has just spoken before. There are grievances of public and I think, these should not be considered from political point of view. Whatever you want to say, you must say it openly. In regard to this Bill, I want to speak on two-four points. There are three types of banks in our country i.e. Nationalised Banks, Private Banks and Foreign Banks. I have gone through this Bill and it is a good Bill. Now, the Government is going to open some more private banks and they will have to function according to the guidelines set by the Reserve Bank of India. There are guidelines for full time Managing Director and part-time Chairman also. I do not want to speak much on this point.

When I was young, I had heard a slogan, 'Mil ke chalo, Mil ke chalo', in this country but today such circumstances have been created in this country that the people have started to utter that slogan like this, "Loot ke chalo, loot ke chalo" so as to take undue advantage. I agree that every person cannot be wrong or bad but there are many people who have been on the Board of Directors for a long time. If they are replaced by the people of political influence or by the people from trade unions then they would work in their own interest or in the interest of that trade union only and not for the common people. In this connection, I want to suggest that as has been stated in this Bill that only an elected person can be appointed on this post, whatever have been happening in the nationalised banks so far as well as the security scam, it is

not right to put the responsibility only on the Government.

I would like to say that if on the Board of Directors of any bank, the same person continues for longer period, say for ten years or so, then his performance should be reviewed. It should be seen that who the person is? What policy decisions were taken by him in the interest of public or he just abused his position to serve his own interests? Sir, through you I demand to conduct probe into such cases. I know one person Mr. Godbole on the Board of Directors of State Bank of India, who is on the same post in Board of Directors for the last ten years and is still continuing on it. It should be investigated that what political influence is behind it. I would like to say that any kind of political pressure should not influence the appointments in the Board of Directors of any bank. Persons affiliated to any trade union should not be appointed because such persons will talk and work in the interest of their respective trade unions and in their own interest. They will not work in the interest of the country or the common man.

I would like to say that security scam has opened our eyes. Today common public of our country think about the security of the money before depositing it in private sector banks. Therefore, it is essential to define that which authority is accountable for loyalty of private banks. If the Government is responsible, then arrangements should be made by them for their monitoring so that no one could misappropriate the public money.

Mr. Deputy Speaker, Sir, we have several financial institutions and chit fund companies in our county, which have amassed the money from public and now they refuse to return it. The poor public

is grief stricken by it. These chit fund companies have cheated the poor people. In reply to a question raised by me earlier it was stated that chit fund companies should work in accordance with the Reserve Bank guidelines. It is correct that Reserve Bank has issued guidelines in this regard. But these companies do not follow these guidelines. They embezzle public Money and thereafter open a new company. These companies are given protection by the politicians. So, I request the hon. Minister that attention should be paid towards such chit fund companies and stern action should be taken against defaulters.

Sir, the then Prime Minister Shrimati Indira Gandhi had nationalised these banks in the interest of common people. Interference of Trade Unions of Banks is growing day by day. Today the traders and industrialist can get loans of any amount but poor educated unemployed can not get a loan of even Rs. 35 thousand. He has to wait for more than six months for this loan and they cannot get any loan without greasing the palms of the authorities concern. So I request that Indian banks should be preferred to foreign banks. We should adopt better things of foreigners but preferential treatment should be given to our own people. We should develop a new work culture in our country to make our people more skilled.

Sir, the Ministry of Finance is going to close 172 branches of banks in the name of security. What will be the fate of our bank employees if it happens? So I request you that these should not be closed down, instead a time-bound programme should be drawn for them and vigilance system should be improved. In the absence of adequate facilities in competition, our banks will always lag behind the foreign banks who are well

equipped with the required infrastructure. Our people of proven capabilities should be provided expert technologies and they should be entrusted with responsibilities.

Sir, I agree with this point that our banking system should work in the interest of poor commoners and labourers of the country and not in the interest of a few individuals. Alongwith that, I would like to suggest that at present only two per cent women are employed in our country. I will be grateful to the Minister of banking if more employment opportunities are provided to women. Women can work honestly. I would like to say that some banks should be opened in villages, wherein exclusively woman employees should be appointed. If you want to remove corruption entrust some responsibilities to women. But for a few, most of the women are not corrupt.

[English]

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): I thank you very much. I am grateful for the second day I am granted priority by you although some of the Members are astonished over this.

Let me begin by saying that this is another Ordinance. For the last three days, we were discussing Ordinances. Every time, we have questioned why this Ordinance had been promulgated.

SHRI A. CHARLES (Trivandrum): This is a technical matter. I shall be grateful if you please enrich the House with discussion on the points of the Bill so that it may be more fruitful.

SHRI NIRMAL KANTI CHATTERJEE: Let me assure Mr. Charles that I will try to do my best if that is helpful to him.

[Shri Nirmal Kanti Chatterjee]

Let us look at the statement explaining the circumstances which had necessitated immediate legislation by Ordinance.

The basis of the argument is why was it urgently required. What was urgently required? The statement is this. In the light of the recommendations of Narasimhan Committee, the urgency was for greater competition. The whole argument for issuing the Ordinance is based on this. This urgency for competition could not wait for three weeks. This was promulgated on 31st January. Everybody knew it despite the lack of adequate understanding about parliamentary procedures. The Treasury Benches know that after 22nd, Budget Session cannot be called. They were all aware that in the case of next three weeks, the Budget Session is going to be called and they say that for the sake of competition, even three weeks cannot be spared. The legitimate question is the Minister has to satisfy the House about what caused the urgency to promulgate the Ordinance. Which kind of competition have you succeeded in generating within a period of three weeks? Today there is a news item in "*The Hindustan Times*" which says that there are several applications. But it does not seem that they are serious, most of them at least.

In fact, I have an altogether different explanation for these Ordinances. These Ordinances are used as a ploy before the House. There is absolutely no other case because, I am sure, the Minister will not be able to explain that in three weeks so much of a competition was generated and had we not promulgated the Ordinance we would have missed it. The ploy is very simple. The ploy is that they forced the Parliament in

a situation of *fait accompli*. They come to the House; they come to the Business Advisory Committee with the very simple appeal that the Ordinances have to be passed within a particular period of time and therefore we have to agree that it is passed during that period of time. They want to buy the Members of this House in this fashion. Therefore, they use the promulgation of Ordinance as a ploy before the Parliament of the country. I want him to rebut this charge against them. This is all about the Ordinance and that is why I support the Resolution against this Ordinance.

I come to the other point. In this statement, a mention has been made about this Bill. It has been mentioned that this Bill and the Ordinance will enable the RBI to supervise the administration in a better way. It is so unintelligent that in the course of these three weeks, this Ordinance would enable the RBI to streamline the administration of the private banks. You know how the RBI proposed to streamline the administration—by increasing the fines. Nothing can be more silly than this kind of a statement. It has been there in the objectives. They have put it in the objectives of the Bill. They have put it in the statement explaining the reason for promulgating the Ordinance. Therefore, we have no other course but to insist that either they satisfy with full explanation the justification of this Ordinance or withdraw the Ordinance, allow the Ordinance to lapse. Let the Bill which has been passed in the Rajya Sabha be adopted later.

Now, I come back to the substance of the Bill. The objective of the Bill does say that the amendments for the private sector banks are necessary. For what purpose the amendments are necessary? For generating competition. Competition

to whom? It is not to the foreign sector banks. It is a competition which has to be provided to the public sector banks. The whole concern is about the functioning of the public sector banks— not among themselves. The assumption, the hypothesis, the theory of that inglorious Narasimhan Committee report and of the Finance Ministry is that without competition from the private sector, the public sector cannot be brought to health. They mean the private sector of the type which is owned by large private limited companies or public limited companies in India which alone can bring the public sector to health. This is an assumption. It is not entirely true that the public sector was not facing a competition. Is it true? Was there a lack of competition for the public sector banks? What are the foreign banks doing here all these years? They were competing in corruption.

15.00 hrs.

Shri Mukul is not here. He should have advised the Finance Ministry doyens that there is something called handicaps also. In this talk of level-playing field, the foreign banks are given facilities; they are allowed to function in a manner which allows them to have the higher productivity for employees. They will not accept a deposit of less than a sum which is unthinkable for the Indian public sector. Madam Gandhi used to say and say it validly about the Indian public sector. This was one of the reasons why we supported bank nationalisation. With this instrument—it is not a socialist instrument, although 'socialist' is there in the Constitution—which is a modern instrument of banking system, we must utilise it in order to break the backs of money-lenders in the countryside. That was the job which was supposed to be undertaken by the public sector.

15.01 hrs.

[SHRIMATI SANTOSH CHOWDHARY *in the Chair*]

Have the foreign banks any such responsibility within the country? We talk of a competition and a level-playing field for competition. Is it only that? We are trying to learn a thing or two from the foreign banks. What is the latest perception of the Finance Ministry? We knew that. The only justification for the banking sector henceforward should be whether it is profit-making or not: I tell you this is the only justification. For the last 30 years in particular, it is this which is being dinned in the heads of the executives of the public sector banking organisations as much as on the heads of the public sector enterprises. Is it untrue? It is nothing but profit. They did search that. Not only did they search but they also imitated the private competitors both in the private sector and in the foreign sector. All this led to generate a loot of the country to the extent of thousands of crores of rupees. That is what the JPC was discussing. There was a transaction with this kind of a combined group who were supposed to be in competition with the foreign banks. In fact, foreign banks laid it. That is the finding of the JPC, the famous Citibank and all that is in evidence. I am not giving out any secret. They refused initially to budge before the JPC. They told us on our face that our Government has told them that profit is the key indicator. They wanted our help. We know from the JPC report that we went ahead to help them. The ex-Governor of RBI in fact, advised to go slow with the foreign banks so as not to catch them for all the irregularities, for all the violations of the guidelines that they were indulging in.

SHRI INDER JIT (Darjeeling): Is there my motive?

SHRI NIRMAL KANTI CHATTERJEE: Profit is the motive. We tried to find out the reasons. The evidences are lying in our library. The total amount of profit may not have reached the banks; It may not have been exhausted by the brokers; it may have percolated in to the coffers of even political individuals. But that is a different story and I am not on that.

This is what you told them about competition. We confronted them, almost every single head of the public sector enterprise and the banking organization, with the question as to why did they do this. Do you know what were the kinds of instruments they were utilising? We may be ashamed, but they were not. They went to the length of forging the unit certificates of the UTI; it was a downright forgery and false printing. The Report is there to state that. It is there to state that when there were no assets at all, those non-existent assets were being traded. They were defending that. The call-money rate went up to 80 per cent. We asked them, why they were not ashamed. We told them that they were all senior people, patriots, but why is it that such a thing could happen? Again and again, the reply was, under the new environment, they have been asked to show profits in their balance-sheets. They wanted to maximise their balance-sheets, maximise their profits, to show positive results in their balance-sheets. That was the answer given by them.

And what ailed the public sector? We all know, what are the problems of the public sector. Even that famous Narasimhan Committee knows what ailed this public sector. I am not going into other instruments. You all know about falsification and banker's receipt. The cheques which were issued in the name of the public sector banks—what are

called banker's cheques: one bank issuing a cheque in favour of another bank—were, unashamedly, credited in the name of the brokers. This has happened. So, it was not only forgery, not only trading with non-existent assets, but also these kinds of violations took place.

MR. CHAIRMAN: Please try to finish in two minutes time.

SHRI NIRMAL KANTI CHATTERJEE: I can tell you that I will not succeed in that. Madam, I have just started on my course.

SHRI P.C. CHACKO (Trichur): Why do you not speak on the Bill?

SHRI NIRMAL KANTI CHATTERJEE: I will come to that. I know that you are a private banker.

Madam, what ailed the public sector, while people like Shri Chacko are requested to offer competition?

There is another Report on frauds in the banks. By now infamous or famous, Shri Amitav Ghosh, the Deputy Governor of RBI, it was under his Chairmanship that Report came. He was also cascaded. But, nevertheless, that Report is a wonderful one. One of the beautiful paragraphs in that Report says something like this.

Retiring Chairmen of public sector banks, in the course of their last year of service, when they are sure that their tenure is going to end, could give advances to people, never to be returned. This is on print by the Deputy Governor, an expert on fraud who was also involved—may be. That is the JPC finding. This is his observation. He was a very Knowledgeable person. He said that

what ails the public sector banks is not lack of competition, but this kind of huge frauds, huge bad debts which are not collected. It is said that the banks are so much inefficient that they have eaten up their capital and therefore in three successive budgets more than Rs. 5000 crore have been provided, so that the banks are capitally adequate. They call it capital adequacy. This is the dictation from abroad. This is the Basle Committee on International Bank of Settlement which has directed. This Rs. 15000 crore astoundingly is almost the same amount which the large borrowers in terms of this Ghosh Committee have defrauded the banks.

What ails the public sector? Lack of competition? We have provided the list of how many management people, how many top posts are lying vacant in different public sector banks. Is it because of Lack of competition? All the frauds that were perpetrated were not because of lock of competition. If anybody can suggest anything, It will be a contrary statement. In order to prove before some of the pure position holders in the Finance Ministry, as pure as innocence, to prove before them all these activities, frauds and other things were perpetrated, so that the balance sheet does not shown up in the red. We know that in all these kinds of activities RBI was of help. I am mentioning this because it has been mentioned here to enable the RBI to have better supervision. It is never true although we have recommended independent supervision. We know the story.

An RBI Governor was unhappy that the account of Shri Harshad Mehta was not being handled properly in the SBI. Perhaps you know the story that it was not bad account, his current account was being talked about. In fact the current account was not tampered at all. What

was happening at that time in the SBI was that the Bankers Cheques which were received at the SBI were from the coffers of the bank account and they were sent in favour of Shri Harshad Mehta without entering his account at all. Only the net position at the end of the day would be entered into Harshad Mehta's account which Shri Goipuria, the then Chairman of the SBI, did not touch at all. The RBI Governor had in his wisdom to intervene in this situation and Harshad Mehta's business was coming down in terms of his own account. Therefore he tried to contact the Managing Director. The Chairman had resigned by that time, being a respectable person, he could not stand it. But the Managing Director who was a friend of an officer in the Reserve Bank of India who was not in charge of these kinds of activities in his own bank was brought by the Governor through this Chief Officer of the Reserve Bank of India and asked him to see the new international companies which were coming into India so that he is adequately greased and there are no hindrances in the functioning of Shri Harshad Mehta's account.

These are the kinds of difficulties which the public sector banks have faced. We were repeatedly insisting here in the Standing Committees and outside that one of the crucial points to detect all this, is to eliminate the 'secrecy clause' provided in the Banking Regulation Act and in all the Individual Acts concerning the banks. As we see Amitabh Bachchan is the tallest defaulter in terms of tax payment, we want to find out who is the tallest defaulter in terms of bad debts in relation to the banks. We want to know their names. So, please do not cover them up with the 'secrecy clause.' But, that was not paid heed to. The secrecy clause is—the favoured individuals otherwise who are known to have defrauded—

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to indulge in respectable frauds. Therefore, the secrecy clause was introduced. We were insisting that they may be lifted. But, they were not lifted. Had it been done, the health of the banking system would have been better; and the public sector banks need not have faced this kind of problem, apart from the social obligation of spreading the banking institution throughout the country, in every nook and corner, to combat the ancient Hindu system of money lending.

MR. CHAIRMAN: I am very sorry to say this. Please try to be brief.

SHRI NIRMAL KANTI CHATTERJEE: I am still on the objectives of the Bill. Let me now enter in to the provisions of the Bill.

MR. CHAIRMAN: Please listen to me. You are a very respectable Member of the House. I do not want to disturb you. I am really telling you the truth that I am very helpless because there are a number of Members to speak. Please try to be brief.

SHRI NIRMAL KANTI CHATTERJEE: I promise that I shall try to help you and see that you are not helpless.

MR. CHAIRMAN: You have taken 25 minutes already.

SHRI NIRMAL KANTI CHATTERJEE: That is why I say that I have not spoken for a long time.

MR. CHAIRMAN: Only seven minutes are allotted for your party.

SHRI NIRMAL KANTI CHATTERJEE: I will come to some of the provisions of the Bill.

The first point that I was making is that it was not competition that was called for to streamline the public sector banks which Shri Chacko would be trying to answer and that it was entirely unnecessary. There are two types of private sector banks which have become infamous. One is the foreign private sector banks about which the JPC had to suggest that their licences may be cancelled. There is another type of private sector banks under which Bank of Karad is coming. I assure you, Madam that Shri Chacko is not involved in that bank. That bank turned out to be a brokers' bank. A private sector bank with a very small capital which is not mentionable, was dealing in hundreds of crores of rupees daily, with the help of Shri Bupen Dalal, Shri Hiten Dalal, Shri Narottam and others. For such a small private sector bank, you may imagine the competitive power.

It is coming into collusion with the State Bank of India, the largest bank of India. It is colluding with the Standard Chartered Bank of England. Stanchart was taking the help of this Bank of Karad in order to indulge and accelerate the acts of corruption. So was the bid of the very famous—now our master—Citibank. This was the nature of the private banks. They were small banks excepting that brokers owned a good part of Bank of Karad.

Now what are we providing for in this absolutely innocent looking Bill? Nothing. A non-whole time chair, a part-time chair. Why? Why is a part-time chair necessary? Because we are not satisfied that the brokers were doing all that. We wanted the competition to come from not

only the brokers but also from stalwarts of the Indian big business as well as foreign business. *(Interruptions)* We can not expect JRD had he been alive to become a whole-time Chairman of the Bank of Karad. We could not expect a whole-time Chairman for any of the banks which they controlled before nationalisation. They were controlling banks before nationalisation—the Birlas, the Tatas and others. None of them is whole-time Chairman. *(Interruptions)* I do not know which other kind of illegal ownership even Mr. Chhacks has.

Now what they want is that the provision in the regulation of a whole-time Chairman—whole-time means compulsorily whole-time Chairman—must be removed so that from India any Birla can come, so that from India any DCM man may come. They will be part-time Chairman. *(Interruptions)*

MR. CHAIRMAN: Please try to finish it now.

SHRI NIRMAL KANTI CHATTERJEE: I do not want to mention about Ambani. I would not have mentioned it. But he has reminded me just now. This morning, I was reminded by the *Hindustan Times*. This Ambani has applied. The Reliance Industries have applied for a bank. This is today's *Hindustan Times*. So, Ambani would be allowed to become a part-time Chairman. Now, what objection can there be? I will just take you to the turn of the century and early years of this century when it was, for the first time, in the world that Directors owning industrial estates were merging their capital in the banking and financial sector. This thing was happening towards the turn of the last century and beginning of this century. This was happening most prominently in United States of America.

In the process, the companies there, the big business there, became so powerful that the 20th century began to be or first ceased to be the empire of those people on whose empire the sun was not setting. The Britishers began withdrawing from that scene and the American century began. In the second decade of this century, an exceptionally brilliant political economist of another country, who was also a giant in many other respects, noticed this phenomenon and came to the wonderful conclusion that the merger of the financing capital with industrial capital is the latest sign of imperialism. He would be remembered as one of the tallest of this century and he was of the view that this would be the most dangerous thing in the world.

Now, what are you providing for in this Act? Precisely, this kind of a merger and nothing else! When you propose that there will be a non-whole-time Chairman, in fact what you are proposing is this only. In another section, you have made it very explicit too. Previously, it was said that no director, who is a whole-time director of another company will be permitted to be a director in a banking company. Now, the amendment is that those groups who have voting right of more than 20 per cent will not be permitted to have more than three directors. Just see this euphemism. I suppose, in English language, this is what is called euphemism. Am I right? It is not that they were not allowed to hold any post at all. It is said that they will be permitted upto three. Any group with 20 per cent will have three Directors. In this way, Reliance, Birlas and all other eminent people will be allowed to have three directors. What else is complete merger of industrial capital with banking and financial capital? And, not only that! There are many more beautiful pieces in the state-

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ment. It is mentioned that the effort is to have people who are eminent. We know, by now, how people become eminent. The brokers of the Bank of Karad did become very eminent. We also know that Harshad Mehta was called upon to give a favourable comment on Budget when his premises were raided by the Income Tax people. So, that was eminence! Of course, we cannot deny it. We know that big social functions are organised in different cities where our Cabinet Ministers rub shoulders with this kind of eminent people...

MR. CHAIRMAN: Mr. Chatterjee. You may please sit down. Your party is allotted seven minutes and you have already taken 35 minutes.

SHRI NIRMAL KANTI CHATTERJEE: Madam, whatever may have prompted you to enlarge seven minutes to 35 minutes, by the same rationale kindly enlarge those seven minutes to 45 minutes.

MR. CHAIRMAN: I will give you just one minute to wind up. After that, whatever you speak will not go on record. Kindly conclude. Please cooperate with the Chair.

SHRI NIRMAL KANTI CHATTERJEE: Therefore, the amendment is that any group having more than 20 per cent voting right may not appoint more than 3 directors. And is there a restriction with regard to foreign companies registered in India? Henceforward, it is not only a branch of City Bank in India but all those people who are investing their funds in Bombay Stock Exchange will be holding

Directorship in groups of three and offering competition without which, in your view, the wisdom of the Government, the wisdom of the Parliament and the Wisdom of the people will not succeed to tone up the public sector.

Other point to which I would like to draw your attention is, there are several provisions in the original Bill which are being amended in a very interesting fashion. The amendment is to the effect that wherever it is said that the Directors would have these kinds of eminence or qualities—like, he must be a person who has special knowledge in the working of a banking company, special knowledge in financial, economic and business administration, etc.—all this will apply to only whole-time Chairman. They will stand on their own footing in terms of their eminence and will be allowed to utilize the funds mobilised through their banking organisations eminent reasons in their own industrial organisations because it is a no holds barred game of making profits and drowning the country in this sea of profit. What I am saying is, If we allow these kinds of amendments, It would mean that this is what we are trying to do.

In the public sector a provision is there to have 13 Directors of which 7 Directors can come from outside. So, the foreigners can start a private limited company and their concern is not the country, not to break the back of money lenders in our countryside but their concern only is to make more profit and worship the God of Mammon. This being so, you want us to support this Bill. We on the contrary, oppose this Bill tooth and nail.

Thank you very much for your kind cooperation.

[Translation]

SHRI BRAHMANAND MANDAL (Monghyr): Madam, Chairman, I oppose the Banking Regulation Amendment Bill, 1994 and support the Statutory Resolution brought in this regard. From the ordinance promulgated on banking system it can well be construed that the Government is all set for allowing foreign investment in each and every field.

It has been stated that ten thousand branches of banks are incurring losses and out of these three thousand will be closed down. But no provision has been made in it to accommodate those bank employees who will be rendered jobless, by closure of these three thousand branches. In place of these three thousand branches, banks will be set up with the capital of private sector or by foreign capital. In the given situation on the one hand our banks are working in public sector and on the other hand a network of foreign banks is already in our country. The functioning of foreign banks has strongly been deprecated by the Joint Parliamentary Committee in their report, and now through this ordinance these banks have been invited. After allowing inflow of as much foreign capital as possible it is being legalised through Banking Regulation Amendment Bill and it is being said that in this way the public sector banks are being made competitive. If there will be competition among public sector, private capital and foreign capital, public sector will be closed as it is stated to be already running in loss. You have already accepted that these are unable to face competition. In such a situation what will happen to the capital which will be invested by private parties.

It seems that the proposed ordinance has been brought to accommodate

foreign capitalists in every field. Therefore, I disapprove it.

When the report on security scam was presented to this House, at that time the Finance Minister has ...(*Interruptions*)...

[English]

SHRI SYED MASUDAL HOSSAIN: Madam, I am again drawing your attention regarding Quorum. There is no Quorum in the House.

MR. CHAIRMAN: Let the quorum bell be rung...

[Translation]

Now quorum is complete in the House. Mandalji please continue your speech.

SHRI BRAHMANAND MANDAL: Madam, hon. Finance Minister had assured the House that all the questions raised in the report of Joint Parliamentary Committee will be replied to within three month, Now it is the month of march and this House will be adjourned on 19th of this month but on behalf of the Government the Finance Minister has not so far replied to any question raised by Joint Parliamentary Committee. If he had replied the questions such as what action was taken, what was the outcome of those action and what measures does the Government now want to take, then the situation would have been amply clear. It would have been better if the ordinance had been brought later on. But he has promulgated the ordinance three weeks before the commencement of Session. If this ordinance would have been promulgated after these question were replied and the Banking Regulation Amendment Bill would have been brought in the

[Shri Brahmanad Mandal]

context of those replies, only then a concrete action could have been taken for effecting improvements in Banking System. But without completing these formalities the Government has taken this decision and it seems that banking System and its Rules and Regulations are being changed under pressure from the foreign powers.

Madam, issues have also been raised regarding political interference and Trade Unions. Narasimhan report was also discussed, which also raised the issue regarding political interference. But I would like to say that political interference is made by ruling party. I would like to ask that who appoints the members on the Board of Directors in all the 196 rural banks set up in various parts of the country. Ministry of Finance appoints them. I would like to cite an example of Monghyr where one member of Board of Director has been appointed for the fourth consecutive terms in violation of all the rules and regulations which restrict the appointment of a person to two terms only. I have cited the example of Monghyr and I think that it might have happened in the whole country, such cases relating to some banks might not have come to light. But I would like to ask that who is interfering into banking system and who has created such a situation in banks? I am of the view that Banking System and public sector suffer losses due to political interference which is mostly from the side of the ruling party here after it is said that losses are being incurred by public sector due to poor performance of labourers. Employees are not working. It is again the employees whose poor performance is alleged to be the root cause of banking sector's running in loss. In this way they recommend for closure of public sector

and encourage foreign banks in the country. Therefore, I oppose this Bill.

I would like to make some more suggestions in this regard. We have a lot of unemployment in our country. Mamataji has mentioned correctly that unemployed persons do not get loan from banks. The rich people and the capitalists get loans from banks whereas that money is allocated for providing loans to unemployed persons. Banks provide loans to the people who are employed and already have money. This way unemployed persons are deprived of this loan facility. So I would like to suggest that funds allocated to provide loan to unemployed persons should be given to them only.

In the same way, I would like to suggest that branches of Rural Banks should be set up in every village. At present in rural banks also the money meant for loaning out to poor farmers and labourers is given to big people in loan. So I would like to suggest that loan should be made available to poor farmers and labourers by every branch of Rural Banks. Arrangements should be made to deposit paltry savings to say of Rs. 10, 20, 50 or 100—of the Poor. This will help in raising the capital of banks. By these measures poor farmers and labourers will be able to get loan for agricultural purposes.

With these words I conclude.

[English]

SHRI KODIKKUNIL SURESH (Adoor): This Bill seeks to make a provision for the appointment of full-time Chairmen and Managing Directors in banking companies. The Indian Banks are going to face considerable competition in the years to come. They have to be fully equipped in terms of experience for that.

While I am on this point, I must point out that we must have as Chairmen or Managing Directors experienced, impartial and objective people. They must have the necessary commitment to serve the cause of the people. They should not be mere friends of industrialists. So, while appointing the Chairmen or Managing Directors their background has to be fully kept in mind and definite guidelines should be issued in this regard.

Secondly, the banking services have reached every corner of the country now. In my State of Kerala there is a problem. We have the largest number of depositors. But the banks do not disperse credit in proportion to the deposit. I do not know why it is happening, This is a distortion which needs to be corrected.

Another point is about the demand for more branches. Since the banking operations are increasing, demand for more branches of banks come up. The old norms do not hold good. The norms should, therefore, be suitably changed.

Appointment of SC/ST candidate to senior posts in banks is still done very rarely. There is a general impression that banks are not fulfilling the quota. This has to be changed.

The banks become the vehicle of social and economic transformation. The banks are the agencies which implement various economic programmes meant for the upliftment of the weaker sections. The banks cannot fulfil this role unless we have persons with integrity at the head. So, while we are passing such a Bill, we must ensure that the right kind of people come to manage our banks.

Regarding safety and security of investment in private banks, the Government of India shall ensure the protection.

There are lot of misuse in private banks. Many example are before us. I want a categorical assurance from the hon. Minister in this regard.

Another important which I would like to draw the attention of the hon. Minister is about the improvement of the banking system. The Government must take necessary steps to the need for improving the quality of service especially in the nationalised banks. Every day due to lack of staff and other sufficient facilities, the nationalised bank branches are facing serious problems in their daily transactions. In Kerala, every day we can see lot of people standing in the long queue in front of the nationalised banks and it takes too much time for them to get their transactions done. Therefore, the Government should consider providing sufficient staff, computer system and other facilities in the nationalised banks.

With these words, I conclude.

PROF. K. VENKATAGIRI GOWDA (Bangalore South): Madam Chairperson, I rise to speak on the Banking Regulation Amendment Bill 1994 and to offer my support to it. At the same time I take strong exception to the Ordinance being passed just three weeks before the Parliament met.

The existing Act was passed as early as 1994 to regulate the banking business in the country. Since then, many changes had taken place in the area of banking. Preparation of Balance Sheet, investment proposals, lending policy, portfolio management, interest rate structure—they all have changed. These changes could not be handled by the present Act, therefore, some amendments were thought of and they are now before

[Prof. K. Venkatagiri Gowda]

this House for its consideration and approval.

The commercial banks are the commercial ventures. They should be so to be able to progress, to be able to prosper. Otherwise, they incur losses and they come to grief sooner or later. The commercial banks accept deposits from the public, pay interest at the rate fixed by the Government or the Reserve Bank of India. They lend these funds to the needy borrowers at the rate again fixed by the Government or the Reserve Bank of India. Normally the lending rates are higher than the deposit rates. The spread between the two reads must be sufficient to enable the banks to make profits, to meet the cost of administration and so on. The commercial banks are a source of stability. During the period of inflation, the banks raise the lending rates and discourage borrowing and spending. As a result aggregate demand falls and the prices fall to the normal level. In a period of depression, the banks lower the lending rates and encourage borrowing and spending. As a consequence, aggregate demand rises and the prices rise to the normal level.

It is also said that banks are a source of instability. They release cash in a period of inflation and aggravate inflation. In a period of depression they withdraw cash and deepen the depression. It is, therefore, said that the money market releases and absorbs cash and is in this sense a source of instability.

In India, commercial banks were being run on commercial lines. But in 1967, Government wanted to introduce a social purpose into banking operations.

So, it brought in social control over banks. In 1969, the social control was given a legal form with the enactment of Bank Nationalisation Act. This Act defined three priority sectors. They are agriculture, the export sector and the small scale industrial sector. The reasons why they were defined as priority sectors are as follows:

Firstly, India needs sufficient food supply to feed its growing population. If the food prices rise, the general price level rises. Therefore, inflation rate rises. So, to control inflation, it is necessary to ensure adequate food supply. This requires the banks to lend sufficient finance to the agricultural sector to finance the operations and to produce more food.

Second priority sector is the export sector. After 1956 there was a balance of payments crisis because exports were rising at a slow rate while imports were surging. This created a foreign exchange crisis. So to resolve this, exports had to be stepped up. The exports had to be given finance to produce goods for the export market. The small scale industrial sector has a considerable employment potential. These industries use locally available raw materials and employ local available labour. They produce goods and sell them in the local market or export them. In view of the employment potential of the small scale industrial sector, this was thought of as a priority sector. According to the Act, 40 per cent of the bank resources had to be reserved for loans to the private sector and these loans had to be at concessional interest rates. The reservation of 40 per cent of the bank resources and the lending at concessional interest rates reduced the profitability of banking operations and the banks came to trouble.

15.57 hrs.

[MR. CHAIRMAN (SHRI PETER G. MARBANIANG) *in the Chair*]

Again, a few years ago when Shri Janardan Poojari was the Minister of State for Finance, he introduced the loan mela scheme in order to help the poor, the destitute and downtrodden to borrow and to start petty businesses. But the loan mela scheme was fraught with fraudulent practices. The borrowers could not approach the banks directly. They could contact them through political intermediaries. Intermediaries mean payment of a price. The borrower got just half of the loan sanctioned to him. So, these banking operations reduced the profitability of the banks and also eroded their capital base.

In 1992, the Narasimhan Committee report on financial sector reform came down heavily on the concessional lending to the private sector. The Committee recommended that the bank resources devoted to lending to private sectors should be brought down.

Lastly, the important thing about the banks is the constitution of Board Directors. At present, the Board of Directors is occupied mostly by politicians. They politicise the banking operations, with the result the banks come to grief. Therefore, the Board of Directors should have men who are competent; who are advocates and who are Chartered Accountants. There should be two ladies and two Scheduled Castes and Scheduled Tribe people in the Board.

16.00 hrs.

Therefore the banking system has got to be placed on firm footing. The banks have got to compete with private banks

and also with foreign banks, If they do not make sufficient profit, they lose their business, with the result that they will go out of business. Therefore, the Indian banking system should be strengthened, should be made stable and should be able to earn sufficient profit.

With these points, I close my speech.

MR. CHAIRMAN: Prof. Susanta Chakraborty.

SHRI MUMTAZ ANSARI (Kodarma): What about Janata Dal, Sir? This is the second round going on. Let there be fairness and justice. Janata Dal also is there. You are calling all the Members from the same party. Why Janata Dal is being ignored?

MR. CHAIRMAN: Your turn also will come. You will get a chance.

SHRI ANNA JOSHI (Pune): We will get a chance but you call the parties one by one.

MR. CHAIRMAN: That is exactly what I am doing. I am calling you one by one.

16.01 hrs.

PROF. SUSANTA CHAKRABORTY (Howrah): Mr. Chairman, Sir, another piece of Ordinance is being converted into Bill. This Ordinance, we all know, was promulgated on January 31. If I remember right, the Parliament was adjourned on December 30 and reassembled on February 21. Just three weeks before the reassembling of the Parliament, the Government issued this Ordinance with the object of introducing greater competition, enabling the Reserve Bank of India to effectively

[Prof. Susanta Chakaraboty]

perform its functions of monitoring, and to inject efficiency into the entire banking system. All this has been done in the name of the Narasimhan Committee. The Government, I know, feels ashamed to utter the name of the International Monetary Fund or the World Bank. But we all know that the Narasimhan Committee was set up by the Government of India because the International Monetary Fund and the World Bank wanted to make certain changes in the financial sector as a part of the structural reforms programme that was adopted by the International Monetary Fund. The Narasimhan Committee itself submitted its report two years back, in December, 1991. During these two years, nothing was done and suddenly the Government has come up with this Ordinance. I want to know from the Minister what is the purpose of bringing this Ordinance. We want to know how many part-time Chairmen have been appointed during this period and what changes have been made in the monitoring functions of the Reserve Bank of India as per this Ordinance. So, what we see is that the Government is afraid to face the Parliament. As one or two of my colleagues have already said, the Ordinance is being used by them as a ploy to avoid the Parliament. Naturally, they are denigrating the prestige of the Parliament in this fashion. So, I object to this. This is my charge against the Government and I think that they will rectify their ways.

It is very clear that now because they believe in the privatisation of the economy as a whole, this Bill too can be regarded as a part of their entire programme.

May, I most humbly, request the hon. Finance Minister to remind the days

when their departed leader nationalised the banks in 1969? The private banks were there. The allegation against the private banks was that they are not looking to the interest of the economy. If they run efficiently, they run it for their profit. The allegation was there. From the Datta Commission report and others we find that there is a collusion between the industrial capital and financial capital. The man who is on the trade is on the industry and on the finance. One of the aims of nationalisation was to break this monopoly and friendship amongst the three. After nationalisation of the banking system, it had catered to the needs of the economy. Loans have been given to the poor people. Loans have been given to the rural sector. We know that this was not nationalised to look to the social needs of the country. We also know that even after nationalisation a large part of the funds was spent for the benefit of the rich. These are all known to us. We also know how these funds were utilised by the political power in the name of *loan mela* and all those things. Now we say that everything will be all right if we have a part-time Chairman there. It is a strange argument that with the induction of a part-time Chairman, the efficiency of the banks will be increased. Is it because the banks are inefficient that the scam has taken place? Is it because the directors there are inefficient? We face these sort of things today. Why did the scam occur? Who shall answer this? How is it that these banks which were looking to the interest of the society, which were giving loans to the agriculturists, self-employed and to the small-scale industrialists there, have bad debts? How is it that bad debts and sticky advances could occur?

Rs. 37,000 crore have been locked for bad debts. If we take into account the share of the corporate entity, it is more than Rs. 2 lakh crore. Who are the

persons involved? You speak of transparency. What is the secret in it? Why do you not divulge their names?

We should be ashamed that even Pakistan has published the names of the people who have taken loans which have become bad debts and sticky advances. Whom does this Government want to hide? What is their interest? We know that the people in the Government do not pay any heed to this.

Now in the Bill they are raising the share of the individual shareholders up to one per cent. But then the Bill does not say anything about the number of such shareholders. They can be three; they can be five; they can be six or they can be ten. They may come to have 70 or 80 per cent of the shares. Mr. Minister, you may say that they would not be able to appoint more than three directors. But when the general meeting is held, all the shareholders will attend the meeting and those who hold majority of the shares will also put up their directors. What will you do then? That is not clear. It is not again clear as to what are the qualifications fixed for the part-time Directors. It is mentioned that they may be 'eminent persons'. Whom do they like to give berth? So, this arouses certain suspicions in our minds.

Sir, the Bill, if implemented, will destroy the very edifice that we have built up since 1969. The Bill, if implemented, will encourage a situation where the capitalists will have their say in the finances of our country. We all know that this is one of the trends of imperialism. Now we are in a situation where we are surrendering our rights, surrendering ourselves before the dictates of the third

force which is dictating us from the outside world. We have already signed the Dunkel Draft and we are leaving everything that will leave us in the lurch for many years. This is a dangerous situation. So, I demand, through you, Sir, of the Government to start a national debate on this point and take the people into confidence. Why do they think that they are the only patriots? Why do they think that only they have the monopoly rights to think of the welfare of the people of this country? They should take the opinion of the people. If they want to sanctify the atmosphere, first they should sanctify themselves. The people in high positions in the political system, they are responsible for this situation. So, I can not, but oppose the Bill from my heart of hearts.

MR. CHAIRMAN: Shri P.C. Chacko.

SHRI SRIKANTA JENA (Cuttack): Mr. Chairman, Sir, the Janata Dal should get the chance now.

MR. CHAIRMAN: You have sent the names only at 3.40 p.m.

SHRI SRIKANTA JENA: We might have sent the names at 3.40 p.m. But that does not mean that we should not get our chance now. This is the third round which is going on and even now we are not given our chance to participate in the debate...*

MR. CHAIRMAN: You will get your chance. It is coming.

SHRI SRIKANTA JENA: Sir, please tell us the total time allotted by the Business Advisory Committee to this debate and the time allotted to the Janata Dal. We are not disturbing Mr. Chacko.*

*Expunged as ordered by the Chair.

MR. CHAIRMAN: Alright, Mr. Chacko, please take your seat. Now I call Shri Mumtaz Ansari to speak.

SHRI MUMTAZ ANSARI: Mr. Chairman, Sir, this is a very strange Bill which has been brought forward before the House. This Banking Regulations Act was passed in 1949. Never before this has been challenged so harshly and so heavily. Now, at this point of time, this Banking Regulations Act has been challenged because so many scams, so many scandals and even the security scam have taken place in this country. Now so many politics are taking place in this country. That is why, it has created curiosity on the part of the Government officials; it has created interest and seriousness on the part of the Government and on the part of the persons who are at the helm of affairs. Now they are going to amend the whole Act which was passed earlier in 1949. This is a very satisfactory and gratifying step which is going to be taken by our hon. Minister or by the Government of the country! Now you just see that so many provisions are going to be done away with or abolished. This will not be allowed to be done. We just oppose it tooth and nail.

This provision also tells that so many working Chairmen, part-time Chairmen, acting Chairmen and all these Chairmen will be appointed. Never such type of scandals of huge dimensions took place, at any time in the history of our country, as it took place recently. The Government which was headed by the same Congress Party in the year 1969 Mrs. Indira Gandhi, very iron lady, very prominent lady, universal lady, very important lady. She nationalised 14 banks by one stroke of pen, in the year 1969.

Shri Morarji Desai was talking about social control over banks. *(Interruptions)*

We know in Nagarwala case, Rs. 60 lakhs were taken out at the behest of certain important leader. I do not want to mention all these things. But after nationalisation of all these 14 banks, funds were decentralised. Earlier, all these funds were being misused or used in big cities like Calcutta, Bombay, Delhi and all other industrial nerve centres of the country. But I can commend whatever steps that were taken on the ground that this concentration of funds, after nationalisation, was decentralised and the loans were given even to the poor people. Even the poorer sections of the society, even the people at the lower strata of the society, even the downtrodden, even the priority sector, which was later on defined, for example, agriculture, small scale industry, unemployed and jobless youth have also begun to think that they can take loans from the banks. Before the nationalisation of the banks, it was just a dream. No person thought of taking loan from the banks. Only gigantic personalities, big industrialists were taking loans from the banks. After nationalisation, all these poorer sections of the society of the country could take loans. Even these Grameen banks were established. Now these Grameen banks are decaying, perishing due to paucity of funds, in the absence of replenishing of the required funds.

I would like to say here that whatever amendments are going to be brought about, these are not in good spirit. They are very much surprised about whatever has taken place. They are very much surprised at whatever has taken place in the bank scam. That is why, in order to wash their hands and to have their face saving device, they are going to make amendment.

But, at the same, I would like to ask why this part-time chairman should be there? (*Interruptions*)

The House is also very much interested to oppose this Bill because this Bill is very obnoxious and dangerous for the entire country. Why this part-time Chairman? Why don't you constitute some sort of an autonomous body, impartial body, justice-loving body? They can appoint many whole-time Chairmen. We just read in the newspapers that so many banks are not headed by Chairmen. In the absence of these Chairmen, many irregularities are being committed. Because they want part-time Chairmen because they want their own men at all banks, they want to have political persons, they want to give political assignments to all these persons, that is why, they are interested to make lot of amendments. At the same time, they say that there will be Directors from the private companies. Why private companies? Why not one Shri Murli Deora is sufficient? He can control all the banks. Why so many persons from different private companies? It means there is some sort of ulterior motive behind this. (*Interruptions*)

Only one person selected from private companies wants to have control, superintendence and concentration and they try to exploit all these banking concerns.

Banking is the life-line of the economy. Banking concern is the life-blood of the country. You see that all the programmes, all the developmental schemes are to be executed and implemented through all these banking concerns. That is why, concern is not only a concern and an organisation, rather it is an instrument for the social and economic change, and for the socio-economic betterment of the country. That is

why, this sort of amendment cannot be allowed to have the sanction of this House.

Similarly, the foreign banks will come with many branches. They are very good branches. They are having rosy picture. They are painting a different picture for the country.

You just go through all these reports which have been submitted by the Joint Parliamentary Committee. What has happened there? Not only our own banks have committed many scandals, but rather, most of the foreign banks are also involved in the scandals and the banking scams. That is why, all these foreign banks cannot be allowed. You cannot open the flood-gates in the name of liberalisation and globalisation. Very good words are being coined for that and you want to open the flood-gates of the country so that all these banking concerns with different branches will be just brought here in the country. I do not dispute that there should not be any transparency. There should not be effectiveness. There should not be any sort of reforms which should be brought about by the Government of India. I do accept and I do support whatever transparency you want to bring about to the balance-sheet of the banks, to the accounting procedures and systems of the bank. I also do support all these things. But, at the same time, in the name of liberalisation, you cannot open the flood-gates of the country and you can not allow all these foreign banks, like Citibank and all these foreign banks. Don't you remember they were all involved in the bank scandals? Don't you see this present day system does not do justice to certain backward States like Orissa and Bihar and other States where the ratio of deposits is very much low? You are making collection from the poor and the

[Shri Mumtaz Ansari]

backward States but, at the same time, you are not making investment wherever it is desirable and wherever it is justifiable, whereas all these funds are being accumulated and sent through the pipeline to bigger cities and bigger industrial nerves of the country. But, at the same time, I would like to say that you make correction in all these imbalances, rather credit deposit ratio, and you just make much more allocation for the poor and backward States of the country.

I am ready to support to this extent. But once the foreign banks come into our country, what will happen? Uptil now, the funds are just flowing to the different corners of the country. Those corners may be richer, those corners may be poorer. But once the foreign banks come, all these funds will be coming from abroad and all our politicians, all our big people, all our big Ministers will be going abroad in the name of making deposits in different banks like the Swiss Bank and other banks, and so many Bofors-type scandals will take place. You cannot stop those things. That is why I am ready to support any sort of reform that you desire, any such amendment and those changes which must be in the best interests of the people of the country. That is why I am ready to support the Resolution moved by Shri Rajveer Singh. No doubt, I am ready to support that Resolution and I am ready to oppose this amending Bill (which is going to be put forth before the House by the Treasury Benches) tooth and nail with all vehemence, with all our might, with all our strength.

SHRI P.C. CHACKO: I thank you, Mr. Chairman, for giving this opportunity to me to speak. Even though I missed my chance, I am very happy that I could

listen to a very good speech made by my friend Shri Mumtaz Ansari. He was speaking about something else and not about the Bill. Shri Ansari and many of our Opposition friends who opposed this amending Bill were proving the fact that without reading this Bill a discussion is possible.

Today, the Banking Regulation Act, 1949 is to be amended and the amending Bill is placed before this House. I consider this as a very important moment in the history of this Parliament. We are the party, we are the inheritors of Shrimati Indira Gandhi's Congress Party which nationalised the Indian banks. I still remember the days, the days of 1969 when we were fighting the battle in the Parliament, in the streets of this country. The people who now act as pseudo-supporters of Indira Gandhi and who are now taking the name of Indira Gandhi when they are opposing, were trying to defeat this nationalisation measure and progressive measures of that day's leadership of the Congress Party. Anyway, I am happy at least, lately, they have realised and they started paying lip service now.

This Bill which is now before the House reflects the socio-economic changes which have taken place in this country since the last 25 years. Our leftist friends are living in a very very unrealistic world today. What happened between 1969 and 1994? In this new Bill, all the changes that have taken place in the last 25 years have been exactly reflected. That has to be understood by the Opposition Members and especially my Leftist friends. I do not know whether they would accept it at all. In the Marxian dictionary, there is no limit for pessimism. Shri Nirmal Kanti Chatterjee, Prof. Susanta Chakraborty have, from the very beginning been saying that everything in this Bill is objectionable and they are there-

fore opposing it. This Bill has basically been brought forward before this House for three major amendments. The first one is relating to the voting right to the shareholders. It has been raised from one per cent to ten per cent. I did not have the privilege of listening to the opinion of Shri Nirmal Kanti Chatterjee on this issue at all. Shri Nirmal Kanti Chatterjee was speaking about JPC.

MR. CHAIRMAN: Please avoid personal names being used.

SHRI P.C. CHACKO: Yes, They are all very prominent Members of this House. Their opinions are very valuable. You may reconsider your ruling because without taking Shri Nirmal Kanti Chatterjee's name, if I participate in the discussion on Banking, that will be incomplete. He is such a learned Member. Coming to my point, about the raising of the voting right from one per cent to ten per cent of the shareholders, what is the reason, logic behind this amendment? I wish they had at least thought of this subject, applied their mind on this subject. The private sector banking was never prohibited in this country. They fail to understand this point. Even in 1969 when the banks were nationalised, at that time, a cut off limit was decided that all the banks having a capital of above Rs. 200 crores will be nationalised. And there were more than one dozen banks in the country which were having capital base of less than Rs. 200 crores. They remain as the private sector banks. We have the private sector banks; we had the nationalised banks and foreign banks also were working in this country. All these were there in a harmonious blend in the banking sector in this country. (Interruptions).

SHRI NIRMAL KANTI CHATTERJEE: Mr. Chacko will remember that one

the theses propounded by the hon. Finance Minister is that more diffusion of ownership is better. By raising the limit from one per cent to ten per cent do you think, that is consistent with more defusion of ownership?

SHRI P.C. CHACKO: That is exactly the point where I am coming to. Thank you for reminding me that. The thing is that the private sector banks are being allowed. His first objection was why this is brought as an ordinance. I am not going into the details. Another thing is, ordinances are being opposed by them from the BJP to the CPI(M), because they are never going to be the ruling party in this country. They have always opposed that and they are going to do that only. They have been opposing for the last 45 years saying that ordinances are bad. I am not justifying ordinances. But in the first week of January the Reserve Bank of India had issued a guideline for starting private sector banks. After twenty days on the 31st January only, this ordinance was promulgated by Rashtrapatiji. Was there any haste in that? After 20 days they had taken a good decision to start private sector banks. And to translate that decision into action, this was unavoidable and necessary and hence the ordinance was brought in. Shri Nirmal Kanti Chatterjee out of his 37 minutes speech, spent 13 minutes to decry the ordinance, the way the ordinance was brought in. Anyway, I am not dealing with that. Why is this one per cent share holding? Whatever is the share holding of an individual or of an individual share holders, the voting right was limited to one per cent. what is the logic? Does it stand the common sense of logic? I am even for going beyond this. Now it is said that it is only ten per cent voting right.

According to Companies Act, whatever is the share holding of an individual,

[Shri P.C. Chacko]

he should have the voting right proportionate to his share holding. I request the hon. Minister that it is time that we should think of giving a proportionate voting rights to the share holders. Otherwise, this does not stand the logic of common sense and also it is not in tandem with the Company Law. Now what is being given here is only ten per cent voting rights to the share holders. There also restriction is coming. You need not have any apprehension about this. This Government is applying more brake than is necessary. It is not going without any brake. Ten per cent voting right is being given. Why? Do you think that any private sector people will come for investment either NRIs or the people inside the country will come for investment having one per cent voting right? They are taking twenty per cent, thirty per cent shares with one per cent voting right. That itself clearly indicates that it is very much discouraging for any kind of investment in the banking sector. Having taken a decision to licence the private sector banks, the ordinance was absolutely necessary to give them sufficient encouragement so that the voting right goes up to ten per cent. *There is also sufficient restriction. Time is not permitting me to go into details about it. I am saying this because I expected that at least this provision to be welcomed by a person like Shri Nirmal Chatterjee. If you say that defusion is a theory of the Finance Minister and we are going against it, I think, you are putting some words into Finance Minister's mouth and then trying to put an imaginative question.*

Here also in the inter-connected share holdings, there is sufficient provision. If in a company interested groups come together, they also cannot have more than three directors. Whatever is

the shareholding, a promoter group can not have more than three directors. It is very specifically mentioned here. It means you are conveniently forgetting the sufficient preventive clauses being provided in this Bill. In the beginning, I said that it is a very important Bill because after nationalisation of the banks in this country in the last 25 years quantitatively Indian banks have grown to a very big size because of the growth of the bank branches in the country is something on which we can be proud of.

Today, in this country, there is, at least, one branch of a bank for a population of 10,000 or 15,000. We have advanced to that extent. We have advanced not only in the cities, but also in the villages. The specific norms of the Reserve Bank of India give adequate protection. They state that any bank which wants to open up branches in the urban areas, should open a rural branch. The aim is to see that the banks reach the needy people in the rural areas. Due to the intelligent policy being pursued by the Reserve Bank of India, guided by the Government of India, the growth of the Indian banking system is really appreciable.

What about quality? When we think of this, I think one or two questions need to be answered by our friends who are opposing this. The quality of Indian banks is going down. I do not want to put the blame on anybody else by saying that it is all because of them. Some people were trying to defend the trade union movements. I am not going to blame the trade union movement. There are a number of instances relating to the Indian banking industry which I can quote. People are saying that after the nationalisation of the banking industry they are not getting what they have expected; they are not getting good quality of service.

That is the problem. In a world which is fast changing, we have to provide the customers with the most latest and most efficient service. Essentially, the banking industry has to be modernised. Why are we going in for private sector banks? Those who are associated with the trade unions in the banking sector, very well know that the trade unions are resisting modernisation, whether it is automation or computerisation or whatever it is. It is being resisted very stiffly by the trade union movements to an extent that it is illogical. I am not blaming them for that. But when you go to any branch of a bank in any other country, by inserting a card, you can draw your money. Even after 5 o'clock or late in the midnight, if you are an account holder in a bank, you can draw the money by using the services of an automatic teller. You want this country to progress, but you do not want to introduce an automatic teller machine in any of the banks here. Why are our trade unions opposing this?

The trade unions have got a role to play. They have got to play their role for the welfare of the union members. That does not mean that they should become an impediment in the way of changes or modernisation. We are insisting here that the new banks which are coming up should have modern facilities, that they should provide modern amenities to the customers and all that. That is why, these new branches are being encouraged.

Another thing is that this Bill was introduced to carry out three amendments only. One is, to give voting rights and the second is, to give permission to appoint part-time Chairman. Some of the Members were opposing this idea.

Sir, you gave a ruling that names should not be taken and that is why I am

not mentioning any names. Shri Nirmal Kanti Chatterjee said that somebody whom he is very fond of—some industrialist—will become a part-time Chairman. That was his apprehension. In this country, any industrialist can become a part-time Chairman. There is no bar on that. Shri Nirmal Kanti Chatterjee took one name. I also know one up-and-coming industrialist of West Bengal, Shri Chandan Basu, who is a very nice young man. He could also become, tomorrow, the part-time Chairman of any bank. There is no harm in that. Any dynamic person, whether it is the industrialist whose name was mentioned by Shri Nirmal Kanti Chatterjee or any other person in this country...

SHRI SRIKANTA JENA: Whose name did he take?

SHRI P.C. CHACKO: He was mentioning the name of some industrialist who is close to him. I do not know about him. I have no information about these things.

Any of these dynamic people can become part-time Chairman. When the Chief Executive of the bank is the Managing Director, why are they opposing this? My friend, Shri Ansari, was saying that everything proposed in this Bill is draconian. But he was not even mentioning any other process. The concept of part-time Chairman is not something new which, all of a sudden, was brought in by the Finance Minister as a surprise. There is a full-time Executive Managing Director appointed subject to the approval of the Reserve Bank of India. What more guarantee do you want?

In this country, the private sector banks are not really that private at all. Shri Nirmal Kanti Chatterjee said that I was associated with it. Out of my own

[Shri P.C. Chacko]

experience, I can tell you that in our country the private banks are not at all that private. These banks are completely guided by the Reserve Bank of India. Every banking activity, lending norms and credit deposit ratio and everything else are being guided by the guidelines of the Reserve Bank of India. If they are effectively implemented, then nothing can go wrong.

You may point out about the Bank of Karad. The Bank of Karad is not at all a private sector bank. You may point out about the Canara Bank. The Canara Bank and those other banks which erred, were not at all in the nationalised banking sector. So wherever mistakes are there, wherever faults are there, we should not magnify them and give an impression that everything is like that.

Another important thing as far as this Bill is concerned is that very severe penalty is going to be imposed. Why did you not mention that? If an institution is erring, if an individual is erring, if a bank is committing a fraud, the penalty was only Rs. 2000. Now it is being raised to Rs. 50000 and in certain cases to Rs. 5 lakh. A severe penalty is imposed. You are not welcoming that step. Here it is very clearly mentioned that every action on the part of the Managing Director and the part-time Chairman requires the sanction of the RBI.

Here a new theory is being propounded by Shri Nirmal Kanti Chatterjee that the industrial capital and the financial capital is going to be merged. This is a very false notion. According to the exiting banking norms and guidelines issued by the RBI, anybody who has got a remote interest in any private sector bank, he or his relatives cannot have any sort of

financial assistance from that bank. For any industrialist, my dear friends please understand, that it is a disqualification to be associated with any bank because he is totally barred from any financial borrowing from that bank. This being the truth of the matter, what are the clauses that they are opposing? Okey, we are allowing private sector banks in the country. Let us compete. Our nationalised banks really have the muscles to compete because we do not want to be an inferior kind of banking, a useless kind of banking decried by people all over the world. We want to be competent and giving good service to the people. So all of us want that the nationalised banks of this country should be more efficient and more modern. For that we think competition is necessary. That is the spirit of this Bill.

I am not expecting this at all from the Leftist friends. But what happened to our JD friends? We have very little differences. After all they are all Congress people; we are all welcoming them to our party. They may do it today, tomorrow or the day after. Many of the friends who were sitting there are now with us. Changes which are happening in this country in the political arena, in the social arena, in the economic spheres are not understood by those people. Really the people who sent them to Parliament expect them to behave more responsibly. That is why I am requesting them. I have nothing against them. I have no grudge at all. With folded hands I request them. Because we are all birds of the same feather. May be circumstances or other compulsions are making them to sit there. So irrespective of the fact that they are sitting there and we are sitting here, this Bill is one thing which they can unanimously support.

SHRI SRIKANT JENA: Thank you for your comments that we are irrespon-

sible and they are responsible. That is what Mr. Chacko is saying. But when L&T company was conspired to be taken over by one industrial group, we opposed and you supported.

SHRI P.C. CHACKO: We only defeated that.

MR. CHAIRMAN: He is winding up. Please conclude. Nothing else will go on record.

*(Interruptions)**

SHRI P.C. CHACKO: If you permit me, I am very happy to answer to Mr. Jena. He has cited an example where they had no role. But it was this Finance Minister who defeated such moves recently. Why don't they understand what happened right under their nose? This happened only three months back. What happened then? This Government did not permit it.

The financial institutions which are having a say were told very categorically as to how they should behave. This happened during this Government's time. But they are forgetting that. Please do not try to divert.

Again I repeat, please forgive me for repeating, people like Mr. Jena and Mr. Nitish Kumar who can understand the realities should at least appreciate this. This Bill is one typical Bill.

SHRI SRIKANT JENA: Is it an open bribery for defection?

MR. CHAIRMAN: That is not the idea.

SHRI P.C. CHACKO: They started with JPC, they went round the entire banking spectrum of the country; they spoke about everything except the provisions of this Bill. This is a very sorry state of affairs. This House, I am sure, will be unanimous in passing this legislation even though they argued against this Bill because they are in the opposition, their conscience is with us and I am sure this will be adopted unanimously. This is a very unavoidable and necessary legislation. I wholeheartedly and with all the power at my command, support the amendments; and I support the Bill. Thank you.

SHRI CHETAN P. S. CHÁUHAN (Amroha): Sir, I rise with a mixed feeling. I object to the Ordinance which has been issued in a hurry by the Government on the 31st January 1994.

By issuing the Ordinance, nothing has happened except that the Ordinance will be through and a mere formality will be completed. The formality has been completed in the Rajya Sabha and it will be completed in the Lok Sabha also.

16.46 hrs.

[SHRI P.C. CHACKO *in the Chair*]

SHRI NIRMAL KANTI CHATTERJEE: Mr. Chairman, Sir, you will be in difficulty. All the Members will refer to you; but you will not be able to respond.

MR. CHAIRMAN (SHRI P. C. CHACKO): I will not be in difficulty. They would not refer to me. Nobody, can refer to the Chair, please.

SHRI NIRMAL KANTI CHATTERJEE: They will refer to hon. Shri P. C. Chacko.

MR. CHAIRMAN: Nobody can refer to the Chair in their speeches. That is not permitted. Shri Chauhan may continue.

SHRI CHETAN P.S. CHAUHAN: Sir, the banks were nationalised in 1969. In the 25th year, the banking industry has turned a full circle. Advantages were there when the banks were nationalised because there were a lot of things which were wrong in the banking industry at that time. Banks were owned by a few industrialists, by a few people. Many banks had failed at that time.

Nationalisation has brought the banking industry to the villages, to the farmers, to the artisans. The biggest advantage of nationalisation was that the money lenders who were holding the farmers to ransom, who were fleecing the people in the villages were removed; and that was the main objective of nationalisation. Nationalisation has also brought in economic development. But, after 25 years, what has happened? As I said, the industry is taking a full circle; and today, the Government is only talking about privatisation. I would like to ask the Government—the hon. Minister is here—as to what has happened and how in 25 years they have allowed the nationalised banks and the banking industry to deteriorate. It started with a very good objective. It started with a social objective of looking after the poor people, the poor artisans in the villages, in the small areas and taking the banking industry to the rural masses. But, then, at what cost?

The non-performing assets today have gone up to about Rs. 37000 crores. The Government has already given Rs. 4000 crores upto 1991-92; and an

amount of Rs. 5700 crores has been contributed by the Government this year to the capital of different nationalised banks. Again, this year, in 1994-95, the Government is going to make a provision for this. I would like to ask the Government as to what efforts the Government is making to recover these bad advances which are about Rs. 37000 crores and who are responsible for that.

The tribunal has not been set up, though the Ordinance was issued to that effect. It is more than eight months now and they have not started functioning.

Social objectives which were there at the time of nationalisation have now given place to inefficiency in the banking industry, callousness; corruption has become rampant in the banking industry; and there are reports of commissions and cuts being asked by the staff, by the managers of the branches of the banks, etc. Frauds are taking place, forgeries are taking place and embezzlements are taking place every day. Who are the people responsible? And what is the Government doing about this? I have always mentioned this in all the meetings of the Standing Committee or in the meetings with the Minister regarding the Chairmen, Managing Directors, Executive Directors and higher officials before they retire. Gross misuse of power has taken place. There are so many cases which have been brought out in the newspapers. Inquiries are being conducted. The Members of Parliament have been writing to the Ministers to conduct inquiries against these people.

The banking industry is being run in the most callous manner. I have got a report of the Standing Committee. We will come to the Reserve Bank of India. The term of nearly 24 Directors has

expired but they are still continuing. Six of them are not there. The vacancies have not been filled up. In the nationalised banks and the State Bank, out of 294 non-official Directors, 153 have finished their term. The vacancies which have been filled up are 141. Nearly for 150 people, the vacancies are still continuing. That is the kind of attitude the Government is having towards the nationalised banks.

Regarding staff, the banks will have to be made more attractive. The salaries, especially perquisites and other facilities, will have to be improved so that the nationalised banks can also compete with the private banks and also with the foreign banks. I would suggest that an all India Banking Service may be formed to attract talented, upcoming and good people.

Now, I come to the customer service. There is a lot of deterioration in the customer service. The staff members are usually not found on their seats. Their behaviour is becoming bad. I would also point out about the deployment of the staff. There are head offices, zonal offices and regional offices where the staff is in excess and branches have been deprived of staff. The branches ultimately give service to the customers. They usually have a shortage of staff. There are so many other problems in the branches. I am sure, the Minister is aware of it, I would like the Reserve Bank of India to find out the problems of the people so that the customer service is improved.

For improvement of the customer service, Goiporia Committee was formed. And dividing into four categories, 97 recommendations have been given. Some of them have been implemented.

SHRI JASWANT SINGH (Chittorgarh): I wish to seek a clarification. This discussion is now going along. And we have to take up discussion on the general budget also. To the best of my understanding, the discussion is not yet concluded in the other House on the general budget. It will facilitate the organisations of all parties and the convenience of Members if it were now decided that the discussion on the general budget will start tomorrow and today, only this business, which is yet incomplete, will be finished and disposed of. (*Interruptions*)

At this stage of the day's proceedings, to start a discussion in the Lok Sabha on the general budget will not be doing justice to the Lok Sabha. That is my submission. I am sure, you will appreciate that a discussion on the general budget in the current year is not a routine discussion. At this stage of the day, when the hon. the Finance Minister is busy with the other House, his reply there is to take place. That will take some time. We can not initiate a discussion on the general budget in this House in his absence and at this stage of the day. This is my request.

MR. CHAIRMAN: There is a point in what the hon. Member has said. But we have enough time at our disposal because we have only five more Members to speak on this subject. I think, after all the speakers finish, then also, we will have sufficient time to start with that. So, I think there will not be any problem for the Members to participate.

SHRI RAM KAPSE (Thane): The problems is two-fold. Firstly, to start the discussion on the General Budget after 6 PM will be a wrong thing. The other point is we are not going to sit upto 8

[Shri Ram Kapse]

PM for that matter. It is all right for completing this business. But starting General Budget discussion at late hours will not be doing justice to the Budget. Another point is that the Finance Minister is already busy in the Rajya Sabha in replying to the Budget. Are we expected that in the absence of the Finance Minister, we should start the discussion on the General Budget? These are the two valid points which need to be taken into account and the House should know as to when we should start the discussion.

MR. CHAIRMAN: Let us not have a long discussion on this point. The Chair is fully appreciating the views expressed by the Members. The fact is that we have agreed to sit upto 8 PM. So, there is no question of the House taking a decision on further extending the time or anything like that. We have sufficient time even after all the Members, who want to participate, to express their opinion. So, without any difficulty to any party or hon. Member, we can proceed. The Chair has noted the opinion expressed by the Members. Now, let us proceed with the discussion.

Mr. Chetan Chauhan may continue now.

SHRI CHETAN P.S. CHAUHAN: I was talking about customer service. 97 recommendations divided into four categories were given by Goiporia Committee which has already submitted its report in December, 1991. I request the Government that as these recommendations are very important to give better service to the customers, they should be implemented as early as possible.

Coming to the regional rural banks, they are incurring losses of about Rs. 1

crore per day and time and again, this problem has been brought to the notice of the Government. The Government had assured that a decision will be taken. Now, only 50 banks have been selected for restructuring. Narasimhan Committee had submitted its report about three years back and so far, restructuring of the banks have not taken place. What is going to happen to the regional rural banks? How long is the Government going to take for restructuring these regional rural banks? These banks will continue to incur losses for two to three years and ultimately, it should not happen that the Government decides to close them or merge them with sponsored banks as these regional rural banks are going on making losses. I would request through you that the Government should take up the matter very seriously and if they have decided to restructure these 50 banks, they should do so immediately and must take action as early as possible.

Recommendations about service to the customers are there like increasing banking hours for non-cash transactions, payment of interest on delayed collection of cheques, redressal of the grievances of the customers at the earliest and computerisation. These facilities should be provided to the customers. Only then, nationalised banks will become more competitive.

Coming to the Bill, licence will be given to private individuals and firms. I would caution the Government here that privatisation of the banks may take place and there are about 40 persons who have applied for the licence of private banks. I believe one licence has already been given. Precaution will have to be taken because not only the Chairman and the Managing Director but people in the Board of Directors should be people

who have experience in the banking field. Care will have to be taken that defaulting industrialists will not be given licences so that misuse of public money will not take place.

17.00 hrs.

We will have to be very careful because there were reports that some organisations in the West are funding terrorists in the Kashmir Valley. It was pointed out that nearly 80 Islamic Institutions are funding the Kashmiri militants. Similarly, we will have to be careful regarding the transfer of drug money. Similar other mischievous institutions will also have to be taken care of so that the private banks are not misused for this kind of fund transfer.

Certain penalties are laid down in the amendment. The penalty of Rs. 2,000 has been increased to Rs. 50,000 and for the management the fine is around Rs. five lakh. I would suggest that these are not deterrent enough and I would go to the extent of recommending far more severe penalties for management so that the funds are not misutilised.

The role of the RBI is very important. The RBI will have to control the private banks by having regular inspections of these private banks and their branches. I would also suggest that concurrent audit should become compulsory for these private banks.

It is quite some time that the JPC has also submitted its report. According to the CBI, nearly Rs. 8,000 crore have been embezzled and about Rs. 4,500 crore have been taken away from the country. I would request the Government to find out as to what has happened to that money and where it has gone, who are the culprits and whether this money

could be brought back to the country and so on.

Sir, public money will be invested in these private banks. I would request the Government to be very careful with this public money because some of the banks run by the Indians abroad have failed and as such, a kind of insecurity has been created, especially in the United Kingdom. I would say that more care will have to be taken by the Government and by the Reserve Bank of India and a proper watch will have to be kept on these banks so that the moneys are not misused. It is all the more important to keep a vigilant watch on the big industrial houses who may apply for licences and who may utilise moneys from the private banks for purchasing or taking over other companies.

There is a clause regarding relaxation in the priority sector for three years for private banks. I do not agree with this clause. I would suggest that these three years relaxations should be brought down to just one year because rules should be the same for the nationalised banks as well as the private banks.

There are 23 foreign banks with about 139 branches. We see that a lot of facilities are given to these foreign banks. I suggest that there should be a level playing ground. 40 per cent advances of the nationalised banks go to the priority sector. This norm should be made applicable to the foreign banks also which are making more money and better profits. This 40 per cent advances going into the priority sector is putting a lot of pressure on the nationalised banks.

Modernisation of the banking industry is a must. New rules will have to be framed. But this modernisation and restructuring and whatever changes that

[Shri Chetan P.S. Chauhan]

[Translation]

are going to take place should not be at the cost of the nationalised banks. As I have said earlier, there should be a level field for all the banks. With these observations, I oppose the Ordinance. But at the same time, I reserve my comments about the Amendment of the Bill.

SHRI SYED MASUDAL HOSSAIN:
Sir, there is no quorum.

MR. CHAIRMAN: The bell is being rung—

Now there is a quorum. Shri Tej Narayan Singh may please speak now.

THE MINISTER OF STATE IN THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF YOUTH AFFAIRS AND SPORTS) AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI MUKUL WASNIK): Sir, before you proceed, the time allotted for this discussion was two hours. We have already exhausted the time which was allotted. It was listed that the discussion on General Budget has to start today itself. Therefore, I request you to kindly finish this discussion as soon as possible so that we can go on to the next item.

MR. CHAIRMAN: Before Shri Tej Narayan Singh begins his speech, may I remind the hon. Members that seven more Members are to participate in this discussion. The Minister of Parliamentary Affairs has expressed his view which is totally acceptable. But, the Members who have already given their names will be given five minutes each so that we can conclude this discussion within half-an-hour. I request the Members to restrict themselves to five minutes each.

DR. LAXMINARAYAN PANDEYA (Mandsaur): Mr. Chairman, Sir, yesterday it was decided that budget will be discussed on the next day after passing the Banking Regulation Amendment Bill, Vote on Account and Appropriation Bill. I could not understand that why this haste is being made now. All the members, who want to speak on this issue should be given opportunity.

SHRI MUKUL WASNIK: It has also been decided that we will sit upto 8 o'clock, so that this business could be completed. Two hours had been allocated for this subject and we have already spent more time. But it does not mean that this will be completed before 8 o'clock.

[English]

SHRI NIRMAL KANTI CHATTERJEE: Since there was some problem regarding the number of sittings, time, etc. the hon. Speaker had called some of us. We wanted that the Budget discussion takes place in broad day light because there are so many things involved in it. Starting discussion on Budget in the late hours of the day is not good for the country and the Parliament.

Since yesterday you might have been observing that we are going to oppose this Bill also tooth and nail despite your attempt to persuade us and, therefore, we will consume some more time. It is useless to initiate discussion, in whatever small time is left, on such an important thing called the Budget. I, therefore, request you not to hurry through this Bill because we feel very strongly about this Bill.

MR. CHAIRMAN: No more discussion please. The matter is sufficiently

brought to the notice of the Chair. We cannot have a discussion on this issue.

SHRI LOKANATH CHOUDHURY (Jagatsinghpur): Do you think it appropriate to start discussion on General Budget at late hours of the day?

MR. CHAIRMAN: I would like to draw the attention of the hon. Members to one thing. We fully appreciate the views expressed by Mr. Nirmal Kanti Chatterjee. We had decided to have the discussion between 2.00 p.m. and 4.00 p.m. As 4.00 p.m. was too early, therefore, we continued with this discussion. It is not anybody's fault that so much time had been taken on this discussion. Anyway, we have to wind up this discussion within 25 minutes. Only five or six hon. Members who want to participate in this discussion, their names are remaining in this list. Let them take five minutes each and conclude this discussion. We cannot go on changing our time table. This way, we cannot run the House. There was a definite understanding. It was on Mr. Chatterjee's suggestion that the Speaker had said that let all the hon. Members participate in the discussion. That was the consensus of the House also. Mr. Singh, you should bear this in mind that you should take only five minutes and conclude your speech. We have to finish this discussion within 25 minutes.

(Interruptions)

[Translation]

SHRI TEJ NARAYAN SINGH (Buxar): Mr. Chairman, Sir, I oppose the Banking Regulation Amendment Bill, 1994 and support the resolution moved the hon. Member, Shri Rajveer Singh.

There was a time when significant importance was attached to the Public Sector in the country and I think it was during Shrimati Indira Gandhi's era. That era has now gone and now it is the age of Privatisation. In other words, 1994 is a year of privatisation. We do not know as to how many more Amendment Bills will be introduced.

I hope that there will hardly be any Act left unamended this year. Pt. Jawahar Lal Nehru had once during his premiership stated that the Public Sector alone will be given importance during the second five year plan. He also said that the country's strength will depend upon the strength of Public Sector but now I can not understand as to what are those compelling circumstances in which our preferences have taken the reverse direction. The people who liberated the country from foreign subjugation were in favour of giving importance to Public Sector. At that time, all the Congressmen followed the same ideology. There are still some such people left. It is not that there are no freedom fighters left in the congress but some new faces have, definitely crept in. I do not mind, if their ideology is different, but I certainly feel hurt when I see that on the one hand you display the congress freedom fighters on your election posters with such slogans/ written on them, as "Mann-bete ka balidan, bhool na sakega Hindustan", and you apply all the force and money at your command, on publicity campaigns in order to narrate to the people of India the story of their sacrifices, but on the other hand the moment the persons of their ideology enter into the Lok Sabha Chambers, you want them to forget the story of sacrifices of the mother and son.

Shrimati Indira Gandhi went for nationalisation of Banks in 1969. On this issue, the split in congress took place.

[Shri Tej Narayan Singh]

It was divided into two parties. Some people in the Congress were not in favour of nationalisation of Banks but despite their opposition, Smt. Indira Gandhi remained undaunted and Banks were nationalised and she gave the slogan of 'Garibi Hatao'. But today, those who emerge victorious in election in her name, are ready to follow the path of Narasimhan Committee. The hon. Minister while introducing the Bill yesterday evening stated that "On financial system, Narasimhan Committee has *inter-alia* recommended that their should be no restriction on setting up of new banks in Private sector".

I want to ask the Government as to why money is being illegally drawn from the nationalised banks. Harshad Mehta drew a huge sum of money from the Government run banks. He also drew large sums from the private banks. It means that irregularities can be committed by private as well as public sector banks. There is only one way out that the laws of the land, the Evidence Act, IPC or the Criminal Procedure Code—all the three should be enforced in letter and spirit. Irregularities, be it in the private or the public sector banks, can be checked only if laws of the land effectively enforced.

The intention of the Government is to make us competitive by opening more and more private banks but I do not think that it will be so merely by opening of private banks and that you can not come in the competition if public sector banks are there. By opening banks, the poor should be able to get loans.

The bank rules provide for grants of loans to the poor but they do not get loans through proper channel. The poor can not get loan either from the private

or public sector banks without paying commission.

Concealing of facts has become a common practice in this country and a person like me wants that such practice should be abolished. This country can not develop unless the practice of paying commission is abolished. You open banks and claim that the purpose is to grant loans to rural people but the pattern followed in rural and urban banks is the same. There is no difference between the two. The farmers seeking loans for purchasing a tractor or a cow, or a buffalo or for opening a leather industry or a poultry farm in the village are treated with the same indifference in all the banks—be it an urban or a rural bank.

I would like to urge upon the Government not to lay emphasis on saying that development can be achieved by opening private banks alone, country's development can be achieved by strengthening public sector banks. I think that country can not develop, if the public sector banks are not strengthened and their rules are not enforced properly. Penalty for violating the provisions of Bank Rules, Act has been enhanced. Laws to this effect do exist and it can not be strengthened by formulating more laws. I would, therefore, like to urge upon the Government, to make public sector more strong so that the country can develop. Try to remove lacunae, if any, in the public sector, but I think that country will not be benefited by privatising the whole public sector on the excuse that lacunae have developed in the public sector.

Our people made sacrifices. As a result the English left the country and we were liberated. Thereafter, the Congressmen gave importance to public sector. That is why we are not subservient to any

private company today. We are not subservient to any TATA, Birla or Singhania. Today, we say with pride that we are Government's servants. Government's servants in this congress era might become the servants of a private company after 20 years. It may be a matter of honour for you, but it is not so for us. It is a matter of shame for us that the Government servants are going to become the servants of private companies tomorrow. The harrassment caused by a private company can not be experienced in a Government company. I am of the opinion that Government machinery, the public sector alone should be strengthened. The Government does not need to closely monitor the private sector.

Lastly, people say that the country was ruined during the rule of Shri V.P. Singh. In reply to it I would like to say that he has won the election from the same constituency from where once Shrimati Indira Gandhi had emerged victorious in elections.

Let me tell you that Shri V.P. Singh did not borrow a single penny from abroad. He did not invite multinationals to India, but you did both—took foreign loan and invited multinationals. You have opened the country for plunderers. Thus, there is no need to compare with Shri V.P. Singh ...*(Interruptions)*... If you say that Shri V.P. Singh did not provide employment to a single unemployed person then you too are not lagging on this count. Shri V.P. Singh did not provide employment opportunities in his one year term but you have proved to be no good in two and a half years. Therefore, do not compare with Shri V.P. Singh. V.P. Singh gave jobs to people, you retrenched people from the companies. You closed down Kolar Gold Mines where thousands of workers worked... *(Interruptions)*... Therefore, I would like to ask the Gov-

ernment and the hon. Minister to withdraw the Bill and follow the path of Shrimati Indira Gandhi on whose name you have won elections so that country's public sector is strengthened. With these words, I conclude.

[English]

SHRI PRITHVIRAJ D. CHAUAN (Karad): Sir, I rise to support the Banking Regulation (Amendment) Bill which is in a form of continuation of the process of restructuring our financial sector which this Government started the day it assumed office. Within weeks of coming to power, a high power Committee was appointed to look into the reforms of the financial sector.

This whole process of restructuring the financial sector aims primarily at two things. It aims at making the Indian Banking Industry healthier, stronger, able to compete internationally and to expand it.

To expand it we have to invite private capital, both Indian private capital and foreign capital. We have also to eliminate the malice which has caused major scam to occur in the past.

This Bill tries to balance the interest between the public control of banking and making private investment attractive.

India has always allowed various types of banks to exist: private sector banks, foreign banks, nationalised banks with 100 per cent Government holding and nationalised banks with partial private holdings. But what was the ground reality? It was that public sector banks have dominated the scene and there was very little economic space left for private initiative.

[Shri Prithviraj D. Chauhan]

Sir, 93 per cent of the banks' branches and 87 per cent of the deposits are with public sector banks. Now the Opposition has criticised this Bill as if it is a denationalisation Bill. Actually this Bill deals with private sector banks. But, Sir, given the large role played by public sector banks, it will be necessary to review the objectives with which the nationalisation of large banks was carried out in 1969.

Sir, social and economic conditions prevailing then made it necessary in the national interest to have a social control of banks. The objectives were to expand the banking net-work, particularly in rural areas. Extension of credit to weaker sections, saving mobilisation and also to break the nexus between the financial capital and industrial capital as also to prevent unfair competition and concentration of economic powers. By and large these objectives have been more than achieved. If you look at the increase in bank branches opened from 8,000 to 60,000, the increase in rural branches from 23 per cent to 58 per cent, deposit mobilisation from 13 per cent of the GDP to 37 per cent of the GDP, population coverage from 65,000 per branch to 11,000 per branch you will be convinced that we have achieved these original objectives, the limited objective of social control which was there in 1969.

The Nationalised Banks have really succeeded. But what has been the experience of late? Unfortunately, the Nationalised banks are beginning to be run like the Government Departments. The regime of control of interest rates, excessive apportionment of credit through CRR and SLR mechanism, over-bureaucratisation, has caused a steep fall

in efficiency which has been elaborately dealt earlier. We are not meeting the various norms which the whole world wants us to meet and the international banking community meets. The customer service is very poor. Over bureaucratisation has caused corruption and collusion at various levels. The quality of financial reporting is not transparent enough and our entire financial system enjoys a very poor credibility internationally. A culture of irresponsibility has been built in. A culture of non-return of loans has also been built in. This is what the new financial sector reforms seeks to redress.

Bank nationalisation had limited objectives in the beginning. We have to expand the objectives of the banking system. As additional objectives we have to stress on efficiency, we have to lay stress on productivity per employee, we have to lay stress on profitability and financial accountability, we have to increase transparency in reporting of financial results. We have to adopt international accounting standards. We have to worry about customer service, we have to keep away from the regime of target chasing which has set in in the industry of late. We have to technologically upgrade the banking sector. We have to improve the capital adequacy norms for the entire industry. We have to look at the quality of loan portfolio which has to be improved. We have to bring back the culture of re-payment of loans which we take.

I will now come to the main contents of the Bill. It is very simple. We have tried to bring in certain amendments to the Banking Regulations Act. The appointment of a part-time Chairman and increase in the ceiling on voting rights and also allowing private directors to sit

on the Board are very simple matters, but these are absolutely necessary if we want to re-attract private capital.

The Rs. 37,000 crore non-performing asset portfolio which the public sector banks have accumulated has required the Government to make provisions from the budget to the tune of Rs. 10,000 crore in the last two years and perhaps another Rs. 10,000 crore would be required in the next two years. We cannot go on increasing the capital bases of banking industry through budgetary support alone. We will have to invite private capital, both foreign and Indian and for that certain amendments are necessary.

Since the time is short, I will make some suggestions and seek some clarifications from the hon. Minister.

The Reserve Bank of India has issued certain guidelines this year in January to help promoting and opening of new banks. First of all, I must stress that the capital to risk assets ratio, which is fixed at eight per cent, has to be maintained by all banks whether they are old private banks or new private banks or foreign banks. In no case, undercapitalised private banks should be allowed to function in this country.

Priority sector lending norms have to be insisted upon all banks whether private or foreign, the same as those of public sector banks. The Government has already agreed to this, the export credit will be counted now as a priority for foreign banks. And if foreign banks are not able to open too many branches in the rural areas, then they can invest in NABARD or SIDBI.

Sir, about the appointment of a part-time Chairman, there is a provision that has to be cleared by the RBI. Our

experience of working with the RBI is that many top level appointments have been pending for a long time. I request the Government to issue guidelines so that provision for clearing the names for appointment of a part-time Chairman or Managing Director is made time bound.

We need to develop a code of conduct for inter corporate loan and inter corporate investment. The Government has announced that it will form a Board for Financial Supervision. But it has not started functioning yet. I request the Government to see that this Board starts functioning very soon. There is a need to move from a culture of procedural control to a macro level monitoring.

There is a problem with regard to the accounting procedure to be followed by these new private banks. Will they follow the provisions of the Companies Act or the Banking Regulation Act and the RBI Act? That needs to be clarified.

Detailed guidelines are required for winding up and liquidation of banks because certain banks would end up certainly in liquidation. There is a need to properly advertise and to carry out publicity about the liability of the bank and depositors under Deposit Insurance and Credit Guarantee Act.

A suggestion was made in the discussion paper, which the Government had brought out in December 1993, that the Banking Regulation Act needs to be amended to permit the auditors to directly report to the RBI. This time it has not been done. I suggest that the Government must bring in this provision. And the auditors, if they found any irregularity, can not only report to the Bank Board but also report to the RBI directly.

Certain penalties have been increased. It is a welcome step. But I

[Shri Prithviraj D. Chauhan]

suggest that the penalties could have been indexed to the capital base of the bank. Now it has been increased to Rs. 5 lakhs. But after sometime, say after five years, the penalty will become insufficient and small. I suggest that the penalties could be indexed to the paid up capital of the bank.

The Recovery Tribunals have not yet started functioning. I request the Government to take serious action for locating proper judicial officials so that the Recovery Tribunals can start functioning. And out of Rs. 37000 crore bad debt portfolio, of the private sector banks have now, at least a part of that could be covered.

The Government has apparently not considered it worthwhile to create Consented Assets Reconstruction Funds. I would request the Government to again look at it. It has worked in some countries, particularly in United States. May be it would here. It will take some time for it to function. But it should be seriously reconsidered.

Some fears have been expressed about branch closures. The Government has made it adequately clear that no rural bank branch will be closed. Only about 100 bank branches have been considered for closure. I think, this kind of flexibility, this kind of autonomy has to be given to the banks if they really want to internationally compete. There should not be any undue fear about it.

I have some problem about the word 'promoters'. The Banking Regulation Act does not define the word 'promoters'. Perhaps, there is some definition in the Companies Act. You have said that not more than three Directors will be

allowed for the people holding more than 20 per cent share. Now, that provision needs slight clarification because it could be misused.

Sir, the Narasimhan Committee had recommended freedom of entry to the banks. The initiative taken by the Government permits that. This does not negate the process of bank nationalisation. But, in fact, whatever initiative the Government has taken, through this Bill or through the other Bill which is pending before the Standing Committee, seeks to strengthen the Indian Banking Industry, particularly public sector banks.

The original objective of bank nationalisation has been fully achieved. We must include some additional objectives such as efficient customer service, timely access to credit, modernisation, accountability, transparency in accounting and international standardisation. This is what this Bill seeks to achieve. Therefore, I commend this Bill to the House.

PROF. UMMAREDDY VENKATESWARLU (Tenali): Mr. Chairman, Sir, the hon. Finance Minister has brought about Banking Regulation Amendment through an Ordinance promulgated by the President of the country on 31st January, 1994 and this ordinance is to amend the Banking (Regulation) Act of 1949.

Sir, after going through the provisions of this amendment, it looks to me as if to kill the rat which is causing damage to the house, the easiest method resorted to be to set the whole house on fire. The anxiety that is being exhibited in bringing about this amendment leads to dismantling the banking structure.

Sir, my friends from the treasury benches are capable of arguing the case in both the directions. Sir, history repeats

that when the same case of banking was argued—in favour of nationalisation in the year 1969 to take over from the private sector banking, — the same Congress Government and the friends had argued the case that the private sector banking has been abusing the total banking system and it has not been properly serving the public inaccessible to the banks. Then the argument was in favour of switching over from the private banking to the nationalisation. In the year 1968, the then Finance Minister, Shri Morarji Desai, had taken a good stand of exercising social control over the banking system and that was followed by nationalization of 14 banks whose assets, each one of them, were to the tune of Rs. 50 crores and above and later in more banks in 1980 whose individual assets were more than Rs. 200 crores.

Sir, if you remember, the sole objective of nationalisation in 1969 was to extend better services to the public at large particularly to the sector which was not at all given a proper treatment and through the nationalisation it was assured that the priority sector will get its due share. From that time onwards, as our friend has just now put it, the number of banking branches have increased tremendously from eight thousand to sixty thousand and the population served per bank has been brought down from sixty five thousand to eleven thousand. When these are the achievements that you have achieved through the nationalisation, why should there be a retrograde step now? Why should we go back by inviting the private sector once again? After the first nationalisation in 1969, six more banks were nationalised in the year 1980. Is it not that this Government at the time of second nationalisation thought about that the nationalisation was doing good job as far as achieving the avowed objectives are concerned?

The whole trouble in the banking system has started only the recent scam and also after the Narasimhan Committee Report that has been submitted. They have been telling that the Reserve Bank of India has been issuing the guidelines from time to time and all the banks, whether they are in the public sector or in the private sector, have been functioning on the basis of those guidelines. Has the scam that has taken place during this period, has also taken place as per the guidelines provided by the Reserve Bank of India? No, certainly not. When the JPC's Report was debated here, they had argued that it is not the failure of the Government, it is not the failure of the Finance Minister, it is not the failure of the Reserve Bank of India, but it is only the system's failure. What is the system's failure? Is it that the system's failure has not been taken care of by the Reserve Bank of India? If they are really serious about rectifying the system, let them move an amendment to provide autonomous status to the Governor of the Reserve Bank on par with the Chief Election Commissioner, so that it will settle all these evils. As long as the Governor of the Reserve Bank of India is at the dictates of the Finance Minister and the Government of India, none of these evils can be set right.

Then, what about the social obligations? After the two nationalisations, first in 1969 and then in 1980, the social obligations were met with and the priority sector was given its due share. Priority sector was served to the tune of forty per cent of the total lendings. The Narasimhan Committee's Report has advocated free entry of the private sector into the banking system. At the same time, it has also advocated not to stick to the priority sector lending. Is it justified on the part of the banking system which is mobilising to the tune of forty per cent of its deposits

[Prof. Ummareddy Venkateswarlu]

only from the rural areas and lending the rural areas only to the extent of sixteen per cent? The total lending to the agriculture and allied sector is only to the tune of sixteen per cent. Now when the entire banking system is able to mop up and mobilise the deposits to the tune of forty per cent from the rural sector but is lending back in terms of loans only to the extent of sixteen per cent, is it justified? The amendment brought now inviting private sector entry which evidently is not fully going to serve the priority sector.

Even the ceiling of voting right has been increased from one per cent to ten per cent. I do not think it is going to serve long terms interests. The Malhotra Committee which had been appointed on Insurance Companies, has even suggested that the voting right should be increased to forty per cent. There is no doubt in our minds that this increase in the voting right is going to lead us to a monopolistic society and not to a democratic society. The total democrat process is going to be demolished in banking system too.

I wish to make one more point and that is about the appointment of part-time Chairmen. Time and again, they have been mentioning that even the part-time Chairman is going to be appointed on approval from the Reserve Bank of India. As I have mentioned, there have been several occasions where the directions of the Reserve Bank of India have been flouted and this will be no exception. Even when there was a full-time Chairman also, there was no accountability and there was no responsibility. Now when there is a part-time Chairman, how can we expect that there will be even that

much of accountability as far as banking operations are concerned? I do not think it will work out very well.

Sir, please permit me to make one point as far as agricultural sector is concerned. As far as this sector is concerned, after the Narasimhan Committee's recommendations are released, there is a decline in the total lending to the agricultural sector. Now with the entry of the private sector in the banking system and the raising the ceiling of voting right, I am very much afraid that, agricultural sector and also other priority sectors are going to be given the step-motherly treatment. As such I am forced to oppose this particular amendment.

SHRI CHITTA BASU (Barasat): Mr. Chairman, Sir, I am conscious of the limitation of the time.

As a matter of fact, whatever might be the stated objective of the Bill, the real intention of the Government is to privatise the banking industry in our country. The real aim of the Government is to facilitate the drive towards the privatisation of the banking and to decimate the public sector banking system with its consequent effects.

The second objective,, it appears to me, is to raise the capital from the capital market upto the extent of 49 per cent of the equity. The result of this would be—I want to say in a single sentence—to reverse the process of growth of the public sector banking which by now attained a commanding height and to revert back to the pre-nationalisation position in our country. It is particularly so in the banking system and with its attendant evils. And naturally you are going to abandon the policy of social banking. Please permit me to say that instead of social banking you are going to accept

the perception of class banking, that is the banks will serve a particular class so far as investment is concerned and so far as lending is concerned and that very fundamental perception of social banking is now going to be replaced by the perception of class banking. Therefore, from the point of principle, we are opposed to this measure.

Some of my friends who preceded me made certain observations saying that the objective of the nationalisation of the banks has already been fulfilled or rather over-fulfilled. Please permit me to say that it is over-simplification of the statement. Yes, there has been progress. We have got the chart. As a matter of fact, in one word I have described it that the public sector banking system has attained commending height. But private sector banks are also there. The foreign banks are also there.

If we remember Mrs. Indira Gandhi and her commitment to public sector, she was very clear in her perspective. She said that private sector is really private sector and we have got nothing to do with it and so far as public sector is concerned it has got a social commitment and perspective. What have we found? Are we not for social commitment? Are we not for a public participation, public involvement in the affairs of the economy of our country? Therefore, on all principles, we are reversing the process. You are naturally negating the process which was brought into motion after the nationalisation of the banks in 1969. I am opposed to it. You are doing it now in the name of changed context in the world, in India. What are the changes that have taken place? Has capitalism changed its place? Has unemployment lost any of its dirt manifestation?

SHRI MURLI DEORA (Bombay South): Communism has failed.

SHRI CHITTA BASU: Communism has not failed. Certain variety of communism has failed. That does not mean that the philosophy of communism has failed and that does not mean that the capitalism has improved its image ...*(Interruptions)* There are changes and there is no doubt about it. There is a need for restructuring and reforming the banking system. But what kind of reforms should be there? If you want the reforms that figures to the interest of the Birlas, Tatas and the multi-national corporations, I am opposed to that kind of reform. But if there is a reform which promotes the interests of the workers and peasants, then certainly we are for reforms. So, you should not go by the slogan that the world has changed and so we should also change. If somebody says that something has failed, then we should also have to follow suit. This is not a logical or a rational argument. Coming back to the question of reforms, I would like to say that all the central trade unions of our country have suggested certain restructuring proposals for the financial sector of our country not on the lines of Narasimhan Committee, not on the lines of Malhotra Committee for insurance and not on the lines of other Committees which are yes-men of I.M.F. and the World Bank. If you permit me, I will simply say two or three points which are very relevant and important in so far as the reforms are concerned.

MR. CHAIRMAN: Chitta Basuji, please confine yourself to the provisions of the Bill.

SHRI CHITTA BASU: Sir, there is a necessity for improving the efficiency of the banking system in our country. Do you mean to say that by simply appointing a larger number of part-time Chairmen or Directors the system will be more efficient? If that is the objective, then with

[Shri Chitta Basu]

all humility I would like to say that you are pursuing a mirage. It is not possible. If you want to improve the efficiency of the banking system by simply raising the ceiling on voting pattern, then you are mistaken. If you are really interested in improving the efficiency and if you want the public sector banks to function in a professionally skilled way, there are other methods. I will suggest one or two things.

Sir, restructuring of the entire commercial banking sector should be immediately undertaken and for that 8 or 10 equal sized banks should be brought under an atmosphere of competitiveness. There is a necessity for introducing competitiveness. An Overseas Banking Corporation should be set up comprising of public sector banks abroad. Wilful defaulting of bank loans should be made a criminal offence. Now, 75 per cent of the total amount which has been converted into a bad debt has been due to the failure and the negligence of the corporate sector. Can you deny that? You cannot. Therefore, wilful default should be made a criminal offence punishable with strong punishment.

The list of all defaulters, say about 10 lakhs, should be published. You are very much for the transparency but why are not transparent in this matter? I think, you should agree with it. The corporate sector also needs to be transparent. The banking sector should be brought under the scrutiny of the Standing Parliamentary Committee. The banks are not under the purview of the PAC. What is the reason?

There are other points also. But I will conclude. Therefore, my conclusion is, this is the wrong way you have chosen. The way you have chosen will

lead to the complete dismantling of the edifice that you have built. It is good that you can take the credit that your Party has built up that edifice. But it is unfortunate turn of events that the edifice which is built by the party is going to be destroyed, or is going to be dismantled by that party itself. Therefore, I feel that the Government should pull itself back from these disastrous economic policies, which are part of the so-called new economic policy, so-called liberalisation, so-called globalisation of Indian economy and integration of Indian economy with the world economy. This is again, I would say, was a disastrous path. This path will not lead us to a prosperous and stable society. It will lead to chaos, confusion and if you want me to say, revolution and that revolution you will not accept as such.

SHRI A. CHARLES (Trivandrum):
Mr. Chairman, I stand to support the Banking Regulation (Amendment) Bill, 1994 which is now being discussed. Sir, you have spoken already and very ably presented the case of the Treasury Benches. I feel, our responsibility even to talk on this Bill has been reduced to a great extent after your speech.

The main features of the Bill are four. First, it enables appointment of part-time Chairman in banking company. Second, it raises the ceiling on voting right from one per cent to 10 per cent. Third, it restricts the number of Directors to a maximum of three and the fourth, it enhances the penalties for the offences committed by the persons responsible.

I totally support all these because we are at the stage of having global competition. We have to equip our banking system also to face the challenges because we cannot stand isolated.

One objection mainly raised by the Members from the Opposition is about the ordinance. I am not going to speak at length. I do appreciate their concern that the power of issuing ordinance as far as possible shall be used sparingly. But as a Government, as the ruling Party, we have a commitment to the world and to the nation. Whenever we find that there are certain areas where something has to be exercised urgently, we have the responsibility to do that. We cannot have the Opposition to oppose everything. I may say, we cannot stand like Casa Biyacha in a burning ship saying whatever may happen, we would not move. This Government is a moving Government.

18.00 hrs.

Our Prime Minister has more than once categorically stated that are for changes with continuity. Much has been said about the public sector banks.

I also share their view that at one stage were these banks at the commanding heights of our economy so we have to strengthen them. But could any of my friends on the other side say the reason for the loss caused by these huge banks? The loss of IOB is more than Rs. 700 crores and of Syndicate Bank is more than Rs. 670 crores and of UCO Bank Rs. 450 crores and of Central Bank of India is about Rs. 300 crores. Huge losses are being incurred by the public sector banks. I am not accusing them. Even after nationalisation of banks there were the foreign banks and the private banks. There were the nationalised banks also. Now we have to strengthen all these banks so that there may be a healthy competition in the face of global challenges.

The main allegation they have been making is about Dunkel. We know that the Agenda of the Opposition in the next General Elections would be Dunkel and nothing else. They somehow want to show this Dunkel as a huge monster swallowing the whole country.

This Government is committed to the change that has taken place and we want to ensure that the life of the common man is in some way improved. That is our effort. As part of that effort, we are trying to streamline the administration of the banks also.

In this connection, I also want to express my concern on some of the vital areas. I am sorry none of the Members on the Opposition has presented the problem of the small industrial sector. That is the one sector which gives employment to 40 per cent of the people and it is responsible for more than 30 per cent of total production. That is a vital sector and I would request the hon. Minister that while ensuring that competition shall be there, care shall be taken for the protection of the small industrial sector.

So also social commitment. I know the RBI have guidelines and every bank is not totally independent. Even private bank will have to abide by the guidelines of the RBI and the social commitment will have to be there. But it is very disappointing that even these guidelines are being flouted by the so-called public sector banks. The credit deposit ratio in Kerala is far below the target. It is almost 46. What is the explanation? It is not true that the public sector undertakings have alone are responsible for this. We have to see that every bank, whether it be private bank, public sector bank, foreign bank, has to fulfil certain obligations and the Government and the RBI should keep a

[Shril A. Charles]

watch on that and then only it will serve the purpose.

One grave fraud committed by a huge financial institution has shocked the whole country. Our friends from West Bengal are not here. You have to communicate. The Janpriya Financiers, of Calcutta, have committed frauds to the extent of crores of rupees. There is an agency system. There are thousands of agents and crores of rupees are invested. In Trivandrum, there was one Branch. One fine morning that was closed and nothing is known about it. In the bylaws, it is written that this Janpriya Financiers have the recognition of the Government of West Bengal. The registration number and everything is there. In the front page, it is given that every deposit will be made only in the nationalised banks. It has also been stated that it has the approval of the RBI. But several lakhs of our poor people whose assets have been collected in small instalments of Rs. 10/- etc. which come to crores, everything has been taken away. I would request the hon. Minister to conduct an enquiry through the RBI and see that action is taken against them.

Sir, I am aware of the constraint of time. In two minutes, I will conclude. My feeling is that it is not sufficient to pass the legislation but it should be implemented properly. We have passed a legislation on interest on delayed payments. It is really sad that there has not been a single small industrial sector which could avail of that benefit because the moment they go to the court, all their business will be over. What I want is that a re-thinking is necessary. The payment of interest on delayed payments should be made mandatory irrespective of the fact that the unit go to the court of law or not. If so payment can be ensured.

I have got a few more points. The SIDBI has not served the purpose. The BIFR looks after the larger business and industrial houses and not the small scale sector. They will have to be taken care of. The Bill has been brought forward at an appropriate time. This will strengthen the whole functioning of the banking system.

With these words, I strongly support this Bill. I am thankful to you for the opportunity given to me.

[Translation]

SHRI RAMASHRAY PRASAD SINGH (Jahanabad): Mr. Chairman, Sir, we are discussing the Banking Regulation (Amendment) Bill. In this Bill whatever the objects of Bank are given, but it clearly shows the intention of the Government in this regard that they want to bring back the situation prevailing prior to 1969 and therefore, they are encouraging the foreign banks to operate here.

Mr. Chairman, Sir, first of all I want to draw your attention to the fact that in 1962 our party had organised a rally and in that we had raised a demand that banks should be nationalised and privy purses should be abolished. And nationalisation was done in 1969. When our Late Prime Minister Shrimati Indira Gandhi adopted the path of Nationalization of Banks, a split in the Congress Party took place and it divided into two groups the people of left parties supported her move and in this way the nationalization of Banks took place. The main object of Nationalization was that India is a rural country the rural people were being harrassed by the moneylenders at that time and the situation had come to such a pass that the land belonging to the farmers of Jharkhand had gone into the hands of moneylend-

ers. Later on, the Government passed a Bill to get back the land of those farmers but that Bill is yet to be implemented.

The Banks were nationalised to save these people from the clutches of the moneylenders and to see that the poor marginal farmers and landless labourers could get loans from the banks. This step proved fruitful and their condition improved upto some extent. Smt. Indira Gandhi took this step for the welfare of the society. At that time the people who were not in favour opposed this move and as a result thereof the Congress was divided. Those powers who were opposing, it were defeated at that time, but now again they have raised their heads and under the influence of these powers we are again going back to that situation.

Mr. Chairman, Sir, when we are talking about competition, I would like to say that our banks have the capacity to compete. But when such scams occur, their competitiveness is affected badly. How brokers like Harshad Mehta were able to do such a big scam? I would like to say that no irregularity can take place without the involvement of politicians. Brokers do not have that much courage that they could scam the crores of rupees without the help of politician. The new Economic Policy has been declared after this scam which is just an excuse. All the irregularities have been committed through Brokers due to which our economy received a set back and then came this new economic policy. It is the result of that what you are going to do today. Only saying will not work. If you want to strengthen the economy of this country, if you want that our country moves forward then no one will oppose this. Who will not like that our economic

condition improves and strengthens. Only the traitors will not like it. Myself and my partymen understand all these things. The main thing is this that you want to bring the foreign banks here. We have a view that if you have a feeling of patriotism then you should work according to that. Your patriotism should not be mere show business, do not work against the interests of the country. All these things are being done under the pressure of 'Dunkel'. But you are not going to accept this fact. The *oak of France* has said this thing and these things are also coming in the Press. Today the prices of drugs are going to increase by 10 times. At present the prices of the drugs for the diseases like heart attack, kidney and Cancer are within the reach of common man but in near future these will be out of his reach and it will badly affect the health of common man as a result thereof of our citizens will deteriorate.

Therefore, it will be better to withdraw this Bill. A new Bill should be brought here after consulting all the members of the opposition and treasury benches and by replacing the old banking system, a new system should be evolved.

[Translation]

*SHRI R. JEEVARATHINAM (Arakkonam): Hon. Chairman, Sir, I welcome and support the Banking Regulation (Amendment) Bill brought before this august House for consideration by the Hon. Minister of State for Finance, Shri Abrar Ahmed.

It is with a great intention to regulate the Banking system in the country and to ensure the growth of Banking sector, our beloved late Prime Minister Smt. Indira Gandhi went in for nationalising

* Translation of the speech originally delivered in Tamil.

[Shri R. Jeevarathinam]

big Banks in our country. It is only after that people began to repose faith and confidence in Banking operations. Then they started depositing their assets with the Banks. Now, it is the duty of the Government to give enough security to the deposits and to ensure paying adequate interest on the deposits that lie with the Banks.

When our Hon. Finance Minister, Dr. Manmohan Singh took over, Banking industry had its growth and setbacks. It ended up in the Harshad Mehta Scam episode being brought to light.

The credit of bringing to light the scam of such a magnitude should go to our Prime Minister and Finance Minister who are now resorting to corrective measures. People have again reposed their confidence in the Banking system in the country.

I would like to say that the impact of Share Market looms large over the Banking system of our country. I would, hence request the Hon. Finance Minister to reconsider the procedure now adopted in extending loan and offering advance money to industrial sector atleast at this juncture.

Several crores of rupees have been paid as advanced and loans to big industrialists. But, still several of their industrial units are found to be sick. They are not run profitably and viably despite the facilities made available to them. We established BIFR to go into this lacunae. Even BIFR could not function properly as was expected. Recently Minister for Industries has written to me that about 1 lakh crores of rupees invested in these sick units lie inoperative. In order to recover the funds so invested, we must

have to resort to effective steps like notifying such sick industrial units and selling them away through auction. Only then we would be able to retrieve the money invested in them. If you find BIFR is not effectively functioning, you must then dismantle the body and redeploy the BIFR personnel in the Banking sector or in recovery tribunals which we may contemplate now.

One of the objects of this Banking Regulation Amendment Bill is to appoint part-time Chairman to Banks. The Bill also envisages the Managing Directors to take over the administrative control. They are made accountable to the apex administrative body of such Banks. Here I would like to put forth my suggestion. The posts of Managing Directors of Banks should be given only to the staff of respective Banks who have climbed up the ladder through promotions.

This amendment Bill also provides the shareholders with increased voting rights which is sought to be enhanced from one per cent to ten per cent. This would encourage more people to invest in Banking activities. This would also provide a broader monitoring mechanism to check and watch the effective functioning of Banking industry. I feel that the proposed amendments would the Banking sector to improve their performance and efficiency. We now find that more of foreign investment are forthcoming. The Bank administration is entrusted in its entirety with the Managing Directors. Under these circumstances, Government should ensure that the Banks are still accountable to the Government and through the Government to the people of this country.

Banking is in the Service sector. We can even call them socio-economic welfare organisations. Hence we must

ensure that welfare bodies are set up to look into the welfares of Bankmen. We must attend to their problems and grievances as and when they occur and must create a conducive atmosphere to put an end to strikes in the Banking sector.

Branch Managers, cashiers and clerks working in Nationalised Banks should be regularly transferred once in three years. If they are allowed to continue in the same place for long, this may give rise to corruption. Such transfers should not be held back in the pretext that office bearers of Trade Unions are being exempted from being transferred.

The Minister may also indicate as to how he intends to go about in giving representation to shareholders in the body of Board of Directors. You should also review the procedures followed by the Nationalised Banks in extending loans. Herein I would like to bring to the notice of the Minister the going on in extending loans to big industrialists. They furnish three different addresses and get three different loans one and the same time. Such Bank officials are aware of this and they are want only negligent. You must form an effective mechanism to investigate into such irregularities. You must ensure that only one loan facility would be available to one address in a single building. You must review the procedure adopted in extending loan to different units under one roof and one single management.

Interest rates for Fixed Deposits should be uniform in both the public and private sectors. As such we find vast difference in interest rates offered to Fixed Deposits. You have to make it uniform and a balanced one.

Industries are now allowed to raise loans from the public on their own. You

must review this and you must formulate a constructive ceiling limit.

Nationalised Banks are now laying different rates of interests on loans extended by them. For instance, the rate of interest for the first two lakhs of rupees would vary with the subsequent lakhs and more up to ten lakhs. You must do away with such slab system which has interest rates varying from 14% to 21%. The industrial sector is finding it a problem and pinches them. Hence you must look into the ways of levying uniform rate of interest on such loans.

Likewise you must change uniform commission on Demand Drafts purchased from Nationalised Banks. For instance, if we buy two DDs for Rs. 500/- each, the Commission charge would come to Rs. 4/- in toto that is Rs. 2/- each. Whereas if you buy a DD for Rs. 1000/- the Commission would be Rs. 10/- I request the Minister to look into this and evolve a uniform rate of Commission on DDs purchased from the Banks. You must do away with slab system here also.

I would like to impress upon the Government that nationalised Banks should never be handed over to private sector at any point of time. Foreign investors who come forward to start Banks here in India should be allowed only in the joint sector. Government should hold 55% and the foreign investors should hold 45%. While giving permission, we must also retain with us the right to take over the 45% of the shares at an appropriate time.

House Building Advance should be liberally extended to people in the private sector. At the same time, effective pay back guarantee should also be obtained.

[Shri R. Jeevarathinam]

Housing Banks are not functioning effectively. Hence they must be merged with regular commercial Banks so that such facilities are available under one roof at one counter. When loan applications from the industries are processed the Members of Parliament from the respective areas should also be involved in scrutinising the applications.

Members of Parliament should also be invited to all the functions organised by the Nationalised Banks in connection with Deposits mobilisation and loan distribution in their respective areas.

People from backward areas should be given financial assistance in the form of loans on being recommended by Members of Parliament. I request the Government to suitably instruct the Banks in this regard. With this I conclude my speech extending my support to the Banking Regulation Amendment Bill, 1994.

[English]

SHRI RAM KAPSE: Hon. Chairman, Sir, there are four intentions with which this Bill has been brought forward.

One is about "the appointment of part-time Chairmen in the banking companies". The second is "it has been considered necessary to raise the ceiling on voting rights of a shareholder from the existing one per cent to ten per cent". The third is, "of the total voting rights of all the shareholders of the banking company, the Act provides that any person who is a director of any other banking company or of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent; in view of this provision, the directors of the institutions promoting new banking com-

panies that may come up would not be in a position to be directors of such new banking companies". The fourth intention is, "the provision, therefore, requires to be amended to provide that a banking company incorporated in India shall have not more than three directors from among the directors of companies which among themselves are entitled to exercise voting rights in excess of 20 per cent".

About these four intentions with which this Bill has been brought forward, I would like to enquire from the Minister as to where is the reason for issuing an Ordinance. We are to meet in the third week of February and on the 31st of January, they have issued the Ordinance. I would like to know firstly as to what is the urgency to issue the Ordinance. You could have brought forward a legislation in this Session and with the majority, you could have got it passed.

In the earlier years when Pandit Jawaharlal Nehru was the Prime Minister, when there was an effort on the part of the Government to issue an Ordinance, the then Speaker saw to it that the House was not prorogued and no new Ordinance was issued for months together. I oppose the ruling of the nation with the help of ordinances *per se*.

I oppose the four intentions and especially the intention to enhance the voting right of the shareholder from one per cent to ten per cent, in toto. There was a reason, why the shareholders having hundreds of thousands of shares were not allowed to have more than one vote; and it is that the banking companies should not be owned by individuals with the help of shares. But, now you are raising the limit from one per cent to ten per cent. As far as the voting provision is concerned, I oppose it in toto. I would also like to know, why do you want to

have a part-time Chairmen? With the full-time Chairmen, where are we as far as the banks are concerned? Have we achieved our goals as far as the banking sector is concerned? What were the goals? When nationalisation was done during Shrimati Indira Gandhi's regime, it was done with social intentions and she did something. I would like to request the congressmen to at least read that speech. At that time, Congress approved it and the Government approved it. Now, you are going away from that and you are doing privatisation in the name of bringing in the foreign money. Are we really in a position to do away with nationalisation immediately? As far as the banks are concerned, all the nationalised banks are in wreck and all are running in losses. Even in this year's budget, there are two references to the banking system. As on today, one reference is about the losses and the other reference is about restructuring of the rural banks. So, you are not satisfied with the banking system as such.

Then, I would like to ask you that when urban banks or other private banks are running very well, what are you doing for them? You protect the good banks. As far as the nationalised banks are concerned, you clearly tell the House what are the reasons for their failure. They have totally failed. The total failure of the nationalised banks is because of political interference and, at the same time, because of corruption by the bureaucracy there.

I support the bringing forward of a new company and, at the same time, same Director becoming the Director of another company. It is a part of the Bill. But we cannot support the Bill in full as far as raising the ceiling limit or the voting right of the shareholders from the existing

one per cent are concerned. We cannot accept this proposal. At the same time, I oppose the bringing forward of this Ordinance tooth and all nail because we were to meet in the third week of February.

[Translation]

SHRI RAM KRIPAL YADAV (Patna):
Hon. Chairman, Sir, I rise to oppose the Banking Regulation (Amendment) Bill, 1994. The main reasons of this objection is that the Government has perhaps made it a practice to introduce a law through Ordinance and not by introducing the Bill. Whereas according to the Constitution and democratic norms an Ordinance should be brought only then when there are chances of unrest, if the law is not amended immediately through Ordinance I have failed to understand as to what compelled the Government to promulgate the Ordinance, particularly at a time when Parliament Session was likely to commence, by violating the dignity of the House. This is not a new practice. I have been observing that now a days first comes the ordinance and then comes the Bill to replace it. The Bill is brought in the House just for formality sake and to pass it. The Government of India is trying to restrict our rights provided by the constitution.

I would request that the Government should stop the practice of running the country through ordinances. I oppose this Bill because this Bill is antipeople, it is against the interest of rural people. Shrimati Indira Gandhi, the then Prime Minister of India had done a tremendous work in 1969. Prior to 1969, the operation of banks was in the hands of private people. At that time she had a great urge to uplift the poor people of this country. Therefore, in 1969 Indiraji nationalised

[Shri Ram Kripal Yadav]

the banks and a great change in the working of Banks was brought about. This was a revolutionary change and it was in the interest of the people and farmers of this country. But the Congress Party is forgetting those policies and principles. Through this Bill it is trying to hurt the feelings of the people of this country. Why are you trying to forget those policies and principles on which your leaders had faith?

Pt. Jawaharlal Nehru was the Prime Minister of this country. He played an important role in moulding the future of the country. Through this Bill, Government is trying to hurt his soul. While going for privatisation of Banks, you are going to give a serious blow to his ideals and principles. Now the foreigners will come here and occupy the industry. You have adopted the Policy of Liberalization.

This Bill will help the foreigners to plunder the wealth of this country and take it to their respective countries. Therefore, my submission to you is that you please withdraw this Bill.

Rules in the Banks are being changed today due to big defaulters of these Banks. There is a deterioration in the efficiency of Bank employees. They are unable to work properly. The loans taken from banks are not being repayed. There is a need of amending the rules. The Government seems to be worried today. The influential people and the big industrialists take loan from the banks. The major part of the bank capital is in their hands. They should be punished by amending the law. A conspiracy is being hatched to ruin the country. A stern action should be taken against such borrowers to improve the condition of banks. Another Bill should be brought to recover

the loans and to improve the functioning of banks. This Bill should be withdrawn in favour of the poor, the poor farmers of the country and for the upliftment of the country. Such a Bill should be brought, which can eliminate poverty and remove unemployment from the country. With these few words I oppose this Bill.

[English]

DR. VASANT NIWRUTTI PAWAR (Nasik): Mr. Chairman, Sir, I am very much thankful to you for giving me this opportunity to speak and I hope I am the last speaker to speak. I assure you that I will not give a chance to press the bell.

I rise here to support the Bill which has been introduced to replace the ordinance. At this moment, I would like to give some suggestions about banking sector. Banking sector is the most important area in this era of free economy. But the faith of the common man in the banks is going down and down and because of the dissolution of the banks, people are worried about depositing money in the banks. So, it is the prime duty of the banking sector to increase accountability and credibility. The faith and trust must improve so that the common man or the investor or the depositor will deposit maximum amount in the banks. Hats off to the foresight of our late leader, Shrimati Indira Gandhi who had brought forth bank nationalisation because of which we have, today, arrived at this stage of development. I am very happy about it.

As regard the area of operation of banks, the nationalised bank is given an area of ten villages whereas a rural bank which works under the district cooperative bank is given an area of about five villages. It is very difficult for the rural banks to survive with this sort of restrictions. In this era of free economy, I

wonder why such a restriction should be there at all. The bank which works better and gives better customer service will survive. Therefore, I suggest that the restriction with regard to the area of operation should be removed so that all banks can compete and thrive.

As far as the closure of certain banks is concerned, I and many of my hon. colleagues receive many representations from various people. We realise the fact that many banks are being closed because they are running at a loss.

[English]

But I must appeal to the Government that this should not be applicable to the rural banks. Rural banks are the main source of credit and if you close them down, the farmers will be hit hard. I hope the Government will support these banks and see that these banks which are located in Adivasi, hilly and other remote areas are not closed. This will help the employees of the banks in those areas as also the farmers, depositors and investors.

I would like to mention a point about the appointment of directors in the nationalised banks. There is a lot of delay in their appointment. This Bill is introduced to take care of this aspect. There should not be any delay in the appointment of directors. I am of the view that the appointment of part-time chairman should be done very carefully by the RBI. Eminent and knowledgeable persons will be available for appointment and their expertise will definitely improve the banking sector. Here I would like to give the example of the Maharashtra cooperative sector which is doing very well. In Maharashtra, in the urban cooperative

banks, the chairman cannot stay for more than ten years or two terms. Why cannot this condition be made applicable to the nationalised public sector banks also? If this restriction of two terms is prescribed, they will not be there life long and they will not develop a vested interest. So, I suggest that this restriction may be made applicable to directors and Chairmen of these banks as well.

I would like to say a word about the penalty clause. If a person commits a fraud of Rs. five lakh, and if he were to pay a penalty of just Rs. 25,000, how will it act as an effective deterrent? He may simply pay the penalty of Rs. 25,000 and get away with the remaining amount of Rs. five lakh. So, I would suggest that the penalty should be tantamount to criminal prosecution. Then only there will be an effective deterrent on the people and they will be more accountable and the credibility of the banks also will definitely improve.

The RBI has recently brought out new guidelines for the banks in cooperative sector. I welcome the provisions. But I would like to give a suggestion with regard to clause 5. The nationalised cooperative bank of India is just at the stage of its inception. The Reserve Bank of India informed that it would be necessary to amend the Banking Regulation Act so as to bring National Cooperative Bank of India within the definition of the Cooperative Bank under Section 5 of the Banking Regulation Act. I request the hon. Minister to look into this matter. Until and unless this National Cooperative Bank of India is defined as Cooperative Bank under Section 5 of the Banking Regulation Act, they will not be getting licence and they will not be allowed to start functioning. I request that the Government should do something about it.

[Dr. Vasant Niwruutti Pawar]

There are so many educational experts in the House who are interested in the development of education. Can educational institutions be given a facility to get loan at a minimum rate of interest so that they may develop the education system as a whole and see that illiteracy is wiped out from our country? I hope that hon. Minister will consider a few of my suggestions. With these words I support the Bill.

[*Translation*]

SHRI VISHWANATH SHASTRI (Gazipur): Mr. Chairman, Sir, I oppose the Banking Regulation Amendment Bill since this Government is lowering the dignity of the House. No reason has been given to promulgate this ordinance just few days before the onset of the session. Earlier on many occasions, such ordinances have been promulgated. They are setting up a tradition to promulgate the ordinances like this. Secondly, I would like to submit that one of our colleagues has stated that the role of the banks in 1969 was to cater the needs of the private sector and at that time these banks were working for private sector and for their own profit. They were not performing any social responsibility. That is why these 14 banks were nationalised. These banks carried out their social responsibilities after nationalisation. The number of the branches also went on increasing day by day. But with that one thing has come to light. It seems Government has not learnt anything from its past experience instead it is heading towards privatisation. The basis on which nationalisation was done at that time are being ignored and Government is again privatising these Banks by amending the Banking Law through this Ordinance.

Sir, it has been found that the loans are not distributed by the rural bank branches to the farmers and artisans in the ratio in which they receive deposits in rural areas. In this way, the branches of nationalised banks in rural areas instead of developing the backward areas and bringing them at par with the urban areas are exploiting these areas. Such a provision should have been made in this Bill that investment should be done in the rural areas in the ratio of the deposits they receive in these areas but no such provision has been made in it. It has also been said that banks should be made competitive. But what sort of competition should there be? One kind of competition has been witnessed by the whole nation in which crores of rupees have gone waste and none knows how it would be recovered. Therefore, I would like to submit that there should have been uniform terms and conditions for the nationalised and private banks and equal or similar facilities should have been provided to them to encourage healthy competition. More and more facilities should be provided to the customers by the banks and the Government should think towards it.

I would like to submit that the law for maintaining confidentiality should be annulled and the list of major debtors should be published so that it may be known to whom the banks are serving.

In the end, I would like to conclude with one thing that a provision of appointing a part-time Chairman has been made in it. I would like to know about their responsibilities. When the whole-time Chairmen have failed to bring about any change in the banking system what would be the responsibilities of the part-time Chairmen. In this way the aim of bringing improvement in the banking system will not be achieved.

With these words, I conclude and I am thankful to you for giving me an opportunity to speak.

[English]

MR. CHAIRMAN: I am calling the names sent by Party Whips. Let it be over.

SHRI SYED SHAHABUDDIN (Kishanganj): Mr. Chairman, Sir, I rise to support the Statutory Resolution and to oppose the Bill.

Sir, I have to place on record that I oppose the Bill because the very idea of Ordinance-making power vested in the Executive under the Constitution was that it be used sparingly and rarely but now it has become a formality and a routine and it is being used recklessly. I, therefore, wish to register my protest that this amounts to a contempt of the House and a violation of the Constitutional spirit. Therefore, I would request the Government not to issue an Ordinance unless it becomes absolutely essential.

Coming to the actual fact here, it is said that the RBI issued detailed guidelines in January, 1993. The Government takes one year to take cognisance of the fact that these guidelines may require some changes in banking regulations. Three weeks before the Parliament is due to sit, an Ordinance is issued. I would like to know from the hon. Minister what exactly has been done under this Ordinance during the last three weeks which could not have been done now has after the Bill come before the House. Sir, the Minister owes it to the House to make this explanation.

Sir, coming to the problem of banking, we have now come to a stage where the historic step of bank nationalisation

is being retraced. From public sector banks, we have come to joint banking system. Each one of the public sector banks is progressively being privatised. I do not know whether the Government intends to give private shareholders a majority holding in those banks. That I would like the hon. Minister to explain. But at the same time, we are allowing a greater number of private banks and what is worse is that we are allowing more entry to the foreign banking system into our country. In fact these foreign banks are above the law as has been proved in the recent scam scandal that no action has been taken against any of the foreign banks which were involved in this scam. Therefore, Sir, I would like to know whether the Government proposes to permit foreign investment also in the public sector banks and up to what extent these FIs will be permitted to buy the shares and debentures of the public sector banks which are now in the market. That is a specific question I would like to place before the Government.

Sir, because of the monopoly system, there was inefficiency, corruption and low productivity. I do hope that at least a saving grace would be and the Minister should assure the House in this regard that the efficiency and the productivity of the banking system shall go up. As it is, I would like to inform him that the credibility of the entire banking in the country has been eroded progressively and the Government itself have to explain why they were not able to fill nearly 100 vacant posts of Directors on the Board of Directors of the public sector banks in three years in power.

About the rural credit system, there is the prospect of the rural credit being squeezed out or being slowed down. In fact, the RRBs are going to be reorganised, but only 60 of them; and the rest

[Shri Syed Shahabuddin]

of them are going to reach a stage of sickness; and the public sector banks have been advised that, if they like, they can close down their branches. The service area approach has been given a go by. How do they propose to fill vacuum in rural credit that will be created?

The final point is that the banking system has grown in a haphazard manner. Does the Government have any scheme for rationalization of that part of the banking system, which is still controlled by the Government on more rational lines so that there is a regional specialization and the banks operating in a region have their Head Offices in that region itself so that they do not become an instrument for exploiting that region in the interest of the Metropolitan Centres.

As the credit deposit ratio stands today, if you make a systematic study, you will find that the banking system has become a channel for taking away the resources from rural area for the development of the urban area, from the less developed district for the development of more developed district in the same State and from less developed State to more developed States in the country, and in fact to the benefit of a few selected Metropolitan Centres and a few selected industrialists. And that is why, while the banking system is very strict with the small borrowers and they issue notices *even for forfeiting their property, with the big fish, they are absolutely silent; they take no action against them; and that is concealed from the public eyes, from the Parliament behind the screen confidentiality.* I, therefore, request that the Government, if it really wishes to reform the banking system, should make it an instrument of public welfare and make it an

instrument for development, then this screen of confidentiality must be brought down, the credit deposit ratio must be balanced at least at the district level and at the State level for each of the banks that operate in any district or in any State.

I know that the Government will not apply its mind to these suggestions; the Government has become itself involved in these with the big sharks operating in the credit market. I know the intention of the Government. Therefore, I have no hope. But I would like to place on record, before the House, before the Parliament that the Government really wishes nothing more than to make the banking sector an open pasture for foreign operators, for speculators, for profiteers, for the capitalists; and that is surely not the vision that Indira Gandhi had and placed before the country back in the 1950s.

With these words, I oppose the Bill.

[*Translation*]

SHRI SHIVRAJ SINGH CHAUHAN (Vidisha): Mr. Chairman, Sir, It seems that the Government has brought this Bill half-heartedly. Though I am a new member yet I find it difficult to understand as to why instead of moving a Bill promulgation of this ordinance was needed especially when only 30 days were left for the Budget session to commence. It has become the habit of the Government to *commit the contempt of the Parliament.* That's why, I support the resolution brought by Shri Rajveer Singh. The Government is in favour of privatisation of banks. But what steps are being taken by them to improve the condition of the nationalised Banks? The Share scam involving Rs. 4500 Crores took place which is unique in the world's history. The JPC was constituted. But what action has been taken against those influential per-

sons against whom observations were made in the Report submitted by the JPC. The persons who were found involved in the scam are yet to be arrested. Several crores rupees of the public have been misappropriated. The people are aggrieved. The Banks are on the brink of insolvency and the Government is simply writing reports or have turned a deaf ear to it. Today, 12 out of 27 Banks are incurring losses, their condition is deteriorating day-by-day. I belong to a rural area, that's why, I know that ordinary people do not get loans from Banks. They have to grease palms in order to get loans. Some Banks have a fixed rate-list and the Bank-Manager, field officer, and small-ranked politicians act as middle-men. The poor people do not get loans without giving bribes. The loans are not utilised for the purposes for which these are borrowed.

19.00 hrs.

If a person seeks loan for digging a well, the well remains dug only on papers. If a person wants to buy a buffalo and applies for a loan of Rs. Seven thousand, he ultimately gets only Rs. four thousand. How can he buy a buffalo with that amount? Then, he borrows his neighbour's buffalo and shows it as belonging to him. A certain amount is then given to the neighbour for being party to that and some amount is given to the Bank people. This is happening in rural areas these days. The loans advanced by the Banks are not repaid. The people who bribe the bank get loans. I would like to know what provision is made or proposed to be made by you to check such foul practices?

The cases of fraud have increased from 1278 in 1990-91 to 7118 in 1992-93 in which departmental action is being taken. What steps are being taken by the

Government to check this trend? Today the standard of the nationalised Banks is going down. The foreign Banks provide more facilities and give more salary to their employees. That's why more and more customers are getting attracted towards them. The Government departments and Government companies are also making business links with these Banks. The Government should check this tendency. At least the Government departments should only deal with the nationalised Banks.

The licenses are being issued for opening private Banks. The 24 out of 140 representations received are under consideration of the Government. I would like to know about the people who are being issued licenses and it should be ensured that these people do not include those who were found involved in the scam and are defaulters? If such people are issued licenses for opening the Banks, then, only a scam Bank will be opened. The private Banks will be opened with an initial capital of Rs. 100 crores. They will have a number of branches. I apprehend again that they will misappropriate crores of rupees deposited by the public. What steps are proposed to be taken by the Government to check it?

The Banks are being more frequently looted. Such incidents are taking place more in Kashmir, Punjab and East-Northern areas. Nowadays such incidents are constantly increasing in big cities also. The Government should take steps to ensure the safety of Banks. The guards should be equipped with modern weapons and the Government should pay attention to tight the security of the nationalised Banks in rural areas.

I thank you for giving me time to speak.

SHRI DEVENDRA PRASAD YADAV (Jhanjharpur): Mr. Chairman, Sir, I rise to oppose the Banking Regulations (Amendment) Bill, 1994. I want to oppose it because it seeks to encourage the private people to open new Banks in private sector and to hand over the control of our banking system to private people. This will shatter the banking system. The rural areas will tend to get more neglected. In the forth-coming days interests of big businessmen will get more and more protection. If you examine the C.D. ratio of the deposits made in Banks, be it Central Bank of India, State Bank of India, Vijaya Bank or any other Bank, in the rural areas, you will find that there is a heavy imbalance. The C.D. ratio of the Central Bank of India is 21 per cent even in Bihar which is the most backward and the poorest state and the remaining 79 per cent goes out of the State. Similarly, the C.D. ratio is 22 per cent in Uttar Pradesh. The money is mobilised from public in the poor and backward states in the name of developmental purposes because these states are in need of resources. But the money collected in such states is deposited in the head-quarters of these Banks which are located in other states, such as Bombay, Madras, etc. No provision have been made in this Bill to remove such an imbalance. The Bill should have mentioned the ways to stabilise the C.D. ratio because it has direct impact on the development. Today, the investment is 100% in Bombay, Madras, etc. but in States like Bihar, Uttar Pradesh, Madhya Pradesh, Kerala or Orissa, it is only 21% whereas as per the guidelines issued in this regard by the RBI 60% investment should be made in rural areas. There is no parity among the Banks. In this regard where is the money of the poor people of Bihar utilised? The State Bank of India makes its 36% investment. The Central Bank of India makes its 21% investments

in Bihar. So in this way no Bank invests more than 40-42 per cent in the State. I would say only one thing that the guidelines issued by the RBI are flouted. The States, which are in need of funds for development, are neglected.

It is said that the private sector will be allowed to operate in the Banking sector. In this way the Banks would be controlled by the Private Sector. This policy of the Government is wrong. The banks were nationalised in 1969 by a former leader of congress party which is in power at present. I feel that the Government has nothing to do with any policy. The Government is going to handover everything to the external powers. It is going to completely ruin the banking system. Though the Bill in itself looks innocuous enough, yet, it is going to have far-reaching adverse repercussions. How it will help in extending loan facilities to the labourers of rural areas and small entrepreneurs. The poor people get loans at the rate of 16% whereas the big businessmen and industrialists get it at lower rates of interest. Their loans are waived off. But when it came to waiving-off of loans to the tune of Rs. 10,000 borrowed by poor people, they started lamenting that it would adversely affect the Banking system. It created furore in the entire country and the Finance Minister expressed his apprehensions that that would throw the Banking system out of gear.

Mr. Chairman, Sir, today the Banks indulge in corruption and scams are taking place in Banks. The Government has neither formulated any policy nor brought any Bill to check these unfair practices. Their prime concern is how to promote the private sector. We are opposing this Bill because it has been brought to benefit the big businessmen and the industrialists. It will only benefit

the foreigners and the poor farmers, labourers are not going to be benefited in any way from this amendment in the Banking Regulation. We are, therefore, against this amendment Bill. No effort has been made in the Bill to check the imbalance of the C.D. ratio which I have just mentioned. It is being said that all the Banks are being issued directives for observance of the guidelines of the RBI. I would like to tell you that no directive has been issued in this regard by the Government. And if the C.D. ratio continues to be disproportionate then, Uttar Pradesh, Madhya Pradesh, Orissa, Kerala and such States will remain grossly neglected. That's why, I strongly oppose this Bill which will prove to be ruinous for the Banking System. I want to request you to withdraw the Bill and prevent our country from being a puppet in the hands of foreign forces. They should also do away with this habit of bringing ordinance. They promulgate an ordinance before the commencement of the session of Parliament and, then, promulgate another Ordinance immediately after the Parliament is adjourned. Such tendency should be curbed because it is against democratic norms. If the Government wants to introduce any Bill, they should do so in the House and should hold a discussion on a comprehensive Bill. I, therefore, request the Government to withdraw this Bill.

[Translation]

*SHRI OSCAR FERNANDES (Udupi): Mr. Chairman, Sir, I welcome this Banking Regulation Amendment Bill presented by the Hon. Minister. Sir, there are some doubts which I would like the Hon. Minister to clarify. Sufficient encouragement is being given for the private Banks to come up. Here in these Banks can-

didates belonging to Scheduled Castes and Scheduled Tribes should have opportunities to be appointed as Directors. In this connection, I request the Hon. Minister to bring an Amendment. Secondly, there are some important social objectives which the Banking sector has to fulfil. In this connection also I would request the Hon. Minister to bring forward a legislation.

MR. CHAIRMAN: Mr. Oscar Fernandes, will you please speak in English?

SHRI OSCAR FERNANDES: Sir, if there is any difficulty then I will speak in English.

MR. CHAIRMAN: You should have informed the Chair sufficiently early about speaking in regional language.

SHRI OSCAR FERNANDES: I have already informed the Chair. Anyway, I will speak in English.

Sir, it was on the day when banks were nationalised that we started dancing in the streets and welcomed the decision of Indiraji to nationalise the banks. It was a day when Indiraji said that the resources of the banks could be utilised for the welfare of the people of this country. I think whether all the schemes that Indiraji introduced for the poor, especially the DRI or finance to the priority sector are now being scrupulously implemented or not. I would request our hon. Minister to clarify certain points as to how much we are lending under the DRI scheme. We are getting complaints very often that the Scheduled Caste and Scheduled Tribe youths, the youth of minorities, the youth of backwards, who are getting subsidy under the various Government of India's

[Shri Oscar Fernandes]

schemes and under the various State Governments' schemes are not getting finance from the banks. Recently, the hon. Prime Minister has announced a scheme of Rs. one lakh for the unemployed youth and we are happy about it. In the President's Address, there is a mention that about one lakh youth had applied for this, out of which about fifty per cent of the applications have been processed. To our dismay, in the same President's Address, there has been a mention that only about 2,000 youths have been given finance by the banks. However, the Prime Minister was kind enough to clarify the point, saying that the figure of 2,000 has now risen to about 6,000. Now, what is the constraint? I have gone through a circular issued by the Reserve Bank of India to the banks, in which the Reserve Bank clearly states that if a person has got any finance under any Government scheme, he shall not be financed once again. It was Shri Rajiv Gandhi's desire that whenever a poor man might have taken some assistance from the bank, if he has not been able to come above the poverty line, he should be given a second finance so that he is able to come above the poverty line. Our basic intention is to bring the people above the poverty line. The Government of India formulates certain very good welfare schemes for poverty alleviation and ultimately it is our banks which have got to implement them. If we cannot implement these schemes through the banks, then we have to seriously think what is wrong with the banks and why the Government of India's schemes are not being implemented. This is our great concern. I urge upon the hon. Minister to seriously go into this. The people of this country are happy with the nationalised banks. The system should continue. This

Bill does not dilute it. We are happy with it. But the spread has to be greater because in rural areas we have the farmers. There is money in the rural areas and that money could be channelised for better improvement of the rural areas. If we had not introduced these schemes, there would not have been a Green Revolution in this country. It is only because of the finance given by the nationalised banks to the farmers of this country that we have been able to usher in a Green Revolution in this country. There must be an assurance that there will not be any hurdles in the process of helping the small-scale industry people, the artisans, the SCs/STs, the backward classes or the minorities, which are the real base of this country. If anything happens to them, then, I am afraid, we will not be able to fulfil the objectives for which we are fighting.

A similar thing is happening in the insurance sector. The Malhotra Committee's report has been tabled already and I shall demand a separate discussion on the Malhotra Committee's report. I would like to bring to the notice of the hon. Minister that in my own constituency, in Surakkal, the United India Insurance Company has decided to close down their branch. In such a place, where three million tonnes oil refinery is coming up, the capacity of which is being increased to nine million tonnes, where investment of crores of rupees is taking place, the branch of the United India Insurance Company is being closed. The same is going to be the situation with nationalised banks. If that is going to be the case then I am afraid, what will happen. When Indiraji wanted to give debt relief in this country, it was exactly for the purpose of helping the poor people. If the people are driven to the private lenders today and if they get into the debt trap, then all the schemes that

we have brought in are going to be a failure.

I do not want to prolong my speech. I only urge upon the Minister to clarify the points I have made and assure the country that the nationalised banks will serve the country in the same spirit.

MR. CHAIRMAN: Thank you very much. All the Members whose names were sent by the Party Whips have participated in the debate. Now I request the hon. Minister to make his reply.

SHRI BHOGENDRA JHA (Madhubani): Sir, I have given my name... (Interruptions).

MR. CHAIRMAN: All the names are called. Please cooperate with the Chair...

(Interruptions)

MR. CHAIRMAN: Bhogendra Jhaji, you cannot be allowed. I have called your name once and I have been searching for you because you are a senior Member. You have been absent during most part of the discussion. So, kindly cooperate. I am not going to call any other Member. Some names are sent just now...

(Interruptions)

MR. CHAIRMAN: Agnihotriji, please cooperate. We have taken almost double the time which was allotted for this subject. Now the Minister will reply. Please cooperate with the Chair. Please cooperate. The hon. Minister may reply now.

SHRI BHOGENDRA JHA: Sir, I regret that I was not available. I have a very few points to make. (Interruptions)

MR. CHAIRMAN: Please cooperate. Please listen to the hon. Minister.

(Interruptions)

MR. CHAIRMAN: The hon. Minister is on his legs. Please sit down.

(Interruptions)

MR. CHAIRMAN: Shri Bhogendra Jhaji, this is too much. You were not here when you were called to speak. You may be repeating the points made by the other hon. Members.

SHRI BHOGENDRA JHA: I will not repeat any points. I have fresh points to make. (Interruptions)

MR. CHAIRMAN: You cannot say it. Please do not disturb. The hon. Minister may reply now.

[Translation]

DR ABRAR AHMED: Mr. Chairman, Sir, I am grateful to all those hon'ble Members who participated in this discussion and put forth their views and gave valuable suggestions. This Bill is very concise. This Bill, mainly, has four provisions. Several hon'ble Members either could not read those provisions through or could not conceive their intent. Three out of those four provisions are meant for the Private Banks only and one provision deals with the Public Sector Banks, Private and Foreign Banks. The first provision in it is for appointing a part-time chairman. While listening to the hon'ble Members in this regard, I felt that they perhaps have some doubts and apprehensions.

Shri Mumtaz Ansari is not present here. He as well as several other hon'ble Members also said that the provision of appointing part-time chairman has been

[Dr. Abrar Ahmed]

made for inducting political people. But, through you, I would like to dispel their apprehension that the Government has no role whatsoever in the appointment of part-time chairman... *(Interruptions)*... Hitherto, there was a provision in the Act to appoint full-time chairmen in Private Banks but there was no such provision to appoint a full-time or a part-time Managing Director in those Banks. I would like to clarify one thing that this Bill provides for the appointment of a part-time chairman as well as, the hitherto non-existent, full-time Managing Directors. The Private Banks for which provision has been made for appointment of part-time chairmen will now have full-time managing directors also.

Why has the provision for the appointment of part-time chairman been made? The aim behind this provision is to avail the services of those who are expert in the field of Banking but are unable to work for Banks on full-time basis. Besides, a provision has also been made for appointment of a full-time Managing Director. In the appointment of Chairman, the candidates will be sponsored by the Bank concerned and will be recommended by the R.B.I. The Government will have no interference in that. If the hon'ble Members suspect that political people will be appointed as part-time Chairmen, then, they should remove this fear from their minds.

Another provision of this Bill proposes to fix the voting right from 1 per cent to 10 per cent. Several hon'ble Members explained it and even welcomed it. This is also meant for private Banks. The investors invest their money in Private Banks in their own interest. The more they invest, the more voting right they would be entitled to. In this case the

ceiling of 1 per cent has been increased to 10 per cent.

If the promoter company mobilises its share holding upto 10 per cent then it is entitled to have three Directors but all of them would be appointed through election and not through nomination. These three provisions are meant for private sector.

The fourth provision is meant for all private, public sector and foreign Banks. It is regarding imposing penalties. A very meagre amount has been fixed so far to pay penalties. It has been increased. As per the earlier provision an individual who commits any mistake is liable to pay a penalty of Rs. 2,000. But now, he will have to pay either double the amount involved or an amount of Rs. 50,000, whichever is higher. And if the defaults continues to be committed then the present penalty of Rs. 100 per day would be increased to Rs. 2500 per day. This is meant for an individual. There was a penalty to the tune of Rs. 2,000 if a Bank defaulted, now the Bank, which defaults, will have to pay double the amount defaulted or, an amount to the tune of Rs. five lakh, whichever is higher. Earlier per day penalty was Rs. 100 for banks which has been increased to Rs. 25,000 now. This provision of penalty applies to all the banks. When I listened to the hon'ble Members, I felt this was creating doubts in their minds. Now their doubts will be dispelled.

Shri Chetan Chauhan, Shri Charles and several other hon'ble Members discussed the nationalised Banks and they wanted to know as to what is being done by the Government. It is not the case that we have brought this Bill through an ordinance to streamline the Banking System. The Government have taken

several steps during the past few months to streamline the Banking system. We have accepted a number of recommendations of Narasimhan Committee and taken various steps accordingly. SLR and CRR were reduced so that Banks could have surplus funds.

Many Members, while delivering their speeches, mentioned in the House that stringent measures are taken against the small farmers whereas the influential ones do not repay their debts and no action is taken against them. Two days ago, I had clarified in this House that it was not true. In the last session a Recovery Tribunal Bill was passed. In the Appellate Tribunal only those cases of recovery will be taken up which involve Rs. 10 lakh or more. Through you, I would like to inform the hon. Members that at that time also I had told you that outstanding amount of Banks and Financial institutions is to the tune of Rs. 6000 crores, 55 per cent of which is outstanding against only 0.4 per cent people. I would like to inform that a process is on to set up Recovery Tribunal and Appellate Tribunal and very soon they will start functioning. The cases of those persons who have blocked the money or have stopped this cycle or entangled this money is litigation will be transferred to these tribunals and they will have to decide them within a period of 180 days. Even after this, if the borrowers do not repay their debts, then these courts have a right to get them arrested. Under this provision the Recovery Officer is empowered to arrest them. All these right have been provided in it. These issues were discussed in that discussion.

An attention has also been paid towards the advantage of compromise proposals under which litigations can be avoided and efforts can be made to get

the bank money back through compromise so that, this money could be brought back into this cycle for distributing as loans among farmers under the Governments policy.

Full attention has been paid towards Computerisation. An agreement has also been made with the unions. The Government is making all out efforts to improve customer services. During the discussion on loss making branches hon. Member Shri Rajveer Singh and another member had said that 3000 branches would be closed. I fail to understand as to wherefrom he has got this figure of 3000 branches. Two days ago, when I was speaking here, I had mentioned that there were 30,000 branches of nationalised banks. Out of these, near about 10,000 branches are running in loss. A decision has been taken to close down 102 branches only. As per the directions, three points have to be taken care of. One, if there is singularly one branch in a rural area then, notwithstanding the fact it is running in loss, it will not be closed. If there are two branch and both of them are running in loss, then only one branch will be closed. No retrenchment will be made in this process. I had said all this at that time but the hon. Members say that 3000 branches are being closed. I am looking after the work of the Ministry, but I do not have any information regarding closure of 3000 branches.

A number of Zonal and Administrative offices are being shifted from one place to another. If there is any need to shift a branch considering its productivity then a decision will be taken in that regard also. An overall change has been made in the CR proforma of employees so as to adjudge their accountability. It is being done in order to make distinction among them at the time of their promo-

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tions or in the matter of giving them incentives.

Besides that, instructions have also been issued by RBI to make concurrent Audit. The Government is also paying their attention towards fixing capital Adequacy norms. A provision for Rs. 5700 crores was made in the last budget and this year an amount of Rs. 5600 crore has been earmarked for this purpose. Before releasing this amount to the banks they are being asked to sign a MOU which contains certain terms and conditions, such as the banks will have to improve their management and will give more attention towards the branches running in loss and they are also expected to strengthen their capital structure and improve their capital adequacy.

Some of the hon. Members have also pointed out that posts of Chairmen are lying vacant in Nationalised banks since long. I would like to say that during one year except for two banks, Chairmen in all the banks have already been appointed. I have got a list of 9-10 banks which had vacant posts of Chairmen, but appointments have since been made... *(Interruptions)*... You have spoken last. Kindly listen to me.

I have detail even about the individuals. The vacancies of CMDs and Chairmen have already been filled up. ...*(Interruptions)*... Besides, a number of complaints were received by banks in respect of Benami Accounts. To avoid such transactions, since 1st January, 1994 it has been made mandatory for the account holders to affix their photographs on the application forms for opening account. Besides, the rates of interest have been simplified. All these steps have been taken to improve the manage-

ment of Nationalised Banks and to improve the economic condition of the banks which are running in loss. Some hon. Members said that the private banks are being opened to exploit the poor and these will function in arbitrary manner. Some Members asked about the guidelines of RBI in regard to opening of private banks and as to how a control would be exercised on them. In this connection, I would like to say that such a private bank will be registered as Public Limited Company under Company Act, 1956 and they will have a minimum paid up capital of Rs. 100 crores.

Sir, an Hon. Member asked about the security of the money deposited with such private banks. In this connection I would like to submit that capital adequacy of such private banks will be fixed at 1 per cent from the very beginning and its minimum paid up capital will be Rs. 100 crore. The shares of private banks will be listed with the stock exchange which means that as per the guidelines of the SEBI they will have to go public for at least 60 per cent shares, they cannot retain the whole shares with them, only then they will be listed with the stock exchange. All along, it is also stated that such banks will be given priority as have their headquarters at a place, where no other bank has its headquarters. It has been done with a view to decentralize the headquarters. Otherwise all such banks will try to localise themselves to Bombay, Calcutta, Madras and other such places only.

Sir, besides, all order and instructions issued by the RBI will also apply on these banks and new norms of provisioning will also apply on these private banks. Many Members wanted to know about the priority sector, that how the poors were going to benefited by these banks. Most of the members said that the

late Prime Minister Smt. Indira Gandhi did a marvellous job by nationalising banks in the interest of farmers and the poor. In this connection, I would like to tell all those hon. Members that the policy of this Government has always been in the favour of poor, farmers and the labourers. Forty per cent priority sector is fixed for the nationalised banks and RBI does its monitoring from time to time in this regard. So far as the foreign bank are concerned, the percentage of priority sector was 15 per cent which was increased to 31 per cent only last year and a provision was also made in it that if a foreign bank does not invest in 32 per cent priority sector then the bank will have to deposit this money with SIDBI and these criteria of priority sector will also apply on the private sector banks as well. But for the first three years, they need some modification otherwise the priority sector, fixed for the public sector banks will also apply on them. In the matter of branch expansion, private banks are also free to open new branches but they will have to open their branches in Urban as well as in rural areas in accordance with the guidelines issued by the RBI. The loan policy by the RBI for public sector banks will also apply on private sector banks. They cannot form a loan policy on their own.

These banks will use computers and telecommunication devices for their customer services. A high powered customers grievancers cell will be there to control these services which will also ensure the smooth running of customer services.

SHRI RAJVEER SINGH (Aonla): You just tell me, why an ordinance was promulgated?

DR. ABRAR AHMED: I am just telling you. Some hon. Members wanted

to know that how many Private banks applied for it and the number of those whom permission was granted. In this regard I would like to inform the Members that only 9 banks namely UTI, ICICI, SDFC, Global Trust Bank, Bank of Gujarat Ltd., Industrial Bank Ltd. Twentieth Century, Times Bank and IDBI have been given the permission in Principle and only one bank from these has been given the final permission i.e. license.

I have answered the questions raised by the hon. Members. I also want to tell them that it is not that through these private banks we are permitting foreign banks to enter. I want to make it clear that an explicit provision has been made in it which lays down that 40 per cent shares in these banks will be meant for NRIs and only 20 per cent shares will be kept for foreign investors. It is needless to say that these foreigners with 20 per cent stake cannot take over a bank. The 9 banks which I mentioned do not include any foreign bank. Therefore, hon. Members should not have any suspicions about the foreign banks.

KUMARI MAMATA BANERJEE: Hon. Minister did not mention anything about security and safety.

SHRI RAM KRIPAL SINGH YADAV (Patna): You have not told anything about this corruptions will be abolished... (*Interruptions*)...

DR. ABRAR AHMED: I have answered 95 per cent questions of the Members, which were of similar nature. Besides, some questions were different like the one which was asked by Shri Rajveer Singh that why this ordinance was promulgated. In this connection, I would like to say that in 1993 RBI had issued some guidelines pertaining to issuance of licenses to the private banks.

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These guidelines were required to be given statutory status. The private banks wanted to start their operations at the earliest. Therefore, an ordinance was promulgated to give statutory status to the guidelines of RBI so that guidelines could be implemented. Apart from that the hon. Members also raised a point about closure of the branches, regarding which I have already told ... (*Interruptions*)...

[English]

SHRI BASUDEB ACHARIA (Bankura): What about the National Rural Bank of India?

MR. CHAIRMAN: Please sit down. Let him complete his speech. Mr. Minister, Please address the Chair. I think you have answered all the points.

[Translation]

DR. ABRAR AHMED: Kumari Mamata wants to know about the Board of Directors. I want to tell her that directors on Board of Directors will be elected from amongst the share holders... (*Interruptions*)...

Mr. Chairman, Sir, I have answered all the questions raised by the hon. Members... (*Interruptions*)...

[English]

MR. CHAIRMAN: Please sit down. The Minister need not reply to all the points being raised in the House. The points which are relevant to the particular Bill are answered by the hon. Minister.

(*Interruptions*)

SHRI RAM KAPSE: One point about raising the voting right from one to ten, is very relevant. He has not replied to that ... (*Interruptions*)...

[Translation]

SHRI ANADI CHARAN DAS (Jajpur): Mr. Chairman, Sir, since banks are being privatised whether reservation facility will continue to be there for Harijan-Adivasis or not.

[English]

MR. CHAIRMAN: You should study first the provision of the Bill which are given for amendment. Please do not raise that question.

(*Interruptions*)

[Translation]

SHRI ANADI CHARAN DAS: Mr. Chairman, Sir, in view of the fact that banks are being nationalised, whether the reservation facility for Harijan-Adivasis would be there or not?

[English]

MR. CHAIRMAN: You are not allowed to speak. Please sit down.

(*Interruptions*)

MR. CHAIRMAN: This is very unfortunate. No hon. Member has raised this issue about reservation at the time of discussion. Now a new point is being made regarding reservation. The hon. Minister may note this point. Now I call upon Shri Rajveer Singh to speak.

SHRI OSCAR FERNANDES: I have raised this point about reservation.

[Translation]

SHRI RAJENDRA AGNIHOTRI (Jhansi): Please clarify the situation regarding rural banks... (Interruptions)

[English]

MR. CHAIRMAN: This is very unfortunate. Agnihotriji, please take your seat. A point is being raised here though this point was not raised at the time of discussion. But this being a very important point about reservation, I am allowing the hon. Minister to say on this particular point alone, if he so desire.

[Translation]

DR. ABRAR AHMED: Mr. Chairman, Sir, there are four provisions in the Bill. With regard to the points raised about the four provisions by the hon. Members, I have already given the reply. A number of points are raised during the discussion besides those raised with regard to the Bill in particular and I am not bound to reply to all those points. Regarding the rural banks, I would like to submit that the hon. Minister of Finance has assured for reorganisation of 50 rural banks and reorganisation of the remaining banks.

[English]

MR. CHAIRMAN: Now I am allowing the Mover of the Resolution to speak.

(Interruptions)

SHRI SRIKANTA JENA: He did not respond to the point raised by you about reservation.

MR. CHAIRMAN: That point is being noted. That is what the Minister should do. We are not asking for a reply straight-away.

[Translation]

SHRI RAJVEER SINGH: Mr. Chairman, Sir, I may felicitate the hon. Minister for having made a number of contradictory statements by many hon. Members. Shrimati Indira Gandhi was referred to a lot the hon. Minister appreciated her very much. But it was Shrimati Indira Gandhi who had taken the initiative of nationalising banks about 25 years ago. Now her soul will not be in peace to think whether what she did was wrong or what her party is doing at present is wrong. At that time she had nationalised banks because we were unable to provide any help to the backward sections through private banks.

SHRI MRUTUNJAYA NAYAK (Phulbani): You did not support the idea at that time.

SHRI RAJVEER SINGH: That is what I am saying. At that time also we had objected to it on the plea that nationalisation of banks was improper. Today the Government has agreed to it. That is why the present Government is privatising different sectors. They have tried to mend the mistake. I do not know exactly what is right and what is wrong whether the nationalisation policy adopted earlier was wrong or policy of privatisation that is being adopted at present is right? God only knows what is correct.

The recommendations of Narasimhan Committee have not been referred to anywhere in the Bill. On the basis of those recommendations they should have brought a multi dimensional Bill and should have implemented those recommendations. Private banks are coming up—it is a good step, we do welcome it. However, some of the banks were involved in the scams, which include public sector banks as well as

[Shri Rajveer Singh]

foreign banks. The Joint Parliamentary Committee had submitted its report in this regard revealing that an amount of about Rs. 8000 crore was involved in the scam. What happened to it. An hon. Member sitting behind me is saying that this amount was sufficient to construct a one crore Km. long road in the country. Not a single person out of those held guilty by JPC has been apprehended so far. All the money was swindled away. The Government is not at all concerned about it. Nothing has been done for the other small banks which suffered loss.

One of my friends referred to the Chit fund companies which are being run at large scale and with which crores of rupees have been deposited by the poor people of the country. A large number of such companies have become bankrupt, but the Government is not at all concerned about it. Of course this matter is not related to the Bill, but since a subject of similar nature is being discussed, I thought, I should make reference to it. The matter of nationalised banks is being discussed.

[English]

MR. CHAIRMAN: Shri Rajveer Singh, you are the mover of this Resolution. So, you have got the freedom to reply and I am not going to interfere with that. But please speak on the Bill and not on any other topic. Also, please do not refer to those speeches made by other speakers and confine your speech to the provisions of the Bill.

[Translation]

SHRI RAJVEER SINGH: Mr. Chairman, Sir, I would like to express my views in brief. But it may take me a little longer,

if these people will go on interrupting me time and again. The Government had assured the bank employees, Parliamentarians and the bank representatives to set up rural banks. But no initiative to this effect has been taken. Does the Government intend to back out.

Mr. Chairman, Sir, the hon. Minister in his reply had stated that the Reserve Bank of India had issued the guidelines in January, 1993, and it is already one year since then. Then why did it take one year to formulate the ordinance? When I raised the matter, he did not give any reply and remained silent. What did the Government achieve special during the extra 30 days? What was the harm, if they had brought the Bill straight away. Several Lok Sabha Sessions have been held during the last one year but they did not introduce the Bill, and now they have brought this Ordinance. In this way you have shown disregard to the House and have committed contempt of the House. It is not justified. We would like to know what was the need of it? It is a wrong practice and we do oppose it.

Mr. Chairman, Sir, with these words I disapprove this Bill and urge upon the hon. Minister to withdraw it and introduce another Bill which may have the provisions to check scams and corruption in banks, provide loans to the rural people and help in the effective functioning of the banks.

20.00 hrs.

[English]

MR. CHAIRMAN: Mr. Rajveer Singh, in view of the reply already given by the Hon. Minister, do you want to withdraw your Resolution?

SHRI RAJVEER SINGH: No Sir.

MR. CHAIRMAN: The question is:

The lobbies have now been cleared.

"That this House disapproves of the Banking Regulation (Amendment) Ordinance, 1994 (No. 5 of 1994) promulgated by the President on January 31, 1994."

The question is:

"That this House disapproves of the Banking Regulation (Amendment) Ordinance, 1994 (No. 5 of 1994) promulgated by the President on January 31, 1994."

SOME HON. MEMBERS: We want division.

MR. CHAIRMAN: Let the lobbies be cleared.

The Lok Sabha divided :

Division No. 9]

[20.05 hrs.

AYES

Acharia, Shri Basudeb

Dome, Dr. Ram Chandra

Agnihotri, Shri Rajendra

Gangwar, Shri Santosh Kumar

Bala, Dr. Asim

Gopalan, Shrimati Suseela

Balayogi, Shri G.M.C.

Hossain, Shri Syed Masudal

Barman, Shri Palas

Jena, Shri Srikanta

Barman, Shri Uddhab

Jha, Shri Bhogendra

Basu, Shri Anil

*Kanithi, Dr. Viswanatham

Bhattacharya, Shrimati Malini

Kapse, Shri Ram

Chakraborty, Prof. Susanta

Khan, Shri Sukhendu

Chatterjee, Shri Nirmal Kanti

Kumar, Shri V. Dhananjaya

Chauhan, Shri Chetan P.S.

Laljan Basha, Shri S.M.

Chikhliya, Shrimati Bhavna

Malik, Shri Purna Chandra

Choudhury, Shri Saifuddin

Mollah, Shri Hannan

Das, Shri Jitendra Nath

Mukherjee, Shri Subrata

* Wrongly voted for AYES

Mukhopadhyay, Shri Ajoy

Reddy, Shri B.N.

Pal, Shri Rupchand

Roy, Shri Haradhan

Passi, Shri Balraj

Shakya, Dr. Mahadeepak Singh

Patel, Dr. Amrit Lal Kalidas

Singh, Shri Rajveer

Pramanik, Shri Radhika Ranjan

Tej Narayan Singh, Shri

Purkayastha, Shri Kabindra

Ummareddy Venkateswarlu, Prof.

Ram, Shri Prem Chand

Vadde, Shri Sobhanadreeswara Rao

Rao, Shri D. Venkateswara

Vekaria, Shri Shivalal Nagjibhai

Rawat, Prof. Rasa Singh

Yadav, Shri Devendra Prasad

Ray, Dr. Sudhir

Zainal Abedin, Shri

NOES

Adaikalaraj, Shri L.

Bhonsle, Shri Tejsinghraj

Akbar Pasha, Shri B.

Bhuria, Shri Dileep Singh

Anbarasu Shri R.

Birbal, Shri

Arunachalam, Shri M.

Brohmo Chaudhury, Shri Satyendra Nath

Ayub Khan, Shri

Chaliha, Shri Kirip

Banerjee, Kumari Mamata

Chandrakar, Shri Chandulal

Bansal, Shri Pawan Kumar

Chandrasekhar, Shrimati Maragatham

Bhagat, Shri Vishweshwar

Charles, Shri A.

Bhagey Gobardhan, Shri

Chaudhary, Sqd. Ldr. Kamal

Bhakta, Shri Manoranjan

Chaudhri, Shri Narain Singh

Bhatia, Shri Raghunandan Lal

Chaure, Shri Bapu Hari

Bhoi, Dr. Krupasindhu

Chavda, Shri Ishwarbhai Khodabhai

Bhonsle, Shri Prataprao B.

Chennithala, Shri Ramesh

<i>549 Banking Regulation</i>	PHALGUNA 26, 1915 (SAKA)	<i>(Amendment) Bill 550</i>
Chidambaram, Shri P.		Islam, Shri Nurul
Chowdhary, Shrimati Santosh		Jaffer Sharief, Shri C.K.
Dalbir Singh, Shri		Jakhar, Shri Balram
Das, Shri Anadi Charan		Jangbir Singh, Shri
Deka, Shri Probin		Jangde, Shri Khelan Ram
Dennis, Shri N.		Jawali, Dr. B.G.
Deshmukh, Shri Ashok Anandrao		Jeevarathinam, Shri R.
Dev. Shri Sontosh Mohan		Jhikram, Shri Mohanlal
Dighe, Shri Sharad		Kale, Shri Shankarrao D.
Diwan, Shri Pawan		Kaliaperumal, Shri P.P.
Farook, Shri M.O.H.		Kamble, Shri Arvind Tulshiram
Fernandes, Shri Oscar		Karreddula, Shrimati Kamala Kumari
Gaikwad, Shri Udaysingrao		Kasu, Shri Venkata Krishna Reddy
Gajapathi, Shri Gopi Nath		Kaul, Shrimati Sheila
Galib, Shri Gurcharan Singh		Kewal Singh, Shri
Gavit, Shri Manikrao Hodliya		Khan, Shri Aslam Sher
Gehlot, Shri Ashok		Khursheed, Shri Salman
Ghatowar, Shri Paban Singh		Konathala, Shri Rama Krishna
Gogoi, Shri Tarun		Krishan Kumar, Shri S.
Gudadinni, Shri B.K.		Krishnaswamy, Shri M.
Gundewar, Shri Vilasrao Nagnathrao		Kudumula, Kumari Padamasree
Handique, Shri Bijoy Krishna		Kuli, Shri Balin
Hooda, Shri Bhupinder Singh		Kuppuswamy, Shri C.K.
Inder Jit, Shri		Kurien, Prof. P.J.

Lakshmanan, Prof. Savithri	Patel, Shri Uttambhai Harjibhai
Malik, Shri Dharampal Singh	Patil, Shrimati Pratibha Devisingh
Mallu, Dr. R.	Patil, Shrimati Surya Kanta
Manphool Singh, Shri	Patil, Shri Uttamrao Deorao
Marbaniang, Shri Peter G.	Pattanayak, Shri Sarat
Mathur, Shri Shiv Charan	Pawar, Dr. Vasant Niwrucci
Meghe, Shri Datta	Peruman, Dr. P. Vallal
Muniyappa, Shri K.H.	Pilot, Shri Rajesh
Muralee Dharam, Shri K.	Potdukhe, Shri Shantaram
Murthy, Shri M.V. Chandrashekhara	Prabhu Zantye, Shri Harish Narayan
Muttemwar, Shri Vilas	Rahi, Shri Ram Lal
Naik, Shri A. Venkatesh	Rai, Shri Kalp Nath
Naikar, Shri D.K.	Rai, Shri Ram Nihor
Nandi, Shri Yellaiah	Rajeshwaran, Dr. V.
Nawale, Shri Vidura Vithoba	Rajeshwari, Shrimati Basava
Nayak, Shri Mrutyunjaya	Ram Babu, Shri A.G.S.
Nayak, Shri Subash Chandra	Ram Badan, Shri
Nyamagouda, Shri S.B.	Ramchandran, Shri Mullappally
Odeyar, Shri Channaiah	Rao, Shri V. Krishna
Padma, Dr. Shrimati	Rathva, Shri N.J.
Palacholla, Shri V.R. Naidu	Reddy, Shri G. Ganga
Panigrahi, Shri Sriballv	Reddy, Shri M. Baga
Patel, Shri Harilal Nanji	Reddy, Shri M.G.
Patel, Shri Praful	Reddy, Shri Magunta Subbarama

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Reddy, Shri R. Surender	Thomas, Prof. K.V.
Sai, Shri A. Prathap	Thomas, Shri P.C.
Sajjan Kumar, Shri	Thorat, Shri Sandipan Bhagwan
Sanipalli, Shri Gangadhara	Thungon, Shri P.K.
Sayeed, Shri P.M.	Tindivanam, Shri K. Ramamurthee
Selja, Kumari	Tope, Shri Ankushrao Raosaheb
Shankaranand, Shri B.	Topno, Kumari Frida
Sharma, Shri Chiranji Lal	Umbrey, Shri Laeta
Sharma, Capt. Satish Kumar	Umrao Singh, Shri
Siddhartha, Shrimati D.K. Tharadevi	Upadhyay, Shri Swarup
Silvera, Dr. C.	Urs, Shrimati Chandra Prabha
Singh, Shri Motilal	Vandayar, Shri K. Thulasiah
Singh Deo, Shri K.P.	Verma, Kumari Vimla
Singla, Shri Sant Ram	Vijayaraghavan, Shri V.S.
Sodi, Shri Manku Ram	Wasnik, Shri Mukul Balkrishna
Sultanpuri, Shri Krishan Dutt	Yadav, Shri Surya Narayan
Sundararaj, Shri N.	
Suresh, Shri Kodikkunil	MR. CHAIRMAN: Subject to correction,* the result of the division is:
Swamy, Shri G. Venkat	Ayes : 48
Tara Singh, Shri	Noes : 158
Thangka Balu, Shri K.V.	<i>The motion was negatived.</i>

*The following members also recorded their votes.

Ayes: Shri Sudarsan Ray Choudhary, Shri Ram Kripal Yadav and Shri Girdhari Lal Bhargava.

Noes: Shrimati Sukhbuns Kaur, Shri Ram Saran Yadav, Dr. Vishwanathan Kanithi and Shri K.V.R. Chowdary, Shri D.B. Shingda, Shri B.M. Mujahid, Shri K. Pradhani.

MR. CHAIRMAN: The question is: [Translation]

"That the Bill further to amend the Banking Regulation Act, 1949, as passed by Rajya Sabha, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN: Now, the House will take up clause by clause consideration of the Bill. I shall now put clauses 2 to 11 to the vote of the House.

SHRI BASUDEB ACHARIA: We want to have division on clause 2, clause 6 and clause 7. So, you kindly put them separately.

MR. CHAIRMAN: All right. Now, I am putting clause 2 to the vote of the House.

SHRI RAJVEER SINGH: Mr. Chairman, Sir, we have been objecting from the very beginning as to why the Government issued this ordinance. The Government have been adopting an indifferent attitude towards the Parliament by issuing ordinances. No specific reason for issuing this ordinance too has been given. Therefore we stage walk out against it.

20.09 hrs.

[English]

Shri Rajveer Singh and some other hon. Members then left the House.

MR CHAIRMAN: The question is:

"That clause 2 stand part of the Bill"

The Lok Sabha Divided:

Division No. 10]

[20.10 hrs.

AYES

Adaikalaraj, Shri L.

Bhoi, Dr. Krupasindhu

Ahmed, Shri Kamaluddin

Bhonsle, Shri Prataprao B.

Akber Pasha, Shri B.

Bhonsle, Shri Tejsinghrao

Anbarasu Shri R.

Bhuria, Shri Dileep Singh

Arunachalam, Shri M.

Birbal, Shri

Banerjee, Kumari Mamata

Brohmo Chaudhury, Shri Satyendra Nath

Bansal, Shri Pawan Kumar

Bhagat, Shri Vishweshwar

Chaliha, Shri Kirip

Bhakta, Shri Monoranjan

Chandrakar, Shri Chandulal

Bhatia, Shri Raghunandan Lal

Chandrasekhar, Shrimati Margatham

Charles, Shri A.	Gogoi, Shri Tarun
Chaudhary, Sqr. Ldr. Kamal	Gudadinni, Shri B.K.
Chaudhari, Shri Narain Singh	Gundewar, Shri Vilasrao Nagnathrao
Chaure, Shri Bapu Hari	Handique, Shri Bijoy Krishna
Chavda, Shri Ishwarbhai Khodabhai	Hooda, Shri Bhupinder Singh
Chennithala, Shri Ramesh	*Hossian, Shri Syed Masudal
Chowdary, Dr. K.V.R.	Inder Jit, Shri
Chowdhary, Shrimati Santosh	Islam, Shri Nurul
Dalbir Singh, Shri	Jaffer Sharief, Shri C.K.
Das, Shri Anadi Charan	Jangbir Singh, Shri
Deka, Shri Probin	Jawali, Dr. B.G.
Dennis, Shri N.	Jeevarathinam, Shri R.
Deshmukh, Shri Ashok Anandrao	Jhikram, Shri Mohanlal
Dev, Shri Sontosh Mohan	Kale, Shri Shankarrao D.
Dighe, Shri Sharad	Kaliaperumal, Shri P.P.
Farook, Shri M.O.H.	Kamble, Shri Arvind Tulshiram
Fernandes, Shri Oscar	Kanithi, Dr. Viswanatham
Gaikwad, Shri Udaysingrao	Karreddula, Shrimati Kamala Kumari
Gajapathi, Shri Gopi Nath	Kasu, Shri Venkata Krishna Reddy
Galib, Shri Gurcharan Singh	Kaul, Shrimati Sheila
Gavit, Shri Manikrao Hodlya	Kewal Singh, Shri
Gehlot, Shri Ashok	Khan, Shri Aslam Sher
Ghatowar, Shri Paban Singh	Khursheed, Shri Salman

Konathala, Shri Rama Krishna

Nayak, Shri Subash Chandra

Krishna Kumar, Shri S.

Nyamagouda, Shri S.B.

Krishanaswamy, Shri M.

Odeyar, Shri Channaiah

Kudumula, Kumari Padamasree

Padma, Dr. (Shrimati)

Kuli, Shri Balin

Palacholla, Shri V.R. Naidu

Kuppuswamy, Shri C.K.

Panigrahi, Shri Sriballav

Kurien, Prof. P.J.

Patel, Shri Harilal Nanji

Lakshmanan, Prof. Savithri

Patel, Shri Praful

Malik, Shri Dharampal Singh

Patel, Shri Uttambhai Harjibhai

Mallu, Dr. R.

Patil, Shrimati Pratibha Devisingh

Manphool Singh, Shri

Patil, Shrimati Surya Kanta

Marbaniang, Shri Peter G.

Patil, Shri Uttamrao Deorao

Mathur, Shri Shiv Charan

Pattanayak, Shri Sarat Chandra

Meghe, Shri Datta

Pawar, Dr. Vasant Niwrutti

Mujahid, Shri B.M.

Peruman, Dr. P. Vallal

Muniyappa, Shri K.H.

Pilot, Shri Rajesh

Muralee Dharan, Shri K.

Potdukhe, Shri Shantaram

Murthy, Shri M.V. Chandrashekara

Prabhu, Shri R.

Muttamwar, Shri Vilas

Pradhani, Shri K.

Naik, Shri A. Venkatesh

Rahi, Shri Ram Lal

Naikar, Shri D.K.

Rai, Shri Kalp Nath

Nandi, Shri Yellaiah

Rajeshwaran, Dr. V.

Nawale, Shri Vidura Vithoba

Ram Babu, Shri A.G.S.

Nayak, Shri Mrutyunjaya

Ramchandran, Shri Mullappally

Rao, Shri V. Krishana	Sultanpuri, Shri Krishan Dutt
Rath, Shri Rama Chandra	Sundararaj, Shri N.
Rathva, Shri N.J.	Suresh, Shri Kodikkunil
Reddy, Shri G. Ganga	Swamy. Shri G. Venkat
Reddy, Shri M. Baga	Tara Singh, Shri
Reddy, Shri M.G.	Thangka Balu, Shri K.V.
Reddy, Shri Magunta Subbarama	Thomas, Prof. K.V.
Reddy, Shri R. Surender	Thomas, Shri P.C.
Sai, Shri A. Prathap	Thorat, Shri Sandipan Bhagwan
Sajjan Kumar, Shri	Thungon, Shri P.K.
Sanipalli, Shri Gangadhara	Tindivanam, Shri K. Ramamurthee
Sayeed, Shri P.M.	Tope, Shri Ankushrao Raosaheb
Selja, Kumari	Topno, Kumari Frida
Sharma, Shri Chiranji Lal	Umbrey, Shri Laeta
Sharma, Capt. Satish Kumar	Upadhyay, Shri Swarup
Siddaratha, Shrimati D.K. Tharadevi	Vandayar, Shri K. Thulasiah
Silvera, Dr. C.	Verma, Kumari Vimla
Singh Deo, Shri K.P.	Vijayaraghavan, Shri V.S.
Singla, Shri Sant Ram	Wasnik, Shri Mukul Balkrishna
Sodi, Shri Manku Ram	Yadav, Shri Ram Saran
Sukhbuns Kaur, Shrimati	Yadav, Shri Surya Narayan

NOES

Acharia, Shri Basudeb	Barman, Shri Uddhab
Bala, Dr. Asim	Basu, Shri Anil
Balayogi, Shri G.M.C.	Bhattacharya, Shrimati Malini
Barman, Shri Palas	Chakraborty, Prof. Susanta

Chatterjee, Shri Nirmal Kanti

Rao, Shri D. Venkateswara

Choudhury, Shri Saifuddin,

Ray, Dr. Sudhir

Das, Shri Jitendra Nath

Raychaudhuri, Shri Sudarsan

Dome, Dr. Ram Chandra

Reddy, Shri B.N.

Gopalan, Shrimati Suseela

Roy, Shri Haradhan

Jena, Shri Srikanta

*Singh, Shri Motilal

Jha, Shri Bhogendra

Shivaraman, Shri S.

Khan, Shri Sukhendu

Laljan Basha, Shri S.M.

Tej Narayan Singh, Shri

Malik, Shri Purna Chandra

Ummareddy Venkateswarlu, Prof.

Mollah, Shri Hannan

*Urs, Shrimati Chandra Prabha

Mukherjee, Shri Subrata

Vadde, Shri Sobhanadreeswara Rao

Mukhopadyay, Shri Ajoy

Yadav, Shri Devendra Prasad

Pal, Shri Rupchand

Yadav, Shri Ram Kirpal

Pramanik, Shri Radhika Ranjan

Zainal Abedin, Shri

Ram, Shri Prem Chand

MR. CHAIRMAN: Subject to correction,** the result of the division is:

Ayes : 155

Noes : 38

The motion was adopted.

Clause 2 was added to the Bill.

MR. CHAIRMAN: The question is

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

The motion was adopted.

* Wrongly voted for NOES

** The following Members also recorded their votes:

Ayes: Shri B.Shankaranand, Shrimati Basava Rajeswari, Shri D.B. Shingda, Shrimati Chandra Prabha Urs, Shri Pawan Diwan, Shri Moti Lal Singh, Shri Ayub Khan, Shri Khelan Ram Jangde, Shri Ram Nihor Rai And Shri Ram Badan.

Noes: Shri Syed Masudal Hossain.

Clauses 3 to 5 were added to the Bill.

MR. CHAIRMAN: The question is:

"That Clauses 6 and 7 stand part of the Bill."

The motion was adopted.

Clauses 6 and 7 were added to the Bill.

MR. CHAIRMAN: The question is:

"That Clauses 8 to 11 stand part of the Bill."

The motion was adopted.

Clauses 8 to 11 were added to the Bill.

MR. CHAIRMAN: The question is:

"That Clause 1, Enacting Formula and the Long Title stand part of the Bill."

The motion was adopted.

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

DR. ABRAR AHMED: I beg to move:

"That the Bill be passed."

MR. CHAIRMAN: Motion moved:

"That the Bill be passed."

SHRI BHOGENDRA JHA (Madhubani): Sir, I have formally sought permission at this stage to speak (*Interruptions*)

SHRI BASUDEB ACHARIA (Bankura): Sir, we are insisting for division at this stage.

MR. CHAIRMAN: You see your strength and the strength on the other side.

SHRI BASUDEB ACHARIA: There is no question of strength. We want division and we will oppose the Bill. (*Interruptions*)

MR. CHAIRMAN: I am not allowing you. Mr. Jha you may please sit down.

SHRI BHOGENDRA JHA: I insist that I be allowed to speak Sir. (*Interruptions*)

SHRI HANNAN MOLLAH (Uluberia): It is the right of a Member to speak at the time of the third reading. As per rules, you cannot prevent him from doing so. Moreover, he has given the required notice too. So, it is his right to speak. Please allow him.

MR. CHAIRMAN: Hon. Members who know the rules very well, should not argue in such a manner. When Shri Jha's name was called, he was not present in the House. Now, he cannot claim his right to speak. Still, I allow Shri Bhogendra Jha to raise some relevant questions and seek clarifications if any. But I request him not to make a long speech at this stage.

SHRI BHOGENDRA JHA: I did not insist about my claim at that time because I was absent. But now, I want to speak at the stage of the third reading which is permissible under rules. I have

[Sh. Bhogendra Jha]

written to you accordingly and hence I seek your permission to speak.

MR. CHAIRMAN: All right. But please try to finish in two minutes. And seek clarifications. Please don't make a regular lengthy speech.

SHRI BHOGENDRA JHA: I want to state my views on this very important matter. I will finish in five minutes. (*Interruptions*)

[*Translation*]

SHRI BHOGENDRA JHA: Mr. Chairman, Sir, today, is the dark day for our country and the Parliament. I am one of those few members who took initiative for Nationalization of Banks. I myself and my colleague late Bhupesh Guptaji of Rajya Sabha had also met Shrimati Indira Gandhi to discuss this matter. The Central Government employees had held a nation wide strike for one day on the 19th September 1968, in which 14 persons were killed in police firing near Shastri Bhawan. The cavalry police was brought in action on the Parliament Street. I was here at that time and we had opposed that. Shrimati Indira Gandhi was not allowed to speak. She called us and asked what would happen. We said that you have shelved the plan at the instance of America. Our friends must be remembering Plan Holiday. We drew the attention of Shrimati Indira Gandhi towards unemployment and Price Hike. She said that we do not have money and you are opposing the imposition of taxes. In such circumstances wherefrom the money will come. We said that you should go for the nationalization of Banks and stop the privy purses of princess. They are not Bankrupt. By doing so you can raise your

funds, But after some days the then Minister of Finance told us that he would not permit nationalization of banks until he was the Minister of Finance. A rift started. We told them to go for Bank Nationalizations and said that their Government will not fall as a result thereof. We will not form the Government and we will not let your Government fall. At last there come the day when banks nationalized.

Sir, today is really a very unfortunate day. Just now our friend Shri Vajpayeeji come and he left the House smiling. Therefore, this major opposition party was compelled to play the role of opposition. The Opposition side is unable to play the role of Opposition, that is why he left the House smiling. You are doing his job. You are doing the thing, which he did at that time. In his reply the hon. Minister has stated that until now there was a rule in the banks that a shareholder having 1% share had a right to one per cent vote. Now this has been increased to 10 per cent. History will not forgive the Government for effecting this sharp increase. If such 6 shareholders come together than they have 60% of the votes then what will happen to the majority. If seven comes together and they have 70% of the votes, then what will happen? They wanted to misguide the country and the Parliament.

In the same way what they have done is that if 3 directors with 20% vote value each go to the one side and 9 directors with 7% vote value each go to the other side, the banks of this country will naturally go in the hands of those nine directors on one side. I think that after nationalization our banks have made tremendous progress which is an example for the banks of any country in the

would. During these 25 years our banks have progressed by leaps and bounds.

We have so many grievances. But this Government has no interest in redressal of our grievances. Therefore, as he has said, these banks will go in the hands of part-time directors and part-time Chairmen and of course only multi millionaires will be appointed on these part-time posts who don't have enough time to devote to the services of banks. This will go to them. If this job is given to any politician who is sincere in his work, he can do it. But if you give this Directorship and full powers of Chairman to millionaires then the entire capital of the country will go in their hands. They are seeking our votes to do the same and by passing it they are going to burn our house with our own torches. Therefore, through this voting, we want to convey a message to our country, if this Government goes on working like this, they will have to bow down one day or the other. The people of this country will teach you a lesson that you can not hand over the property of this country to a few native or foreign millionaires.

Today, you are challenging the public opinion. You are going to throw cold water on the achievement made during last 25 years. I am saying so because I was actively involved in that movement and I had a sentimental attachment with it. Through this Bill, we are going to hand over the total property of this country to some native or foreign millionaires. Mr. Minister, Sir, you are not doing this at your own but, you are doing this under the pressure of some foreign agencies, such as International Monetary Fund and World Bank. I think the whole set up in India do his certain weaknesses but at the same time our

country has an inherent power to fight out problems.

Therefore, I think, it is our duty to oppose it unitedly and we will do so with a view to make the masses aware of our views and to face the situation bravely.

[English]

MR. CHAIRMAN: The question is:

"That the Bill be passed."

SHRI BASUDEB ACHARIA
(Bankura): We want a division.

MR. CHAIRMAN: Let the Lobbies be cleared—

MR. CHAIRMAN (SHRI P. C. CHACKO): Now, the Lobbies have been cleared.

(Interruptions)

SHRI BASUDEB ACHARIA
(Bankura): Sir, today being the black day because they are passing the black Bill. We cannot remain here. So, on protest, we are walking out.

20.34 hrs.

At this stage Shri Basudeb Acharia and some other hon. Members left the House.

MR. CHAIRMAN: The question is:

"That the Bill be passed."

The Lok Sabha divided:

AYES

Adikalaraj, Shri L.	Chaudhri, Shri Narain Singh
Ahmed, Shri Kamaluddin	Chahre, Shri Bapu Hari
Akber Pasha, Shri B.	Chavda, Shri Ishwarbhai Khodabhai
Anbarasu Era, Shri R.	Chennithala, Shri Ramesh
Arunachalam, Shri M.	Chowdary, Dr. K.V.R.
Ayub Khan, Shri	Chowdhary, Shrimati Santosh
Banerjee, Kumari Mamata	Dalbir Singh, Shri
Bansal, Shri Pawan Kumar	Das, Shri Anadi Charan
Bhagat, Shri Vishweshwar	Deka, Shri Probin
Bhakta, Shri Manoranjan	Dennis, Shri N.
Bhatia, Shri Raghunandan Lal	Deshmukh, Shri Ashok Anandrao
Bhoi, Dr. Krupasindhu	Dev, Shri Sontosh Mohan
Bhonsle, Shri Prataprao B.	Dighe, Shri Sharad
Bhonsle, Shri Tejsinghrao	Diwan, Shri Pawan
Bhuria, Shri Dileep singh	Fernandes, Shri Oscar
Birbal, Shri	Gaikwad, Shri Udaysingrao
Brohmo Chaudhury, Shri Satyendra Nath	Gajapathi, Shri Gopi Nath
Chaliha, Shri Kirip	Galib, Shri Gurcharan Singh
Chandrakar, Shri Chandulal	Gavit, Shri Manikrao Hodlya
Chandrasekhar, Shrimati Maragatham	Gehlot, Shri Ashok
Charles, Shri A.	Ghatowar, Shri Paban Singh
Chaudhary, Sqd. Ldr. Kamal	Gogoi, Shri Tarun

Gudadinni, Shri B.K.	Krishnaswamy, Shri M.
Gundewar, Shri Vilasrao Nagnathrao	Kudumula, Kumari Padamasree
Handique, Shri Bijoy Krishna	Kuli, Shri Balin
Hooda, Shri Bhupinder Singh	Kuppuswamy, Shri C.K.
Inder Jit, Shri	Kurien, Prof. P.J.
Islam, Shri Nurul	Lakshmanan, Prof. Savithri
Jaffer Sharief, Shri C.K.	Malik, Shri Dharampal Singh
Jangbir Singh, Shri	Mallu, Dr. R.
Jangde, Shri Khelan Ram	Manphool Singh, Shri
Jawali, Dr. B.G.	Marbaniang, Shri Peter G.
Jeevarathinam, Shri R.	Mathur, Shri Shiv Charan
Jhikram, Shri Mohan Lal	Meghe, Shri Datta
Kale, Shri Shankarrao D.	Mujahid, Shri B.M.
Kaliaperumal, Shri P.P.	Muniyappa, Shri K.H.
Kamble, Shri Arvind Tulshiram	Muralee Dharan, Shri K.
Kanithi, Dr. Viswanatham	Murthy, Shri M.V. Chandrashekara
Karreddula, Shrimati Kamala Kumari	Muttemwar, Shri Vilas
Kasu, Shri Venkata Krishna Reddy	Naik, Shri A. Venkatesh
Kaul, Shrimati Sheila	Naikar, Shri D.K.
Kewal Singh, Shri	Nandi, Shri Yellaiah
Khan, Shri Aslam Sher	Nawale, Shri Vidura Vithoba
Khursheed, Shri Salman	Nayak, Shri Mrutyunjaya
Konathala, Shri Rama Krishna	Nayak, Shri Subash Chandra
Krishna Kumar, Shri S.	Nyamagouda, Shri S.B.

Odeyar, Shri Channaiah

Rao, Shri V. Krishna

Padma, Dr. (Shrimati)

Rath, Shri Rama Chandra

Panigrahi, Shri Sriballav

Rathva, Shri N.J.

Patel, Shri Harilal Nanji

Reddy, Shri G. Ganga

Patel, Shri Praful

Reddy, Shri M.G.

Patel, Shri Uttambhai Harjibhai

Reddy, Shri Magunta Subbarama

Patil, Shrimati Pratibha Devisingh

Reddy, Shri R. Surender

Patil, Shrimati Surya Kanta

Sai, Shri A. Prathap

Patil, Shri Uttamrao Deorao

Sajjan Kumar, Shri

Pattanayak, Shri Sarat

Sanipalli, Shri Gangadhara

Pawar, Dr. Vasant Niwruuti

Sayeed, Shri P.M.

Peruman, Dr. P. Vallal

Selja, Kumari

Pilot, Shri Rajesh

Sharma, Shri Chiranji Lal

Potdukhe, Shri Shantaram

Sharma, Capt. Satish Kumar

Prabhu, Shri R

Silvera, Dr. C.

Pradhani, Shri K.

Singh, Shri Motilal

Rahi, Shri Ram Lal

Singh Deo, Shri K.P.

Rai, Shri Kalp Nath

Singla, Shri Sant Ram

Rai, Shri Ram Nihor

Sodi, Shri Manku Ram

Rajeshwaran, Dr. V.

Sukhbuns Kaur, Shrimati

Rajeshwari, Shrimati Basava

Sultanpuri, Shri Krishan Dutt

Ram Babu, Shri A.G.S.

Sundararaj, Shri N.

Ram Badan, Shri

Suresh, Shri Kodikkunil

Ramchandran, Shri Mullappally

Swamy, Shri G. Venkat

Tara Singh, Shri

Umbrey, Shri Laeta

Thangka Balu, Shri K.V.

Upadhyay, Shri Swarup

Thomas, Shri P.C.

Urs, Shrimati Chandra Prabha

Thorat, Shri Sandipan Bhagwan

Verma, Kumari Vimla

Thungon, Shri P.K.

Vijayaraghavan, Shri V.S.

Tindivanam, Shri K. Ramamurthee

Wasnik, Shri Mukul Balkrishna

Tope, Shri Ankushrao Raosaheb

Yadav, Shri Ram Saran

Topno, Kumari Frida

Yadav, Shri Surya Narayan

NOES

Acharia, Shri Basudeb

Jena, Shri Srikanta

Anjalose, Shri Thayil John

Jha, Shri Bhogendra

Baba, Dr. Asim

Khan, Shri Sukhendu

Balayogi, Shri G.M.C.

Laljan Basha, Shri S.M.

Barman, Shri Palas

Malik, Shri Purna Chandra

Barman, Shri Uddhab

Mollah, Shri Hannan

Basu, Shri Anil

Mukherjee, Shri Subrata

Bhattacharya, Shrimati Malini

Mukhopadyay, Shri Ajoy

Chakraborty, Prof. Susanta

Pal, Shri Rupchand

Chatterjee, Shri Nirmal Kanti

Pramanik, Shri Radhika Ranjan

Choudhury, Shri Saifuddin

Ram, Shri Prem Chand

Das, Shri Jitendra Nath

Rao, Shri D. Venkateswara

Dome, Dr. Ram Chandra

Ray, Dr. Sudhir

Gopalan, Shrimati Suseela

Raychaudhuri, Shri Sudarsan

Hossain, Shri Syed Masudal

Reddy, Shri B.N.

579 *Banking Regulation*

MARCH 17, 1994

(Amendment) Bill 580

Roy, Shri Haradhan

Yadav, Shri Devendra Prasad

Sivaraman, Shri S.

Yadav, Shri Ram Kripal

Tej Narayan Singh, Shri

Zainal Abedin, Shri

Vadde, Shri Sobhanadreeswara Rao

MR. CHAIRMAN: Subject to correction,* the result of the division is:

Ayes : 156

Noes : 037

The motion was adopted.

MR. CHAIRMAN (SHRI P. C. CHACKO): Shall we go to the next item?

SEVERAL HON. MEMBERS: No.

MR. CHAIRMAN: The House stands adjourned to meet tomorrow at 11 a.m.

20.35 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, March 18, 1994/Phalguna 27, 1915 (Saka)

* The following members also recorded their Notes:

Ayes: S/Shri B. Shankaranand, P.V. Rangayaa Naidu, MPH Farook, D.B. Shingda and K.T. Vandayar.

Noes: Shri Umumareddy Venkateswarlu