14. Dr. Vasant Niwrutti Pawar
15. Dr. R.K.G. Rajulu
16. Shri Mullappally Ramchandran
17. Shri Venkateswara D. Rao
18. Shri Roshan Lal
19. Shri Rajnath Sonker Shastri
20. Shri Vishwa Nath Shastri
21. Dr. C. Silvera

with instructions to report by the 18th December, 1993."

MR. SPEAKER: The question is:

6 "That the Bill to provide for the regulation of removal, storage and transplantation of human organs for therapeutic purposes and for the prevention of commercial dealings in human organs and for matters connected therewith or incidental thereto, as passed by Rajya Sabha be referred to a Select Committee consisting of 21 members, namely:—

1. Dr. Krupasindhu Bhoi
2. Prof. Susanta Chakraborty
3. Shri Sharad Dighe
4. Smt. Saroj Dubey
5. Shri Bhupinder Singh Hooda
6. Shri Kehlan Ram Jangde
7. Dr. K.D. Jeswani
8. Shri Dau Dayal Joshi
9. Dr. G.L. Kanaujia
10. Dr. R. Mallu
11. Shri Peter G. Marbaniang
12. Dr. Smt. Padma
13. Dr. Laxminarain Pandeya

14. Dr. Vasant Niwrutti Pawar
15. Dr. R.K.G. Rajulu
16. Shri Mullappally Ramchandran
17. Shri Venkateswara D. Rao
18. Shri Roshan Lal
19. Shri Rajnath Sonker Shastri
20. Shri Vishwa Nath Shastri
21. Dr. C. Silvera

with instructions to report by the 18th December, 1993."

The motion was adopted.

MR. SPEAKER: The Bill is referred to the Select Committee of the House. Shri Peter G. Marbaniang will function as the Chairman.

11.18 hrs.

STATUTORY RESOLUTION *RE:* DISAPPROVAL OF THE STATE BANK OF INDIA (AMENDMENT) ORDINANCE, 1993 AND STATE BANK OF INDIA (AMENDMENT) BILL—*Contd.*

[*English*]

MR. SPEAKER: We shall now take up further discussion regarding Items 6 and 7 of the Agenda. Shri P.C. Chacko to speak now.

SHRI P.C. CHACKO (Trichur): I support the State Bank of India (Amendment) Bill, 1993 moved by the Minister of Finance.

The Narasimham Committee on the Financial Sector which is an expert committee recently went into the details of the functioning of the nationalised banks as well and the whole banking system and has made its recommendations.

One of the salient features of these recommendations is regarding the capital adequacy norms of the Indian banks. The Indian Banks are not possessing sufficient capital on par with the capital adequacy norms being accepted or being followed by the international banks. The fact remains that the credibility in the banking system depends very much on the capital that every bank is possessing. The international standard is to be followed because India is on the threshold of opening up its economy. This is mainly due to the new economic policy is being pursued by India which is being appreciated by the people of India and also by the people all over the world and it requires that the banking system in India also is streamlined and is also made up to the standards of the level prevailing all over the world.

So, the international convention and norm in this regard is to have at least eight per cent of the risk weighted assets of a bank. The suggestion of the Narasimham Committee report is that the Indian banks should attain this eight per cent capital adequacy norm in a phased manner over a period of four years. The Indian banks are expected to attain four per cent of the capital adequacy by 1994. All the Indian banks which are having a foreign presence are expected to complete this norm, before 1996. So, the State Bank of India, being the biggest national bank in the country having an international presence, can well be considered as an international bank and it should attain the capital adequacy norm which is being proposed by the Narasimham Committee before 1994. So, that is the main requirement and main compelling reason for the Minister to move this Bill.

Sir, there are certain amendments to the State Bank of India Act which have become necessary and they are being introduced before this august House in the form of the Amending Bill. In the light of this Bill, certain points have become necessary to be debated in this House because under an Act of this Parliament this Bank has been constituted. The streamlining of the functioning of the bank in this country has become very necessary especially in view of the alarming facts that certain irregularities are going on in the banking sector. I do not think that these are incurable problems. If these problems are not attended to in time, it may assume very alarming proportions which may even destroy the entire credibility in our system. So, we have to take into account the banking system and how the banks are functioning today. Many Committees have been appointed by the Government on various occasions to look into the various aspects of the banking system. Here, I want to make a critical comment. Unfortunately, many of these reports are gathering dust in the Reserve Bank of India and in the Ministry of Finance. Many of the reports are not being implemented properly. For the health of the banking system, for the revival and vitality of the banking system, many useful recommendations have been made by many committees in many reports. If we analyse the whole recommendations made to the Government of India, at least half of the recommendations are not being implemented. In this context, I recollect the hon. Minister's statement yesterday in this House regarding the merger of the New Bank of India with the Punjab National Bank. When he was answering a question in this House yesterday, he gave a very

[Shri P.C. Chacko]

categorical reply that there is not going to be any further merger or any proposal before the Government for merger. Even then I pointed out that the Minister may not be correct. I was astonished to listen to that reply. The merger for or the economic viability of banks is a major question before the Government now. So, there are many Public Sector Banks which are in the red continuously losing hundreds of crores of rupees. In fact, the people of this country are losing this huge amount. How the banks can be made viable is a question which is very actively engaging the attention of the Government. I probably thought that the recommendations that have been made by the Narasimham Committee in this regard are some guidelines for the Government. But after the Minister's reply some confusion has been created. I do not know whether the Government has got any intention to go deep into this question, study the recommendations and implement the recommendations of the Narasimham Committee. I think some very concrete suggestions were made by the Narasimham Committee regarding the structure of the Indian banking system. I hope the Government will consider that. Especially in view of the answer given yesterday, some suspicion is being cast in the minds of the people on this subject. I think this is a point which the Government should study. It must think of what is the ideal and viable set up regarding the structure of the Indian banks.

Regarding these amendments, some amendments are particularly to be made to the State Bank of India Act. These are regarding the local head office; keeping up of accounts in the branches and some other details of House-keeping. I am not going into the details at this stage. Regarding the appointment of official Directors and non-official Directors, some mention is there in this amendment.

It is a sad fact that many of the posts of Directors, both official and non-official, are kept vacant for so many years. We are happy to support this because anything which does good for the banking system, which does good for the State Bank of India, this House will be happy to support that. But for the last many years, hundreds of posts in the banks have been kept vacant. Will the hon. Minister give an answer to that? (*Interruptions*)

SHRIMATI MALINI BHATTACHARYA (Jadavpur): Your opinion is the opinion of the House.

SHRI P.C. CHACKO: I agree. We all welcome that. There is no point in discussing if there is no difference of opinion, as Madam rightly said. About the vacancies in the Director's post, I am sure, even those who oppose this viewpoint will agree that vacancies in the Director's posts of the banks should not be kept like that. At least for the last two years, there have been a large number of vacancies in the Director's posts of the nationalised banks. I do not know what is standing in the way. Very often we are given a reply that steps are being taken for filling up all these vacancies. It is good. Now suggestions are made about the directorship in the local boards. But while accepting this amendment and passing this Bill, let the Government take immediate steps and give an assurance to this House that all these vacancies in the Boards of the nationalised banks, regional Boards and local Boards will be filled up.

I want to make another suggestion.

According to Narasimham Committee norms, not only the State Bank but all the nationalised banks in India as also the private sector banks, are supposed to reach the eight per cent capital adequacy norm by 1996. What are the steps the Government is going to take regarding the public issues which the banks want to go in for to raise the capital. This Bill is only about the State Bank of India and I support it. And I want to caution that there is a proposal that the share price of the State Bank of India is going to be slashed to Rs. 90 per share. I would like to know from the hon. Minister what is the basis adopted by the Government regarding this. The face value of the share which is Rs. 100 today is going to be sold at Rs. 10. We can understand about public participation. If more and more people are going to be the shareholders of these nationalised banks, it is a very good thing. There are certain norms for deciding the market value of a share. When the Government has come to the conclusion that it should be Rs. 90 instead of Rs. 100, the market rate I would like to know what is the basis taken for the valuation of this. The face value of the share is going to be reduced. I would like to know whether the Government has made any study into the market value of the share of the State Bank and if so, what is the market value of the share. We would also like to know what is the market value of the share according to the Government's assessment.

Then there is a restriction of one per cent voting. Here it is proposed that the voting rights should not be restricted to one per cent. It should be increased to ten per cent. This also is a good suggestion and I welcome it. I also welcome the suggestion regarding the reduction in the face value to Rs. 10 so that more people can participate. The State Bank of India is allowed to go to the public to raise their share capital. It is a must because specially in the international arena, the State Bank of India has got a very good opportunity to open branches and start the operations in other countries. There is one aspect here. A large number of foreign banks are opening their branches in India. Recently we have read in the newspapers that many branches of the foreign banks are being opened in India. But why are the Indian banks are not allowed to open their branches in foreign countries? There should be a reciprocal arrangement. Recently I had been to Gulf. There are some private sector banks in India which are having lakhs and lakhs of account holders from the foreign countries specially from the Gulf countries. There are large number of expatriat Indian population who are now in the Gulf countries. For example, I have information about the private sector banks like the Federal Bank having 1,50000 account holders in the Gulf countries.

But, they are not allowed to open their branches there. If the foreign banks are opening up their branches in India, it is always understood that there is a reciprocal arrangement that the Indian banks also will be allowed to open up their branches in the foreign countries. Ensuring this reciprocal arrangement is a matter which the Government should take up very seriously and see that the Indian banks, including the State Bank of India, nationalised banks as well as Indian private banks are allowed to open up their branches in other countries also. This reciprocity should be ensured by the Government while allowing other banks to start their branches in India.

Sir, the State Bank of India is expected to raise their capital to this level. In the same way, all other Indian banks should also be allowed to raise their cap-

[Shri P.C. Chacko]

ital. They are in a position and they all to approach the Indian capital market for raising their capital according to the capital adequacy norms. But, they are facing some restrictions of a similar kind which the State Bank of India is facing now. So, the Government must view these things in a larger perspective and allow other banks also to approach the capital market; they should take away these restrictions which are now placed before them so that they can also approach the public to make them as contributors in the share capital of the banks. So, such restrictions on other banks also should be removed.

MR. SPEAKER: You are repeating it again and again.

SHRI P.C. CHACKO: And then only the intention of the Bill will be fulfilled.

With these words, Sir, I conclude my speech. I support the Bill moved before the House and I think that the participation of the Indian public in the share capital of these big nationalised banks will be successfully completed. I support this Bill.

PROF. SUSANTA CHAKRABORTY (Howrah): Sir, the State Bank of India (Amendment) Bill, is a planned attempt to demolish and destroy the great edifice of public sector banks that we have built up in our country with a view to distribute the banking funds as per plan priorities, to assist the weak sectors, to curb the evils of concentration of economic power in few hands and the malpractices attached thereto, and to promote banking facilities in unbanked area.

Sir, I oppose the Bill. It is the first step towards privatisation of the nationalised banks in the name of maintaining the capital adequacy norms as dictated by Basley Committee. The capital norms of eight per cent that the Basley Committee recommends is not applicable in the case of India because, in our case, Indian banks are concerned immediately and intimately with the economic development of the country and a strong capital base is not an essential prerequisite for that purpose. What you see from the functioning of these commercial banks in our country, say for example, Bank of India or other banks?

With a capital to business ratio of 1.78 per cent, Bank of India did a business of Rs. 28,763 crore; the Syndicate Bank, with a capital to business ratio of 1.01 per cent, did a business of Rs. 11,323 crore; Even the foreign banks operating in India, do not find the need for excessive capitalisation. The Standard Chartered Bank, as on March 1991, had a capital base of Rs. 26 crore for a business of Rs. 1,856 crore. What I want to say, Sir, is that the capital adequacy norms did never stand in the way of Indian banking business. The ideals before the public sector banks, in our country, differed from those prevalent in the West.

So this requirement I think is not needed. But we all know it is a part of the structural reform programmes that we have undertaken in our country in the name of globalisation.

The Narasimham Committee in its report recommended two more things. They recommended that private sector banks should also be allowed in this field. They recommended that even joint venture of foreign banks and public sector banks in our country, the joint venture of foreign banks and private sector banks in our country can also be considered. So the aim is to denationalise the banking system in our country. So this amendment is there. In the name of raising the capital adequacy ratio shares are being issued to the public by the State Bank of India. For the purpose certain amendments have been made for the reduction in the face value of the banks' shares, removal of ceiling of 200 shares on individual holding, relaxation of restriction placed on voting rights from 1 to 10 per cent and maintenance of branch registers at local head offices to be dispensed with. These are the amendments that have been made here. The SBI amendment ordinance amends not only the State Bank of India Act, but also the Banking Public Financial Institutions and Negotiable Instrument Act 1988. The section 13 of this Act amends Section 21(a) of the State Bank of India Act 1955 limiting the terms of members of local boards of State Bank of India to six years. The Presidents of the local boards are the ex-officio directors of the central board.Section 12 has been amended and included. With this inclusion of Section 12 of BPF and NI Act, the members of the local boards who are also members of the central board whose term has expired beyond six year term. It is these people who are members of the central boards who have taken this decision. I would request you to please consider how far it is legal and legitimate. It is for the Government to think.

Secondly, after taking over of the Imperial Bank the entire share was vested in the Reserve Bank of India. Only by way of compensation to the shareholders RBI issued them shares in the State Bank of India. The public holding in State Bank of India is limited to shares by way of compensation. State Bank of India never in the past came out with any public issue. The Reserve Bank of India holds 98.23 per cent of the shares of the State Bank of India and the general public hold only 1.77 per cent. By the proposed public offer the holding of the Reserve Bank will be reduced to 68.93 per cent. The Government says that because their share in the State Bank of India is more than 50 per cent, they will have the necessary control over the banks. But that is not our experience. The experience is otherwise. If the shares are distributed in this way, it is the tycoons who will control the market and it is not the Reserve Bank of India. It is what they want. Just imagine the fate of the public sector banks, the main aim of which was to lead our country towards a people oriented goal. Banks have again not revaluated their assets properly. The book value of the assets is Rs. 261 crore. This has appreciated in value by this time. Therefore the estimated value of the assets as has been reported by the Union and some responsible representatives of the State Bank of India is at least Rs. 26000 crore.

The asset value per share of Rs. 10/- is Rs. 1,300/-. The price of the new public issue should therefore be within the range of Rs. 1,000/- to Rs. 1,300/-. But the price has been fixed at Rs. 100/- for the public and at Rs. 60/- for the existing share holders and employees. For whose interest, I would like hon. Minister to answer.

The justification for fixing the premium at Rs. 90/- on share of the face value of Rs. 10/- is founded, Mr. Minister, on wrong premises. Underpricing will deprive the State Bank of India of the premium that it is entitled to. The benefit will be passed on to the selected few members of the public. For instance, if the premium is fixed at say, Rs. 290/- for a share of Rs. 10/-, the State Bank of India will get as much as Rs. 3,596 crores. By

[Prof. Susanta Chakraborty]

fixing a lower price, the bank is getting only Rs. 1,146 crores—a loss of Rs. 2,450 crores. Why? I want an answer from you, Mr. Minister.

Was there no alternative way to raise the capital? Mr. Minister, I would request you to please consider that. Without resorting to the public issue, if the State Bank of India, as in the past, only makes a Rights issue and prices it correctly, it can get adequate capital to meet its capital requirements. For example, the proposed Rights issue of 12 crore shares, if priced at Rs. 1,000/-, that is, face value of Rs. 10/- plus premium of Rs. 990/-, it could fetch the Bank at least Rs. 12,000/- crores. Now, it requires only Rs. 2,032 crores. Why then, did you not take that step, Mr. Minister? The point is all these things are being done according to the Narasimham Committee report because you want to adhere to the international standards; and so, you have to change the practice of accounting norms and other things.

The erosion of capital did not happen overnight. You go on saying that it is system failure. But, is it so? There are rules and regulations which you could have practised, but you did not. There was political intervention to arrange 'loan melas' and to allow the fund to go in any way. So, this is the position. It is not that there is dearth of rules but want of will.

I shall be brief and I shall put them in the question form. May I know as to:

(1) Whether the statutory auditors do audit the individual accounts?

(2) Whether the Long Form Audit Report appears along with the balance sheet?

(3) Whether the Audit also checks that the amount advanced was actually spent for the purpose for which it was meant?

(4) Whether the Government is considering the recommendations of the Ghosh Committee on frauds to introduce the system of concurrent audit for very large branches?

(5) Whether the Government is prepared to deal with the acts of omission and commissions very strictly?

(6) Whether you are prepared, Mr. Minister, faced with the situation, to accept the proposal of auditing of banks and financial institutions by CAG and to increase its accountability?

So far as the sticky advances are concerned, are you prepared to disclose the names? You conceal them in the name of 'secrecy' clause. But, even our neighbouring country, Pakistan, during the time of election, [illegible] e out with such names of the po[illegible] nd some big tycoons. So, what is the [illegible] rm in disclosing the names? Why do you try to conceal? What is your interest, I do not know. So, these bad debts, these sticky advances, the method of reconciliation are to be taken into consideration. Only by passing a Bill, you cannot expect Heaven in the banking sector. You have already started the process.

Only in today's "Times" we have seen that you have allowed eight private banks to come here. You have started the latest phase of financial sector reforms with the stock market floatation of the IFCI which has launched $ 167 million equity issue.

Even the Narasimham Committee admitted that the public sector banks have extended the branches to unbanked areas. The public sector banks have done a great deal to the agriculture sector and to the small industries sector. The public sector banks have done a great deal to the unemployed youth. They have done all these things. Now you want to privatise it. You want to denationalise it.

I know, you will say the majority of the shares will belong to us. But I reiterate the point that I have already raised. Only with two or three per cent of shares in a big company, it plays with the Government of India. So, are we thinking of a financial sector that will serve the needs of some individuals—a financial sector with foreign banks in our country? The joint venture that you are dreaming of will do away with everything that we have achieved so far. So, I cannot but oppose the Bill. I wish the Government consider it again and again before they take such decision of floating shares to the public in order to raise money in the name of adequacy of capital.

[Translation]

SHRI GEORGE FERNANDES (Muzaffarpur): Mr. Speaker, Sir, I oppose this Bill, I believe that this Bill is the first step towards privatisation of our whole banking system. I had thought that the attack on the Public Sector Banking System of our country will start from some smaller Bank. They could have started from any of the 10-15 Banks under Public Sector Banks. But we had never thought that the State Bank of India would be first target. This Government is going to create a very dangerous situation by victimising the State Bank of India at the very outset. So, it becomes imperative to have a proper discussion on this Bill in the House.

Mr. Speaker, Sir, the State Bank of India is not one similar to other nationalised banks. I am not going into the history of the State Bank of India. But I would like to say that the State Bank of India Act was enacted in 1955 and the responsibilities of the Imperial Bank were entrusted to the State Bank of India. This Act clearly states about the responsibilities of the Bank and the jobs undertaken by the State Bank of India. Mr. Speaker, Sir, I would like to read out section 32, Chapter 6 which is titled—"Business of the State Bank". Business of the State Bank starts from Section 32 and its first responsibility entrusted to it is:

[English]

> "State Bank to act as agent of the Reserve Bank: The State Bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India where it has a branch".

[Translation]

And State Bank of India has thousands of branches.

[English]

> **"So, at all places in India, it shall act as an agent of the Reserve Bank or where there is even its branch of the subsidiary of the State Bank."**

[Shri George Fernandes]

[Translation]

And it may have several thousand branches because it has several subsidiaries.

[English]

> "And where there is no branch of the Banking Department of the Reserve Bank".

[Translation]

i.e. where RBI does not have its own branches, the State Bank of India will function as an agent of the RBI.

[English]

And it has been specified for what purpose.

> "For paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India."

[Translation]

The business of the Central Government and the State Governments will be carried out by the State Bank of India through its thousands of branches.

[English]

> "The terms and conditions on which any such agency or business shall be carried on by the State Bank on behalf of Reserve Bank shall be such as may be agreed upon."

[Translation]

Mr. Speaker, Sir, now the State Bank can itself take steps to perform another major work as per section 35.

[English]

> "The State Bank may acquire business of other banks. The State Bank may, with the sanction of the Central Government and shall, if so directed by the Central Government, in consultation with the Reserve Bank enter into negotiations for acquiring the business including assets and liabilities of any banking institution."

[Translation]

As regards the other terms etc., I will not go into that. So far as general banking business is concerned it is provided in section 33:

[English]

> "Other business which the State Bank may transact subject to other provisions contained in this Act, the State Bank may carry on and transact the business of banking as defined in Clause B of Section 5 of the Banking Regulation Act."

[Translation]

Mr. Speaker, Sir, as I already mentioned, a very dangerous step is being taken, and so much responsibilities can be thrust upon the State Bank by the Central Government and the RBI. And you are not merely privatising the top most Bank of the country but 31 per cent of the capital of the Bank is being given to the private hands.

Mr. Speaker, Sir, I have objection over the Bill for several reasons but my main objection is over the flow of foreign capital into the Indian Stock Exchange during the past several days. Foreign Institutional Investors (FIIs), have come in large number and the same game is again being played as was played by Harshad Mehta sometime ago. In the past one year, after the FIIs began entering the share market, the share market index has reached 3440 points from 2000 i.e. an increase of 50 per cent. I can visualise the same game as started by Harshad Mehta in Bombay Stock exchange. Another thing that has been made clear is that the FIIs are not buying shares for long term investment. Instead, as per the papers reports, the speculative buying of shares in the Bombay share market is being undertaken. What would be its result for the nation, at this juncture, is a separate thing to consider. The FIIs by purchasing the shares of the State Bank would become more powerful. It needs not to say that we are taking our nation and the economy to a very dangerous direction.

Mr. Speaker, Sir, I feel, the Government resorted to some sort of cunningness on its part while introducing the Bill. Cunningness in the sense that it tried to hide the hidden meaning of provision concerning voting rights in order to avoid criticism of it by the opoosition. Those holding more than 10 per cent of the capital would not be entitled to exercise voting rights in respect of any shares held by them in excess of 10 per cent of the issued capital.

[English]

"No Shareholder other than the Reserve Bank shall be entitled to exercise voting rights in respect of any shares held by him in excess of 10 per cent of the issued capital."

[Translation]

And now it is only 1.77 per cent. That too because the shares were given as compensation. The rest 98.23 per cent is in the hands of the Reserve Bank of India. Provision was made in the rules for two directors against 1.77 per cent of the shares held by private people. As per the revised rules there is provision for two directors upto 10 per cent of the shares in private hands.

[English]

Section 19 : Composition of the Central Board: If the total amount of holdings of the shareholders other than the RBI whose names are on the principal register three months before the date fixed for election of Directors is not more than 10 per cent of the total issued capital: two Directors.

[Translation]

You knew that State Bank had no intention to increase the 1.77 per cent ceiling. When the rule was made, there was no question of going beyond this limit. When this law was made in 1955 no one thought that State Bank of India, one day, would be used by the Foreign Investors and speculators in India for the purpose of furthering their financial interest. All the equity of this bank is likely to go into the hands of the utterly despicable capitalists, who by earning money in India, send it to banks abroad through Havala transaction. Today, you have said while making this law, that it is mentioned

[Shri George Fernandes]

in it that those with 10 per cent holdings would have voting rights, limited to 10 per cent. You are trying to mislead the nation and the House. When the Share holding would be diluted so much in the coming days, i.e. 30 per cent would go to foreigners, then it would be justified if they go to the courts and would demand amendment in the rules. The Indian industrialists are only carrying on a discussion for level playing field. On 9th November, Indo-US joint council meeting was held. In it the Americans expressed their opinion and our Finance Minister said that a level playing field would be provided to everyone. There was provision for two directors when 1.77% shares were in the private hands. Now 30% shares are in the private hands. In such circumstances how long their demand to increase the number of directors is to be resisted is a matter to be imagined. Changes in the law have to be done in either six months or in a year. When Shares would go to the foreigners, then, their representatives would sit in this board. We will be able to see this within few days. Therefore, we should understand the extent of danger and this attempt of the Government should not be allowed to succeed.

12.00 hrs.

I want to say one more thing in this context. A few days ago the State Bank of India tried to take over BCCI in which lock out was declared. It was investigated by British Parliamentary Committee and the American Senate Investigating Committee. It was revealed this bank had attempted to defraud the world. In this House too, question were raised on the BCCI. I remember a lot of discussion took place. Now the Government is trying to merge that bank with the State Bank of India. I have no objection to it. I know that some big people tried to take over the bank, so as to take it to private sector, because their stake in that bank was very high. I am happy that the Government did not permit the bank to go into the hands of these people. But I would like to say that the State Bank of India has taken over the BCCI, the accounts of smugglers, black-marketeers, those engaged in transaction of black money, those sending money to foreign banks through big industrialists and havala racket are now in the hands of the Government, so the Government should inform the House as to when it was going to make these accounts public? This is essential as you are going to privatise the State Bank of India the culture of which I do not want to praise because involvement of this bank in our biggest ever scam was not less as several officials of it have been prosecuted and several have to resign. It was by no means an ordinary irregularity. Therefore, there is nothing to say in praise of this Bank's culture. But I believe that the State Bank of India provided that largest number of officers for the banking system, for which this Bank should be praised. Therefore, I would like to say that the responsibility for keeping under wraps the culture of BCCI and its misdeeds should not fall on the State Bank of India. You should place before the nation the real situation of BCCI. This is not merely my demand. But it is mandatory that this be done. I do not want to say much. I said this only on matter concerning privatisation.

I would like to make a last point. Our colleague said that audit of banks is essential. The Government should declare its policy in this regard. In India audit of defence department is done. Through CAG, all aspects of defence, even matter concerning security of this nation are audited. But it is said that if Banking audit is done it would result in demoralisation of banking sector. There is no question of demoralisation, if work is done with honesty, no matter by whom it is investigated in the world. When we had brought this question in the House, much before the scandal, the Finance Minister, Manmohan Singh said:

[English]

"You are demoralising the banking industry"

[Translation]

When I again broached the question regarding the Rs. 2000 crore scandal each year in banks, he said:

[English]

"You are speaking in a very irresponsible way."

[Translation]

These are the words stated by him in this House within two months of this the scandal surfaced. The House, therefore, should seriously deliberate on this matter, the Government should not delay this. It should entrust the responsibility of audit of the entire banking sector in the hands of CGA.

And irrespective of the Parliamentary Committees, be it PAC, but for that a banking Committee should be formed. I would urge you to take the initiative to form a banking committee. All related aspects should be placed before the Parliament to ensure banks function with honesty.

Mr. Speaker, Sir, with these words, I oppose this Bill.

[English]

SHRI SUDHIR SAWANT (Rajapur): Mr. Speaker, Sir, I rise to support the bill and at the outset I recollect those days of euphoria when Indiraji initiated progressive steps and nationalised the banking system.

Sir, this was a longstanding demand and the country even today remembers those days with gratitude to Indiraji because while nationalising the banks the primary objective before the government of that time was that of social obligation of the banking system. This was the precise reason that the banks were nationalised. Now in today's circumstances, things have changed drastically and across the board, we hear criticism that the banking system and the public sector banks have failed, or that the public sector banks are not profitable.

The report of the Reserve Bank of India—which I have here—states that—

> "One of the features of the Indian banks over the years has been the low level of the profitability. As a result resource build up has been at very low levels and consequently own funds had to be strengthened by repeated infusion of additional capital. The Government had contributed Rs. 4,000 crore up to March 31, 1993."

While saying that one of the features of the Indian banks is the low level of profitability, the RBI had recognised one fact, that this low level of profitability was due to the obligations which have

[Shri Sudhir Sawant]

been undertaken by the nationalised banks to fulfil the social obligations set to them by this Government, and various other factors where the banks have functioned primarily, keeping in view the goals of this government in disbursing credit in priority sectors and at low interest rates and other objectives which have been set for them. Thus, one fundamental question arises today, whether the banking system, specially the public sector banks should be allowed to function in a totally commercial manner, or the banking system should also be responsible for fulfilling the social obligations of the Government that this country has set to do, based on the Directive Principles of State Policy. That is why there is no reason and there has been no occasion when I can think, or anybody can think, that if the public sector banks today are allowed to function on a totally commercial basis, the Reserve Bank of India would not have to put this statement in its report. Definitely, we have today the manpower, the capability in the public sector banks to generate surpluses to look after their own interests, the interests of the banks in pure market terms.

If we see in a broad perspective the social functions which these banks are doing, then we will realise that the low level of profitability is arising mainly due to this particular factor. The banks have had to open branches in many areas where they were not commercially viable. But the banks had gone and opened branches in these areas. If we ask the public sector banks not to look after the social functions and purely work as commercial banks, then definitely our banks will do much better. The second factor is the Government's interference, which comes in the way of their functioning, which I have already covered.

While making the banks function in a totally commercial manner, then we, including the Opposition Parties, should not insist on their functioning in a sacrosanct manner.

This Bill has been placed here for some reasons. Some findings were there in the Narasimham Committee Report. To engineer reforms in the banking system, this Bill has now come up before this House. We had seen what had happened due to scam. The Joint Parliamentary Committee had gone into the details of that. And that is why, there has been a demand for transparency in the accounting system of the banks. When the norms for transparency have been set, then there are going to be some effects. If the norms are followed, then by March 31, 1993, our thirteen banks will show an aggregate loss of Rs. 3500 crore. These are the facts. That is why, the Government proposes in 1993-94 Budget to subscribe capital to an extent of Rs. 5,700 crore. If the capital advocacy requirement and the demand for transparency in the accounting system have to be fulfilled, then everything cannot be done by the Government. And that is why, there is a need to subscribe public equity, which I fully support.

If we want our public sector banks to become profitable, then we should allow them to function on commercial basis. If that is so, then the banks should be allowed to go and raise capital in the open market. But definitely there should be certain limits set on that. The ceiling on voting rights has now been increased to ten per cent. I welcome that. There is nothing wrong in that. China has made the public sector ventures profitable by one method. They have invited foreign capital. They have invited private capital. But, in what? They have invited foreign capital and private capital in the joint ventures of their public sector banks and thereby they are reviving their public sector banks and making them to function in a total commercial manner.

As long as the Government holds control over the public sector banks, I do not think there is anything to fear. And that is why, the equity of the Government to the level of safety must be retained and also the voting right to the level of safety must be retained, so that while these banks become profitable. They also fulfill the social obligations.

[Translation]

SHRI BHOGENDRA JHA (Madhubani): Mr. Speaker, Sir, it is very sad for our country that the most powerful bank the State Bank of India the next only to Reserve Bank of India is also going to be handed over to both the Indian & the foreign Private capitalists. There is apprehension that later on, the foreign capitalists will be in dominating position.

Our colleagues from the ruling party still mention the name of Indiraji in the context of banks. There is the healthy tradition in our country to call a dead person "swargiya". It is just contrary to that. All are aware of it that at the time when the issue of the nationalisation of banks was raised, the then Finance Minister had said that till he was the Finance Minister, the banks would not be nationalised and the hon. Prime Minister Smt. Indira Gandhi left the Congress party or was made to leave it. At that time also I was in the House and whatever little we could do to save the Government, we did. At the time of the nationalisation of banks the practice of giving privy-purses of the kings were stopped. The projects which were stopped at the direction of the World Bank for three years and there was a plan holiday, were started again and the country started progressing again, but now they are trying to roll it back. This Government has been affected by the disease of issuing ordinances. The session of the Parliament was likely to start and there was no need at all to issue an ordinance regarding State Bank. The Government could have brought the bill during the Session, whether it was good or bad, therefore we are opposed to the issuing of ordinance. However, we favour this practice to be followed in case of an urgency only. This practice should be followed only when it is not possible to wait otherwise it should not be followed. Therefore, this is one of the main reasons of our opposition to this.

Mr. Speaker, Sir, it is a fact that this Bill provided a chance to the banks dealing in foreign exchange, to raise their capital by 8 percent to form their base and we were to do something in this regard. The State Banks, dealing with foreign countries, are required to do something by March, 1994. Now they have to raise their capital by 10 per cent. There is a dangerous proviso that they will have the right to vote, whenever the Government wants as per the opinion of the Reserve Bank of India and they need not come before the Parliament. The private investors would be in the Board and they would leave the right to vote whenever the Government wants after seeking the opinion of the Reserve Bank of India. It means that the State Bank will be the State Bank just for the name and after they have the right to vote, it would just be a Private bank. This provision is dangerous for our country. The chances are dim yet I urge upon the Government to delete this Proviso. If the Government feels the need, it can come before the Parliament, but the Government should not take into

[Shri Bhogendra Jha]

its hands the right to provide the right to vote to the private investors in the board otherwise its basic character would be changed and that is why I feel that this proviso in the Bill is dangerous.

Mr. Speaker, Sir, some of our colleagues contend that the utility of the banks should also be taken into consideration for our developmental projects and our removing acute backwardness by giving aid. There should be a planned system of production. We are 90 crore people, the main power is the man power and there are 180 crore hands. Those hands should be utilised for production so that our domestic industries can also compete with the world market and it can also fulfill needs of the country that is why since independence we feel the importance of our domestic industries. We know it that ,today we can not make progress without big industries. There is a dire need of small, medium and big industries in our country and we can not make progress without big financial support from the banks. Our progress is negligible. There is no proper utilisation of money for which, it is granted and that is why our production is not increasing. Money is being wasted. The role of banks in it is also condemnable. Therefore, it would be dangerous if this bank is run purely on commercial basis. It is not good for the country which has such a large population.

Mr. Speaker, Sir, often the example of China is cited. You were leading us when we paid a visit to China this year in January. We had seen there that China had given permission for the foreign capital to enter only in three fields. Our society and our country do not have the capability to allow it in 3, 300 or 3 thousand fields and even then it will not serve our purpose. China has the capability to allow the foreign capital in three fields and it is confined to the three fields only. When we cite the example of China's success that she permits the foreign capital then we not only keep the people in darkness but we also present a different picture.

The day before yesterday, the hon. Member Shri George Fernandes had said that the Chinese living in other countries love their motherland and they do not want to severe their connections with their motherland. They have invested their money. There are a few countries where such thing happen. All other countries nave their own State Banks, which are running smoothly. It is not wise to cite the example of the success of Private sector or the failure of Government banks in our country and to appreciate the private sector. There is not even a single private sector industry, not even those of Birla, Tata or Kirlosker, which is running without bank's money. I would like to say that the hon. Finance Minister or any other person from the ruling party should cite an example of even a single industry which was set up without taking loan from the bank. Our experience of our own country speaks that the story of the private sector's success and the failure of Public Sector has been told shamelessly by those who had taken loans from Government banks, from the people and who have done other frauds to declare the industries sick. These people just give a distorted picture. The main base of the industries of the country is still the capital of the Government's banks even today. The black money, which they use is covered by the Public money.

Mr. Speaker Sir, there is scope for the private sector to show its might. After independence our first Prime Minister Pt.

Jawahar Lal Nehru had said that if the private sector is given liberty then it would invest in hotels and cinemas from where it can have quick returns. I would like to know the name of anyone in private sector, who has invested in agriculture, engineering or the science which has far reaching consequences. They are not ready to wait for the profit for such a long period. I understand that there is not even a single capitalist in our country who can set up an industry like *Hatiya*. Therefore, I feel it dangerous for our country. It should not be done. I think all the hon. Ministers of the ruling party are not happy over it. Those who have an Indian heart might have seen the days during the independence struggle. He may not have seen our freedom struggle but he must have seen the days of 1969-70-71, when the hon. Prime Minister Smt. Indira Gandhi was sacked on the issue of banks. We had demanded at that time not more than that the projects should be commenced, the banks should be nationalised and hasten the pace of the land reforms. Today it is being tried to stop our progress.

My submission is that if wisdom prevails on the Government then it should not present this Bill in this form and at least it should not provide the right of vote to its board members. We have to accumulate capital, which is possible for banks to collect throughout the World. I do want that our State Bank should be in that category and it should not loose its claim. But the right to vote and the 10 per cent rebate in the capital, should not be given. I oppose the Bill in its present form and also oppose it on behalf of my party and I want that the House should defeat this Bill.

[English]

SHRI RAMESH CHENNITHALA (Kottayam): Mr. Speaker, Sir, this Bill has been brought with the intention of amending the State Bank of India Act, 1955 to enable the bank to mainly augment its capital market with public issue. The bank is entering into the capital market in order to augment its capital base to the level of 8 per cent. Today, all Indian banks have the capital base of 4 per cent. This is not upto the international standards. To be in conformity with the international standard, we have to raise it to 8 per cent. In the Statement of Objects and Reasons of the Bill it is said that this Bill is formulated on the basis of certain recommendations of the Narasimham Committee.

Because the capital base of our banks is 4 per cent, we have little significance in international arena. The State Bank of India has overseas operations and it needs additional capital of Rs. 3,227 crore to be in conformity with the international norm of 8 per cent. So, the entry into the capital market is necessary. In fact the Basle Committee has recommended that the capital base of Indian banks should be 8 per cent. For this a massive investment of Rs. 10,000 crore would be required which is impossible thing in view of stringent financial conditions which are prevailing in our country. The Budgetary deficit is to be controlled. Therefore, the disinvestment in our public sector banks became absolutely necessary.

Now the Reserve Bank of India is allowing other private agencies also to start and operate banks in our country. Certain private banks are also coming up now. I was told that one has already been started in our country. So, there will be a stiff competition. My request to the hon. Minister is that not only for the State Bank of India but we have to allow other banks also to go in for disinvestment so that their capital base can be strengthened

[Shri Ramesh Chennithala]

and they can compete with other private banks also.

Sir, in the coming days our nationalised banks are going to face a stiff competition and major challenges. In fact the nationalised banks should be allowed to move quickly to face these challenges because of the coming up of the new private banks.

The banking industry has developed in a big way since nationalisation in 1969. At the time of nationalisation the commercial banks had 8,000 plus branches and their deposits were Rs. 6,000 crore. Today the branch network exceeds 60,000 and the total deposits crossed Rs. 2,25,000 crore.

In fact, the top 10 banks have a market share of 50 per cent. However, the status of the Indian Banks and ranking in the international arena is insignificant. That is the most important thing which we have to keep in our mind.

Sir, now we have opened up our economy. Our banks are facing new challenges from the foreign banks and new avenues of savings in the capital money market are also there now. So, in order to face all these challenges, our strategy should be changed. The whole strategy which we are following in the banking system has to be reviewed. Due to the liberalization policy and the opening up of our economy, in the coming days our banks are going to face a major challenge. Therefore, we have to formulate new strategies for our banks.

Sir, over the years the marketing techniques have undergone tremendous changes and the market has been flooded by specialized banking services. This is the most important lesson which the Indian banks should learn. It is said that the performance of the Citibank is an example before us. Firstly, they have entered into a new business era and secondly, they have introduced innovative customers' package of financial services. Our prime priority should be to recast our strategy. We have to face all these new challenges and for this, an overall change in the strategies is highly needed. So, in this regard the Indian banks should adopt new strategies and try to face the challenges without any further delay. We have to rush up. Otherwise, the future of the Indian banks will be very bleak.

Sir, I have certain suggestions in this regard. Firstly, one area in the Indian banks should be focussed on merchant banking and secondly, they can enter into the capital market and undertake a related consultancy or advisory management services etc. So, we have to adopt these strategies so that our banking system can be strengthened.

Sir, the other hon. friends have mentioned about the nationalization and the social obligations of the banks and so, I do not want to go into the details. Basically, bank is a commercial enterprise. Of course, it is true that we have to fulfil the social obligations, but at the same time, we have to see that the banks exist. What is happening now? According to the estimate, nine to 10 nationalized banks have been operating on loss. Certain loans are such that they cannot be recovered. Due to the non-recoverable loans, the yearly losses are accumulating. We have to look into this problem very seriously. In certain banks, even the officers know that a particular loan cannot be recovered, but still he is adding the interest and projecting an inflated income. So, the position of our banks is deteriorating and because of the huge social obligations the burden of the banks is unimaginable. The Narasimham Committee has suggested certain measures in this regard, but because of the social and political pressures we cannot adopt all the recommendations of the Narasimham Committee. Therefore, keeping in view that the banking sector is facing a lot of challenges and since the financial base of our banks is eroding day-by-day, we have to see that our banks function as a commercial enterprise.

Of course, we have to fulfil the social obligations. But we have to make sure that our banks should exist and our banks are able to compete properly in the international arena.

[Translation]

SHRI DEVENDRA PRASAD YADAV (Jhanjharpur): Mr. Speaker, Sir, this Bill has been introduced with the aim of changing the banking system but I think it is not going to bring about changes in banking system so I am not at all surprised at this. I think the Government's basic concept to bring about changes is itself utterly wrong. This is because, the Government has already accepted the recommendations of the Narasimham Committee for guidance. The recommendations of the Narasimham Committee, have been prepared under pressure from World Bank and the International Monetary Fund. And the Government's compulsion in accepting them is due to its helplessness and necessity of handing over the banking sector to the foreign forces. Therefore, I would like to clearly state that this is the first instalment, through this Bill. Towards attaining the aim of implementing the Narasimham Committee's Report by March 31st, 1994. I believe, that through this Bill the work of first stage would be completed by 31st March, 1994. This I think, is the intention and aim of the Bill. This is its real objective.

At present there are 10,000 branches of banks in the country which are incurring losses. In the coming days, these would be closed, this is their plan. I would like to say that banking is a sector in which 4-5 lakh people are employed. There is a danger of their being rendered unemployed, due to this policy. With the implementation of this policy, the greatest threat would be that the employment opportunities in the Government sector would no more exist and this Bill would result in creating unemployment. I believe that the poor would be denied the opportunity to get loans from nationalised banks and those already in employment would be denied further opportunities of employment. The loans provided by the State Bank of India, particularly to the poor people, like the rickshaw-puller, the tongawala etc. and the economic facilities, would not be provided to them in the future. And the subsidy, which they get would be stopped, as per the provisions of this Bill. The economic facility and the Government grants provided to the marginal farmers and the small industrialists, would be stopped.

Therefore, I would like to say that the Government is completely ignoring the social responsibility as referred to by our friend Shri Chennithala and Shri Sudhir Swant. With this Bill the social responsibility would completely come to an end. Therefore, I have said that this Bill is dangerous.

As far as the question of share is concerned, several members including George Fernandes have expressed their views extensively. In my view, if the

[Shri Devendra Prasad Yadav]

shares go in the hands of foreign private investors, the foreign powers would certainly get a boost and the foreigners would take the shares to their countries. This would be a dangerous practice that would be followed in the country. I understand that the recommendations of the Narasimham Committee have certainly been prepared under pressure from the World Bank and International Monetary Fund. It is a link for implementing most of the recommendations. The first step towards privatisation of Banks has been taken. Be it the dimension of new economic policy, the Government is endeavouring to attain its target in order to implement the policy, be it the banking sector, be it other sectors, be it economy and due to this the economic disparity is going to be increasing. The employment opportunities that are to be provided to the poor people will now be no more available. In the coming days the helplessness of the Government will increase and the entire banking sector will go in the hands of the foreigners. The country is moving towards this direction. With such a banking system, the economy of the nation would be shattered. I believe that the nation's entire economic structure is about to collapse and the foreign powers are going to dominate over here. The foreigners would be benefited by this banking system.

With these words I express my strong objection and oppose this Bill.

SHRI HARI KISHORE SINGH (Sheohar): Mr. Speaker, Sir, so much discussion has taken place in regard to this Bill and I do not have much to say. I want to refer to 2-3 things. First, the upswing in the stock market at present indicates that the industrial production has gone up and the economy has improved. Hence, there is a sharp rise in the prices of shares of companies. This is not so. The foreigners are playing their game in the nation's stock market. It would become clear after some days. The companies whose shares have shot up would come back to the situation in which you had constituted the JPC, whose report is going to be submitted in the House. State Bank of India is the backbone of Indian banking system. In importance it is next to the Reserve Bank of India. So far, the Government has not been able to answer the question regarding the justification of increasing the private participation in the State Bank of India. What is the justification of issuing an ordinance on the 15th October? Was anything going to happen which could have delayed the holding of Parliamentary Session, which was to be held after a month. What was the urgency of issuing the ordinance? And today we are merely approving it in this House. This clearly shows the extent to which the Government discharges its responsibility towards the House. The Government should reveal today the need for issuing the ordinance on 15th October. And secondly, what was the urgency of increasing the shares of the private share holders in this way. It would have been justified if by increasing the private share holding, the banking system would have become efficient or streamlined. Is there any possibility that this would increase faith of the people further. People do have faith. People still have faith in the banking system in spite of this step of the Government. In view of this, does the Government believe that it was essential to take such a major step towards privatisation?

Thirdly, what I want to say is that I have been asking this question from the Government, ever since the new policy was announced and even today I am raising this question and let the Government clarify that the foreign banks would not be allowed to operate in a big way in this country. This Government would not give them an opportunity to do business. In America too, there is a provision that a bank would not be allowed to open more than one branch in a State, if the State has no bank of its own.

When the foreign banks would come, what is the guarantee that they will do the same thing here. The finance, at very low interest rates is available in foreign countries. They will arrange the capital and purchase the shares of the banks here and it would result in buoyancy in the share market. How does the Government visualise our plight then?

Last thing, I want to say is that the State Bank was nationalised earlier and when nationalisation of banks took place in 1969 there was lot of enthusiasm and people thought they could get loans to start their trade and business. This benefited the people. As Shri Devendra was saying, it is correct that there are very few defaulters among the small traders like small shop keepers, rickshaw-pullers and Tongawalas. Defaulters are those who while sitting in London and Dubai are looking the Punjab National Bank and State Bank. It is said that their partners are also present in Delhi then how will you stop such people?

Mr. Speaker, Sir, State Bank is going in the direction of privatisation. What would happen to the social security aspect with which the banks were nationalised? Till the new economic policy, under the pressure of World Bank and International Monetary Fund is not implemented, what will happen to the social security of those who are associated with our economic policy and Banking sector? The Government today, should clarify the position in this regard and assure that the facilities available at present will continue to be given in future and there will be no reduction.

With these words I oppose this Bill and conclude my speech.

[English]

SHRIMATI PRATIBHA DEVISINGH PATIL (Amravati): Mr. Speaker, Sir, according to the Narasimham Committee, all the banks have to ensure that their total capital equals at least eight per cent of their risk weighted assets. To achieve this eight per cent asset, some suggestions have been made in this Bill itself. It has been said that the face value of the Bank's share will be reduced from Rs.100 to Rs. 10. It is feared from the Opposition Benches that probably the foreign capital will flow; a lot of overseas people will take these shares away and this Bank will be overpowered by the foreign agencies and the foreign capital. But I think nowhere it has been said that the local people, the Indian people will not be allowed to purchase the shares. So, this is going to be open for all. I would suggest here that there are hundreds of urban cooperative banks in this country. Those banks should also be allowed to purchase the shares of this Bank so that there will be a lot of local credit gathering which will make up the share capital of eight per cent. Instead of restricting it only to individuals, let the other banks also purchase the shares. The Cooperative Credit Societies should also be given the chance to purchase the shares.

Secondly, the private people who want to purchase the shares should not be asked from where they have brought the money, from where they are purchasing the shares. There is a lot of unaccounted money floating around. It will

[Shrimati Pratibha Devisingh Patil]

be better if we can lock it up into the capital of this National Bank and that will be helpful because we are not going to ask the foreigners from where they are bringing the money. If we are not going to ask them, then it would be better if we do not ask our people also. To that extent also, the unaccounted money which is already there in the field will be reduced and it will help the Bank strengthen its capital of eight per cent. Ultimately, it will go to strengthen the economy of our country. Since we are having a new Industrial Policy and a new Economic Policy also, it is necessary that we must strengthen our assets. This will help directly and probably indirectly also the Indian economy to make it strong. I wanted to make these suggestions.

[Translation]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): Mr. Speaker, Sir, I am grateful to the hon. Members who took part in this discussion.

Mr. Speaker, Sir, some of the submissions made by the hon. Members were based on mere apprehensions and misconceptions and were also quite at variance with the facts.

Yesterday, while replying to the submissions of the hon. Members, regarding capital structure of the State Bank of India, I had categorically stated that contrary to the apprehensions of a few hon. Members SBI is not going to be privatised. Earlier the Reserve Bank of India had 96.23 per cent share, individuals 0.84 per cent and others 0.93 per cent in the capital base of SBI. However, now RBI share will come down to 68.93 per cent while the public alongwith employees will have share equal to 20.33 per cent, financial institutions 5.73 per cent and Indian Mutual Fund 5.37 per cent. From the afore-mentioned data it is clear that since the share of RBI is maximum, therefore, the Government will continue to have full control on SBI regarding policy matters and other decisions. I would like to allay the fear of the hon. Members that the Government is going to privatise SBI. The hon. Members putforth their views regarding conditions prevailing in banks and they are correct that the condition of some of the banks is not good. Yesterday while replying to a question I stated that some banks are incurring losses and their condition is bad. Time and again this issue is being raised in the House. However, I would like to State that the Government is making constant efforts to improve the situation. In the recent past the Government has taken a few steps to improve the condition of SBI and has also accepted the rcommendations of the committees constituted for the same. The Government took the steps in accordance with these recommendations. As a result of the steps taken by the Government condition of these banks has improved. Banks have been allowed to close down loss making branches and to shift non-profitable branches of various administrative and zonal offices to business potential areas. Recently SLR and CRR were reduced so that banks can lend away their surplus funds to improve profitability. In the last session Bank Recovery Tribunal Bill was introduced. In the Bill provision for stringent measures has been made so that the loan money could be recovered easily and got utilised elsewhere as litigation process is quite time consuming. Sticky advances will be monitored to minimise litigation and to solve cases through compromise. Emphasis is being laid on computerisation so that such cases could be easily detected. RBI has issued instructions regarding concurrent audit of banks. Proformas of C.Rs of bank employees have been changed to introduce the concept of accountability. In addition to fulfil capital adequacy norms a provision of Rs. 5700 crore was made lost year. This assistance is being disbursed.

Regarding Chairmen and Directors of Banks, I would like to submit that Chairmen of most of the banks were appointed only recently. CMDs of SBI, Central Bank of India, Bank of Maharashtra, Bank of Baroda, UCO Bank, Syndicate Bank, Indian Overseas Bank, Allahabad Bank were appointed recently. Posts of CMDs of Andhra Bank, Dena Bank and United Bank of India are lying vacant. This post fell vacant in Dena Bank and United Bank of India only recently. Proposals to fill up these are under consideration. The Government has instructed that the post of CMD should be filled up as early as possible. Even names for the post of Directors are being proposed. It is believed that these also will be filled up as soon as possible.

SHRI HARI KISHORE SINGH: Why does the Government not start the selection process even before the dates on which these are going to fell vacant?

DR. ABRAR AHMED: The whole process is time consuming because names are suggested by the Government to the RBI and if some information is lacking in the bio-data then queries are made. Efforts are being made to minimise time delays and to fill up the vacancies immediately.

A few hon. Members raised some issues in their speeches. Shri Mohan Singh is not present in the House. Yesterday he submitted that banks are going to be privatised. His apprehension is baseless because the provisions for the capital structure that are being made will keep the powers with the Government. Regarding closure of branches I would like to state that loss making branches are proposed to be closed down. Profit making branches will not be closed down. All pending queries I have already replied. Shri Chacko raised the issue of Narasimham Committee. I would like to state that the recommendations of the said Committee have already been accepted and implemented. Yesterday he specifically quoted a point from my reply. I would like to reiterate what I stated yesterday that no other proposal on the lines of merger of New Bank of India with Punjab National Bank is under consideration. However, it should not be constructed that no other bank will be amalgamated in future. If the Government thinks it necessary to amalgamate banks it won't hesitate and will also take all the necessary measures. However it is not proper to quote all this as authoritative statement from the Government side. I am reiterating this again today.

13.00 hrs.

I made the position already clear regarding appointment of the Directors. Recommendations of Gopuria Committee are being implemented and customer services will also be improved. Regarding valuation of shares I would like to submit that the face value of a share has been reduced from Rs. 100 to Rs. 10 so that small investors may also invest in these shares. Share of Rs. 10 is being sold at a premium of Rs. 90. The share of Rs. 100 is being sold in the market for Rs. 3,000.

[Dr. Abrar Ahmed]

In response to the query of the hon. Member regarding opening up of bank branches abroad I would like to submit that there is no blanket permission. Branches abroad could be allowed to be opened depending on their viability.

MR. SPEAKER: Will you bring down the price of a share from Rs. 3,000?

DR. ABRAR AHMED: Mr. Speaker, Sir, I am coming to this point. In response to the query regarding market prices of shares I would like to state that when shares on sale are less prices shoot up and when trading starts, prices plummet. Therefore, shares of Rs. 100 each valued at Rs. 3,000 in the market are released in large number then prices definitely decline. All this is evident from the market trends itself. However, it is wrong to suggest to fix a premium of Rs. 290 for a share of Rs. 100 having the market value of Rs. 3,000.

MR. SPEAKER: Even if Rs. 90 premium is fixed value will not fall below Rs. 100?

DR. ABRAR AHMED: Therefore, face value of a share has been fixed Rs. 100 so that small investors can also buy these.

[English]

PROF. SUSANTA CHAKRABORTY: Why is this premium?

[Translation]

DR. ABRAR AHMED: I am coming to this.

SHRI HARI KISHORE SINGH: Why the face price of a share valued at Rs. 3,000 in the market is not being fixed at Rs. 3,000?

DR. ABRAR AHMED: You mean why the premium for a share of Rs. 10 which is being valued at Rs. 300 is not being fixed at a premium of Rs. 290?

MR. SPEAKER: Question is why the price has been reduced from Rs. 100 to Rs. 10?

DR. ABRAR AHMED: Price will come down from Rs. 100 to Rs. 10 as and when the issue opens.

MR. SPEAKER: Why?

DR. ABRAR AHMED: Price was fixed at Rs. 10 so that small investors can also make investments.

I would like to inform Shri Chakraborty that RBI has already issued instructions that from 1993-94 recommendations of Ghosh Committee will be implemented. Share of SBI of Rs. 10 has a book value of Rs. 84 and it is expected that the share will be listed at a price 15 times more than the face value when public issue opens as is happening in the case of the share of the financial institutions. Such issues are expected to be quoted at Rs. 150. To attract small investors present issue is being sold to public at Rs. 100. In addition the present offer price according to projected earning is 9.2 as per P.E. ratio during 1993-94 and book value of each share is 1.8 times. Therefore, present offer price in view of all this is quite reasonable. Market value of a share of Rs. 100 at present is in the range of Rs. 2800 to Rs. 3000.

SHRI GEORGE FERNANDES: Please tell how many out of these are being sold to the public and in what ratio shares are being sold to the present share holders and to the employees?

DR. ABRAR AHMED: Sir, the question of the hon. Member is quite important. Sir, through you, I would like to clarify the number of shares being sold to each one of them.

To public 7,50,00,000 equity shares, of Rs. 10 each at a premium of 90 are being sold. Face value of these shares is Rs. 75,000 crores and issue price is Rs. 750 crores. Financial institutions will be sold 2,45,00,000 equity shares of Rs. 10 each at a premium of Rs. 90 whose face value is Rs. 24.95 crores and issue price 245 crore. For Indian Mutual Funds registered with SEBI 2,45,00,000 equity shares of Rs. 10 each at a premium of Rs. 90 had been kept, whose face value, is Rs. 24.5 crore and issue price is Rs. 245 crore. In the case of rights category—12,00,00,000 equity shares of Rs. 10 each at a premium of Rs. 50 each share will be sold, whose face value is Rs. 120 crore and issue price is Rs. 720 crore. In Employees Category—1,20,00,000 equity shares of Rs. 10 each at a premium of Rs. 50 each share had been kept, whose value is Rs. 12 crore and issue price is Rs. 75 crore.

I had already replied to the query of Shri George Fernandes regarding privatisation. Directors will enjoy only 10 per cent voting rights. It is wrong to suspect that laws will be amended or what will happen in future. I think all these apprehensions are baseless. In Section 19(1) C of SBI Act already provision is there that in case of private share holdings limit is 10 in case of minimum 2 Directors. Between 10 to 25 per cent in case of 3 Directors and more than 25 per cent in case of 4 Directors.

SHRI GEORGE FERNANDES: Probably total number of shares is 25 crores.

DR. ABRAR AHMED: Face value is Rs. 256 crore and issue price is Rs. 2032 crore.

SHRI GEORGE FERNANDES: In the Amendment Bill what is the Capital?

[English]

Section (2) of the Bill that you have moved here, at page 1, says:

> "In section 4 of the State Bank of India Act, 1955 (hereinafter referred to as the principal Act),—
>
> (i) for the words "twenty lakhs", the words "two crores" shall be substituted;
>
> (ii) for the words "one hundred rupees", at both the places, where they occur, the words, "ten rupees" shall be substituted."

[Translation]

DR. ABRAR AHMED: Mr. Speaker, Sir, if you listen to the submission of the hon. Member in a different form than there won't be any scope left for doubts. At present the amount holding of RBI is Rs. 196.46 crore.

SHRI GEORGE FERNANDES: Mr. Speaker, Sir, please come to my help.

[Shri George Fernandes]

Sir, through you, I request the hon. Minister to throw more light on it.

[English]

Section 4 of the Act as reproduced in the Bill, is given in the Annexure at page 10 says:

> "Subject to the provisions of this Act, the authorised capital of the State Bank shall be twenty crores of divided into twenty lakhs of fully paid up shares of one hundred rupees each."

Instead of twenty lakh shares of hundred rupees each, you are making it two crore shares of ten rupees each. So, the authorised capital—as now in the amending Act—will be the same twenty crore rupees in two crores of shares.

[Translation]

I am unable to understand this complication because the authorised capital is Rs. 20 crore going by Rs. 100 price of a share each of 20,00,000 shares. However, share price of Rs. 100 is being reduced to Rs. 10. Even when the capital base will remain at Rs. 10 crore yet the figures being disclosed run into many crores. I am not bothered about the total amount going to be mobilised.

DR. ABRAR AHMED: The doubt of the hon. Member....

SHRI GEORGE FERNANDES: My question is when the authorised capital base is of Rs. 20 crore and even in the Amendment Bill it has been kept at Rs. 20 crore then from where money will flow in case of capital issue of Rs. 1,000 crore?

DR. ABRAR AHMED: I would like to inform the hon. Member that RBI has a share of 196.46 crore individuals 1.68 crore and other 1.86 crore. Therefore, the total comes to 200 crore. After the proposed issue capital structure will be as follows: RBI will have share of 314.3 crore and public including employees 92.7 crore. In addition financial institutions will have share of 24.5 crore and Indian Mutual Funds 24.5 crore. Therefore, the total comes to 456 crore.

[English]

SHRI GEORGE FERNANDES: I am still not satisfied. I am sorry if my knowledge of Company law is almost zero.

MR. SPEAKER: Well, I am on the same footing.

SHRI GEORGE FERNANDES: So, I do not understand it. We need some clarification. Can the issued capital be more than the authorised capital? Does the Company law enable you to have an issued capital which is more than the authorised capital? I am ignorant on this. So, I would like to be enlightened.

[Translation]

DR. ABRAR AHMED: I would like to inform the hon. Member that authorised capital can be changed any time with the permission of the Central Government. Already it has been raised from Rs. 20 crore to Rs. 1,000 crore. This will be the position after this proposal in the share market as has already been detailed by me.

[English]

SHRI GEORGE FERNANDES: It cannot be outside the Act. The authorised capital should be within the incorporation of the bank or of the company.

[*Translation*]

The Central Government is all powerful. I do know this. However the law authorises the Government to have an authorised capital of Rs. 20 crore whereas it proposes to float shares worth one thousand or two thousand crore. I am unable to understand this.

DR. ABRAR AHMED: The limit has already been increased from Rs. 20 crore to Rs. 1000 crore.

[*English*]

SHRI GEORGE FERNANDES: You are amending the law today. You are amending it only to convert twenty lakh shares of hundred rupees each to two crore shares of ten rupees each.

[*Translation*]

DR. ABRAR AHMED: There is no need for it. The Central Government can increase or decrease the capital.

[*English*]

SHRI GEORGE FERNANDES: Sir, I do not understand this. (*Interruptions*)

It cannot be outside the Act. I would like the Law Minister—he is here—to clarify.

[*Translation*]

SHRI HARI KISHORE SINGH: If there is no need, why the amount is being increased from Rs. 20 crore? (*Interruptions*)

[*English*]

MR. SPEAKER: If your law provides that the Union Government is authorised to increase the authorised capital, you can do it. But if it is not specifically mentioned in the law and if the law says that the authorised capital is going to be only twenty crores of rupees, you cannot do that. You shall have to show that in the law also. Is it provided that the Central Government is authorised to increase the authorised capital?

[*Translation*]

SHRI INDRAJIT GUPTA (Midnapore): When was the capital increased to Rs. 1000/- crore?

[*English*]

DR. ABRAR AHMED: "Provided that the Central Government may increase or reduce the authorised capital as it thinks fit so however that the shares in all cases shall be fully paid-up shares of one hundred rupees each."

MR. SPEAKER: Is it a part of the law?

DR. ABRAR AHMED: Yes, Sir. It is an extract from the State Bank of India Act, 1955 regarding authorised capital. (*Interruptions*)

[*Translation*]

DR. ABRAR AHMED: There is a provision for it in the rules and regulations of the State Bank of India.

[*English*]

MR. SPEAKER: Right. You can do it.

MR. SPEAKER: If the law says that the authorised capital will be initially Rs. 20 crore and if any other provision in the law says that this authorised capital can be increased to a higher amount of money, then it can be done by the Union Government. It would be allowed.

SHRI GEORGE FERNANDES: Is it done without being reflected in the law?

MR. SPEAKER: It is already reflected in the law. The Act is authorising the Union Government to increase it.

SHRI GEORGE FERNANDES: But is it not needed to be reflected within the law, Sir?

MR. SPEAKER: There may be two provisions in the law. Initially, the authorised capital may be Rs. 20 crore and they may say that taking into account the volume of business to be transacted, the authorised capital can be increased by the Union Government. If that kind of a provision is there in the Act, they can do it. And I was trying to understand whether that kind of provision is there or not; the hon. Minister says that that kind of provision is there and he has read it out now.

SHRI HARI KISHORE SINGH: Generally speaking, public limited companies are authorised only 25 or 30 per cent of the share capital to retain from over-subscription.

MR. SPEAKER: There are public sector undertakings and others which are authorised to increase their authorised capital.

[*Translation*]

DR. ABRAR AHMED: Mr. Speaker, Sir, Shri Yadav talked about social responsibility. In this regard, I would like to submit that so far as private sector landing is concerned Government strictly monitors it and with regard to foreign banks the precentage of priority sector has been increased from 15% to 32% and if this much is not deposited there, it shall be deposited in SIDBI. We shall not tolerate any sort of injustice, not shall we allow it to take place. The question raised by other hon. Members are answered automatically with the reformatory steps taken by the Government.

The question of fake or 'Benami' accounts is raised time and again and it is related with the working of the banks. Reserve Bank of India is going to make it obligatory from January next year that for opening a new account the applicant will have to attach his photograph. This will check the practice of opening fake accounts.

SHRI BHOGENDRA JHA: Mr. Speaker, Sir, I had raised a point the Government has increased the voting right from one percent to ten percent and even more than that, what is the need of it?

[*English*]

PROF. SUSANTA CHAKRABORTY: Sir, one part of the question has not been answered. In the interest of transparency and accountancy, we demanded that auditing should be done by the C&AG. The Minister is silent in this regard. I want to know his reaction on this point.

MR. SPEAKER: Would you like to say something on this point?

[*Translation*]

DR. ABRAR AHMED: So far as the hon. Member's submission regarding the voting right is concerned, when people are being invited for this issue, they will certainly be given rights. It is on the basis of this that percentage has been increased from 1 per cent to 10 per cent.

[*English*]

MR. SPEAKER: It is about accountability of banking. The second question has been raised many times on the floor of the House as to how we make the banks more accountable. They are already accountable but how to make them more accountable.

[*Translation*]

DR. ABRAR AHMED: I have already stated just now that the Reserve Bank of India has already given directions for concrete auditing. Besides, the Standing Committee of the Parliament Constituted in this regard is also reviewing the matter, it has already hold 2-3 meetings. The aspects of accountability and transparency should also be there. The Government is also considering it.

SHRI GEORGE FERNANDES: Mr. Speaker, Sir, the question raised by you is covered in the bill under discussion and should be fully included in the objects and reasons of the bill but these are not forthcoming.

[*English*]

MR. SPEAKER: It was raised by Mr. Chacko.

[*Translation*]

SHRI GEORGE FERNANDES: Mr. Speaker, Sir, it is correct, however the reply sought here and the reply given by the Minister in this regard raises some more questions. I would like to submit that the Government proposes to allot 12 crore shares to the existing share holders. Those having 1.77 per cent of the total shares are being given Rights Issue worth Rs. 12 crore in turn of which the Government is likely to earn Rs. 720 crore. They are being issued shares at a premium of Rs. 50 per share whereas those being issued to the public will be at a premium of Rs. 90 which means a share to the general public will go for Rs. 100. In this regard, the hon. Minister has made no reference to the foreign institutions or investments. Clarification should be given as to what extent they will be permitted. A premium of Rs. 90 has been fixed with regard to the areas in which the money will be used. On what basis the Government fixed very nominal premium of Rs. 50 per share for the existing shareholders?

DR. ABRAR AHMED: It is a Rights Issue, meant for the persons already having these shares. There is a provision according to which the premium amount for the Rights Issue may be lesser than that fixed for the public issue.

SHRI GEORGE FERNANDES: The provision for providing special facilities to them is fixed by the Government at their own. It is not a legal provision. Mr. Speaker, Sir, we are not convinced in this regard. You may please give your ruling over it.

MR. SPEAKER: I give my ruling with regard to rules and not policies.

SHRI GEORGE FERNANDES: Let this bill should be referred to a committee so that it may be examined. Let it not be said that the House admitted the issue

[Shri George Fernandes]

without examining it threadbare and then inadvertently became a party to another scandal. At least, neither you nor we should hear any such thing.

[*English*]

SHRI SAIFUDDIN CHOUDHURY (Katwa): We are sceptical about the whole thing.

MR. SPEAKER: I only repeated the question asked by Shri Chacko.

[*Translation*]

SHRI GEORGE FERNANDES: Our friend Shri Chacko understands these matters very well and I am very thankful to him for raising this question here. The Government should refer the matter to the Finance Committee or the Select Committee and get it investigated, because I smell rat in it I always prefer to express my views before hand.

[*English*]

MR. SPEAKER: I shall now put the Statutory Resolution moved by Shri Mohan Singh to the vote of the House.

The question is:

"That this House disapproves of the State Bank of India (Amendment) Ordinance, 1993 (No. 33 of 1993) promulgated by the President on the 15th October, 1993."

Let the lobbies be cleared—

Now, the Lobbies have been cleared.

The question is:

"That this House disapproves of the State Bank of India (Amendment) Ordinance, 1993 (No. 33 of 1993) promulgated by the President on the 15th October, 1993."

The Lok Sabha divided:

Division No. 2] **[13.28 hrs.**

AYES

Bala, Dr. Asim

Bhattacharya, Shrimati Malini

Choudhury, Shri Saifuddin

Dubey, Shrimati Saroj

Fernandes, Shri George

Giri, Shri Sudhir

Gopalan, Shrimati Suseela

Gupta, Shri Indrajit

Hossain, Shri Syed Masudal

Jha, Shri Bhogendra

Laljan Basha, Shri S.M.

Mukherjee, Shri Subrata

Mukhopadyay, Shri Ajoy

Paswan, Shri Ram Vilas

Prasad, Shri Hari Kewal

Rai, Shri Lall Babu

Rongpi, Dr. Jayanta

Shastri, Shri Vishwanath

Sinha, Shri Shiva Sharan

Tripathy, Shri Braja Kishore

Ummareddy Venkateswarlu, Prof.

Vadav, Shri Chun Chun Prasad

Yadav, Shri Devendra Prasad

Yadav, Shri Sharad

NOES

Bansal, Shri Pawan Kumar

Bhagat, Shri Vishweshwar

Bhakta, Shri Manoranjan

Bhoi, Dr. Krupasindhu

Buta Singh, Shri

Chacko, Shri P.C.

Chaliha, Shri Kirip

Chandrakar, Shri Chandulal

Chennithala, Shri Ramesh

Chowdhary, Shrimati Santosh

Dadahoor, Shri Gurucharan Singh

Dalbir Singh, Shri

Das, Shri Anadi Charan

Deka, Shri Probin

Dennis, Shri N.

Dev, Shri Sontosh Mohan

Faleiro, Shri Eduardo

Ghatowar, Shri Paban Singh

Islam, Shri Nurul

Kamson, Prof. M.

Kasu, Shri Venkata Krishna Reddy

Kuli, Shri Balin

Mallu, Dr. R.

Mathur, Shri Shiv Charan

Mirdha, Shri Nathu Ram

Nayak, Shri Mrutyunjaya

Netam, Shri Arvind

Palacholla, Shri V.R. Naidu

Panigrahi, Shri Sriballav

Patel, Shri Uttambhai Harjibhai

Patil, Shri Anwari Basavaraj

Patil, Shrimati Pratibha Devisingh

Pattanayak, Shri Sarat Chandra

Prabhu Zantye, Shri Harish Narayan

Rajeshwari, Shrimati Basava

Rao, Shri P.V. Narasimha

Rawat, Shri Prabhu Lal

Sawant, Shri Sudhir

Selja, Kumari

Shukla, Shri Vidyacharan

Siddhartha, Shrimati D.K.

Sidnal, Shri S.B.

Silvera, Dr. C.

Singh, Shri Khelsai

Singh, Kumari Pushpa Devi

Singh Deo, Shri K.P.

Sodi, Shri Manku Ram

Tara Singh, Shri

Thangka Balu, Shri K.V.

Thomas, Prof. K.V.

Thungon, Shri P.K.

Topno, Kumari Frida

Upadhyay, Shri Swarup

Verma, Kumari Vimla

Wasnik, Shri Mukul

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

Ayes : 24

Noes : 55

The motion was negatived.

[*Translation*]

SHRI GEORGE FERNANDES: Mr. Speaker, Sir, the hon. Prime Minister is present here. This Bill has been brought here at such a time when several questions are being raised in the country. Particularly, several questions are being raised about the disinvestment in the Public Sector. A major step is being taken towards privatisation of State Bank, which was set up in 1955. I will not go into the ideological discussion whether it is being privatised or not or what it will mean. The original shareholders owned 1.77 per cent of shares and now arrangements are being made through law to give 31 per cent of shares to private shareholders. The hon. Minister himself has stated that a share of Rs. 100 is being sold at Rs. 3000 in the market today. As the Government wants to bring small investors in this field, it proposes to break up the face value of shares. I have no objection in that regard. In our country all the shares of Rs. 100/- have been standardised to Rs. 10/-. But, proportionately, a share of Rs. 10/- is valued at Rs. 300/- because a share of Rs. 100/- is valued at Rs. 3000/- in the market. The hon. Minister has stated that the shares are being allotted to the people on a premium of Rs. 90/- because when a large number of shares will come in the market the price will be levelled and it is their belief that the price of share will come to nearabout Rs. 100/- during the levelling. There are two things in it. Firstly, the existing private shareholders who actually invest in them and who were holding 1.77 per cent shares till now are being given their shares as their rights. Whatever may be the basis—it is not written here—of providing them the rights shares, but they are only charged with a premium of Rs. 50/- per share of Rs. 10/- whereas if anyone buys new equity in the market, he will have to pay Rs. 100/- as the premium is Rs. 90/- for a share of Rs. 10/-. We have objections in this regard and I would like to say that discrimination should not be done between the new investors, who have got the opportunity to invest in this bank, and the earlier share holders. My second complaint is as to how the valuation was done and where is the report of the valuation? It was not presented in the Parliament. We are discussing such a major Bill, but we do not have the report with us. We can say anything today. But when it will be publicly known tomorrow that the shares were sold at a very low rate and an enquiry will be demanded, we the Members of the House and the Government both will be held responsible for not raising the issue in time. So, I am raising this issue in time. I am neither levelling any allegation nor criticising anyone. Mr. Speaker, Sir, the hon. Prime Minister is sitting here and I would like to request him to refer the issue to the Finance Committee. The Committee can meet on Monday and if the Finance Ministry gives all the valuation papers to us, we can submit the report within two days.

* The following members also recorded their votes

Ayes: Shri Saifuddin Choudhary

Noes: Shri Imchalemba

SHRI BHOGENDRA JHA: Mr. Speaker, Sir, I also support the proposal that it should be referred to the Standing Committee on Finance and.... (*Interruptions*)

MR. SPEAKER: I will not listen to all. I am not reopening the debate.

Shri Bhogendra Jha, you are a senior Member. I have great regard for you but you go on expressing your views in your own way. If the Members want that the Bill should be referred to joint select committee, they should have given an amendment. No amendment has come in this regard. I have only received amendments for circulations to the people at large.

[*Translation*]

Secondly, if the Members of the House unanimously decide to refer it to the Committee, there is no problem in it. But if there is division in the House on this point, it will be difficult to do anything on it later on. The Government has listened to what you wanted to say and they have given their reply. So, there is no ambiguity on this point now. The only point is that why this was done and it would have been better if this was done instead of that. But I do not think that there is anything to investigate in it. However, we shall accept whatever the House decides...... (*Interruptions*)

[*English*]

SHRI P.C. CHACKO (Trichur): Sir, I would like to make one submission. I fully agree with what Shri George Fernandes has said. But let there not be any confusion in the House at the time of adoption of this Bill. Only three matters are brought in this Bill. One is regarding the change in the face value from 100 to 10. For that he has no objection. Like that, on individual share holdings also, he has no objection. The three points, which have been mentioned in the Bill, can be accepted.

His objection, which I fully support, is regarding the market value of the share. That is something, which the Government has to bear in mind at the appropriate time. So, there is no need for referring this Bill to the Select Committee or any other Committee.

MR. SPEAKER: Now I put the motion to the vote of the House.

The question is:

"That the Bill further to amend the State Bank of India Act, 1955, be taken into consideration."

The motion was adopted.

MR. SPEAKER: Now we shall take up Clause by Clause consideration of this Bill.

The question is:

"That Clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3—Substitution of new section for Section 11—Restrictions on voting rights

SHRI BHOGENDRA JHA (Madhubani): I beg to move:

"Page 1, —

omit lines 18 to 20." (6)

[*Translation*]

Mr. Speaker, Sir, I have a small amendment. In the last paragraph of the first page,

[*English*]

"Provided that such shareholder shall be entitled to exercise voting rights at such higher percentage as the Central Government may, after consultation with the Reserve Bank, specify."

MR. SPEAKER: You have already spoken on this.

[*Translation*]

SHRI BHOGENDRA JHA: I want that this should be removed because if the Government continues to do this without taking the opinion of the Parliament, the State Bank will not remain a State Bank, but will fully become a privatised Bank. Voting rights have already been given to the shareholders holding 10 per cent of shares. So, this power should not be taken away from the Parliament. If necessary, the Government should take up the issue again in the Parliament. The Government should not be allowed to do it on its own without knowing the opinion of the Parliament. That is why I have brought this amendment. I would urge that the Government should accept it now, otherwise there may be another Government tomorrow.

[*English*]

MR. SPEAKER: Now I put the amendment No. 6 of Clause 3 moved by Shri Bhogendra Jha to the vote of the House.

The Amendment No. 6 was put and negatived.

MR. SPEAKER: The question is:

"That Clauses 3 to 13 stand part of the Bill."

The motion was adopted.

Clauses 3 to 13 were added to the Bill.

Clause 14—Amendment of Section 24

Amendment made:

Page 4, —

for lines 32 and 33, *substitute* —

'(a) in sub-section (3), for the words, brackets and figures "of sub-section (1) of section 19", the words and figures "of section 19" shall be substituted:' (4)

(Dr. Abrar Ahmed)

MR. SPEAKER: The question is:

"That Clause 14, as amended, stand part of the Bill."

The motion was adopted.

Clause 14, as amended, was added to the Bill.

Clause 15—Amendment of Section 25

Amendment made:

Page 5, line 2, —

for "in the portion" *substitute* —

"for the portion" (5)

(Dr. Abrar Ahmed)

MR. SPEAKER: The question is:

"Clause 15, as amended, stand part of the Bill."

The motion was adopted.

Clause 15, as amended, was added to the Bill.

MR. SPEAKER: The question is:

"Clauses 16 to 23 stand part of the Bill."

The motion was adopted.

Clauses 16 to 23 were added to the Bill.

MR. SPEAKER: The question is:

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

The motion was adopted.

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

DR. ABRAR AHMED: Sir, I beg to move:

"That the Bill, as amended, be passed."

MR. SPEAKER: Motion moved:

"That the Bill, as amended, be passed."

MR. SPEAKER: Shri Sudhir Giri, be brief, please.

SHRI SUDHIR GIRI (Contai): Mr. Speaker, Sir, I am sure that the Statutory Resolution for disapproving the motion for passing the Bill has been rejected and what I will say in opposing the Bill will also be rejected. In spite of this, I want to be on record that the passage of this Bill will pave the way for privatisation of the nationalised banks. Shrimati Indira Gandhi, the former Prime Minister of India brought this provision keeping in view the welfare of the State. So, the report of the Narasimham Committee is based on earning the maximum profit. It is not the profit alone but the welfare of the masses of the Indian people should be carefully looked into. So, I suggest, even at the last stage, that the Bill should not be passed or step should not be taken to privatise the Indian banking system.

MR. SPEAKER: The question is:

"That the Bill, as amended, be passed".

The motion was adopted.

MR. SPEAKER: In the afternoon, we will take up Item Nos. 8 and 9 together and may I request the hon. Member to speak on the amendments only and not on the entire gamut of the judiciary so that we may finish it within the time? The House stands adjourned to meet again at 2.45 p.m.