

acres of agricultural land and hundreds of villages are affected due to erosion caused by Ghaghra river in Baharaich in Uttar Pradesh. The Government should construct urgent a bridge on Chahalari Ghat between Sitapur and Baharaich in Uttar Pradesh to permanently solve the problem of erosion caused by Ghaghra river. It will not only establish direct link between Sitapur and Baharaich but also prevent erosion of land on both the sides. For this purpose, some extra amount will have to be given in addition to the expenditure made on prevention of erosion. With the construction of this bridge, both the erosion of villages and agricultural land can be checked. I earnestly demand from the Government for a survey by experts and ensure the construction of the bridge there so that large-scale erosion of agricultural land and villages may be prevented and a direct link between Baharaich district and Sitapur may be established.

15.23 hrs.

**STATUTORY RESOLUTION RE : DISAPPROVAL OF RECOVERY OF DEBTS DUE TO BANKS AND FINANCIAL INSTITUTIONS ORDINANCE AND RECOVERY OF DEBTS DUE TO BANKS AND FINANCIAL INSTITUTIONS BILL—Contd.**

[English]

MR. DEPUTY SPEAKER : Shri Sriballav Panigrahi was on his legs. You may please continue.

SHRI SRIBALLAV PANIGRAHI (Deogarh) : Mr. Deputy Speaker Sir, I rise to support this Bill which has provided for setting up of tribunals for speedy recovery of dues of the banks and other financial institutions.

Sir, such provisions in the relevant Act were overdue. There can be no controversy about it that there should be speedy recovery of the outstanding dues of public financial institutions like banks, LIC, etc.

Otherwise, huge amounts of the institutions are blocked which also adversely affect the overall development of the country. Therefore, S.r, I welcome the Bill and as I said regarding the details, there is scope for some improvement and some suggestions can be made there. But on the whole there cannot be any opposition to the Bill as such.

Sir, two Committees one headed by Shri T. Tiwari as early as in 1991 and the other famous Committee, i.e. Narasimham Committee, have gone into the working of the banks. These two committees have gone into different hurdles and bottlenecks including legal ones facing the banking industry. They have come out with the recommendation for establishment of special tribunals with summary procedure for speedy recovery of their dues. But one thing is not clear and I would like a clarification from the hon. Minister when he replies to the debate, as to what is the thinking of the Government about the number of tribunals. Of course it will be a two tier tribunal, one the original and other appellate. Large number of cases are pending in courts. Figures are given as on 30-12-90. This is a very staggering figure. From 30th December, 1990 till now, about three years' time has elapsed.

Meanwhile, these figures must have gone up further with more number of cases piling up. By that day i.e. the 30th September, 1990, more than 15 lakh cases were filed by the public sector banks and about 304 cases by the financial institutions which have been pending in various courts. All these cases after the passage of this amending Bill, would naturally be transferred to such tribunals which are going to be set up in pursuance of the Act. The amount involved in these cases is as much as Rs. 5,622 crores for banks and Rs. 390 crore in respect of the financial institutions.

According to the present procedure of our courts, these cases may go on, without the special tribunals or summary procedure, for centuries. These cases numbering 15 lakhs, involving five to six thousand

crores of rupees, can go on for a long time, civil litigation in our country being what it is. There is no way other than going for such a provision. That is the order of the day even now. Whenever we want a speedy disposal of cases the system is such that we have to go in for special courts. In Bombay we have special courts in connection with the financial scam. Sometimes in some criminal cases, for crimes committed during riots etc. also special courts are established. Our judiciary is known for its delays. Somewhere there is a procedural delay. The procedure itself is such that we cannot get away from it. There are provisions where the delay can be avoided. But a lawyer or a party may resort to a different procedure and the case may get delayed. Sometimes it happens because the courts are overpressed, or overloaded and they do not have time. Adequate number of judges are also not there.

So, this is a welcome measure. But I would like to know the thinking of the Government. What action is proposed to be taken by the Government? Has the Government any thinking about it? By what time would they like these cases to be disposed of and what is the number of tribunals that would be required for such work? It is not going to be five or ten. A large number of tribunals are needed now, something like one in every district. Accordingly you have to make provision for such number of tribunals.

There was some opposition from the other side as to why the Government promulgated the Ordinance without waiting for the Monsoon Session of Parliament. But it clearly shows the anxiety and sincerity of purpose in this matter on the part of the Government.

MR. DEPUTY-SPEAKER : Please conclude now.

SHRI SRIBALLAV PANIGRAHI : I am just beginning. I will require five more minutes.

MR. DEPUTY-SPEAKER : You had taken ten minutes on the other day also.

SHRI SRIBALLAV PANIGRAHI : On Friday, you yourself were there and saw what an ordeal I had to go through.

I stood like this for half an hour on that day with your instruction to speak. But I was shouted down by the other side Members when the raised Narmada dam construction issue.

MR. DEPUTY-SPEAKER : Now the atmosphere is very calm and nobody is interfering you.

SHRI SRIBALLAV PANIGRAHI : Sir, you must be considerate to me.

MR. DEPUTY-SPEAKER : You have withstood that onslaught.

SHRI SRIBALLAV PANIGRAHI : I will conclude in another five minutes. The required number of tribunals should be established.

I have already dealt with the Ordinance. The Government means business and they are very sincere about it. That is very clear from the action they took, by way of this Ordinance. We should approve and ratify their action.

Sir, one apprehension was expressed by some learned hon. Members. Of course, there is one law that if there are huge arrears...

SHRI DILEEP BHAI SANGHANI (Amreli) : May I point out, Sir, that there is no quorum in the House.

MR. DEPUTY-SPEAKER : The bell is being rung—

Now, the House enjoys the quorum. You may continue Mr. Panigrahi.

SHRI SRIBALLAV PANIGRAHI : So, Sir, about the Special Tribunal, I was saying that this proposal for the creation of Special Tribunal for the recovery of debt due to banks, which has now been given legislative shape, was going on for quite long but it is now taking shape. This is the most important recent development relevant to the business of banking. The

banking industry in our country has suffered a serious set back recently after the occurrence of the scam. This is the largest scam that has taken place ever in the world, not only in India. As you know, Sir, a Joint Parliamentary Committee is looking into it and I am sure, the recommendations of the JPC will be viewed seriously by the Government and the Government, while bringing about improvement by implementing the Narasimham Committee Report, will also give serious thought to this.

MR. DEPUTY SPEAKER : Panigrahi, the time allotted to you is over and there are others also to participate in this.

SHRI SRIBALLAV PANIGRAHI : I would just raise some points, Sir.

There is some study that indicates that nearly Rs. 20,000 crores of bank credit is non-performing. The RBI has estimated bad and doubtful debts at 14.16 per cent of this figure but other estimates put this figure at fifty per cent even higher than this. This also was considered by the Narasimham Committee and it came out with its recommendation for the establishment of one Assets Reconstruction Fund. A sum of Rs. 5,700 crores has already been proposed in the current budget for meeting this sort of debt. I would like to know from the hon. Minister whether out of this Rs. 5,622 crores which is blocked by way of outstanding arrears, the Government has made any assessment as to how much of it is bad debt.

One very important point is that we may create Special Tribunal but there are some other difficulties also which need to be looked into. About this hypothecation in favour of banks, a statute is essential to define this. Otherwise there are different interpretations of this. Even law courts are not inclined to pass orders for confiscation of different properties, say, vehicles, etc. hypothecated to different banks. So, this should be clarified. Also, if the cases will be there, these will be decrees. Then how to execute such decrees in the present system? I feel there should

be a separate agency for this to trace the assets of the borrowers and to trace the borrowers themselves. In some cases they are running away from their declared places of work. Of course now the scam also has exposed the weaknesses of our banking system. So, all these weaknesses and loopholes should be plugged.

Lastly, I would say that banking industry has got to be competitive. Since nationalisation, our public sector banks are doing a good service. They are doing a commendable job in financing different project of poor people and they are being benefited. There is an apprehension here. There is a provision of Rs. 10 lakh maximum and a minimum of Rs. 1 lakh and cases involving amounts less than that will not be referred to the tribunals. There is a lot of harassment being done to these poor and unemployed people for recovery of their dues. We have to see that these people are left out and a sympathetic consideration is meted out to them.

Secondly about the loan waiver scheme, during the 1989 elections, Shri V. P. Singh and his Janata Dal had this in their election manifesto about waiver of loans. They gave general waiver of loans upto Rs. 10,000 in all sectors—artisans, agriculturists, upto Rs. 10,000. You know what happened thereafter. They could not comply with it. They did not honour their commitment in its entirety. This is an important and serious matter. They could not meet their obligation. There is an impression and a message throughout the country that the money need not be paid. Those who were in arrears, even if they wanted to pay,—I know of certain cases—the borrowers, the debtors went to the banks to repay the money. But the banks sent them back saying that there is a loan waiver scheme and they may wait for some time. It happened in that way. Meanwhile that amount has piled up and multiplied. What will happen to such cases?

I want to make one suggestion for the consideration of the Government. A least in all such cases the interest part should

be waived. I know of cases where people were ready to pay but the banks and financial institutions sent them back referring to the waiver scheme. The amounts multiplied. Why should these people suffer now? They should not suffer for the mistake of the authorities. To that extent the interest should be waived and they should not be asked to pay it. This is one thing. This is the reality. I can name persons who are victimised in my constituency.

This is a serious matter. I hope that the points made by me would be considered by the Government. Finally I want to say that there is overlapping of banks. Banks have to be competitive. We have the concept of grameena banks—regional rural banks. They are banks only for namesake. Even for transaction like stipend of SC/ST students they are not dealing with it. They are not competent and authorised to deal with such things. What for these grameena banks exist? They are not serving the real purpose underlying the banking industry. Therefore, there is lot of pressure—on me at least, may be on some other Members also—not to have more branches of these grameena banks but to have more branches of regular banks i.e. commercial banks. This point also should be considered by the Government with all seriousness.

With these words, I submit that this is a good piece of legislation and I welcome this Bill.

THE MINISTER OF STATE IN THE MINISTRY OF SCIENCE AND TECHNOLOGY (DEPARTMENT OF ELECTRONICS AND DEPARTMENT OF OCEAN DEVELOPMENT) AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI RANGARAJAN KUMARAMAN-GALAM) : Sir, I am on a point of order. The time allotted for this was two hours. Time taken till we started now was 2 hours and 19 minutes. Now we have taken another 30 minutes with the quorum bell and so on. We have crossed the time. We have not extended the time. That is the first

point. Without extension of time continuing the discussion would not be proper. It is necessary to point out that all the major opposition parties—the B.J.P., the Janata Dal, the C.P.M.—have crossed their time limit allotted to them. They have completed all their time. The ruling party had some time left which, I think, hon. Member Shri Panigrahi has more than satisfied the limit. This being the situation and considering the fact that we have a number of Bills and a lot of legislative business to be done, I would request—through you—to the House that we complete this Bill. I understand that there are number of people who have given their names for this Bill. Similar subjects can be raised later. I know why this Bill is so attractive—not for the Bill itself, but more because it deals with the financial sector that many people want to voice their views on quite important issues. I am not saying that the issues are irrelevant. But the point which I am making is...

[Translation]

SHRI ANNA JOSHI (Pune) : You are not providing equal time to all the Members. The day before yesterday Shri Charles spoke for half an hour. [English] At that time you did not raise this point.

SHRI RANGARAJAN KUMARAMAN-GALAM : I have a lot of respect, but...

SHRI ANNA JOSHI : Raising the point in the middle, that is not proper, Sir.

SHRI RANGARAJAN KUMARAMAN-GALAM : Mr. Deputy-Speaker. Sir, I will have to. I have a lot of respect for Anna Joshi. In fact I have a special soft corner for him because he is offering me a lot of assistance in NCL in Pune. So, I do not want to say anything against him at the moment, but the point which is important is that the Congress Party was allotted 52 minutes, only 32 minutes' time is being taken. The BJP was allotted 25 minutes, it has taken 33 minutes; the Janata Dal was allotted 8 minutes, it has taken

14 minutes. Like this, everybody has accepted that his party crossed the time limit and even the Congress Party cannot have any more grouse because we have completed 20 minutes extra. Considering that all the parties have taken their time, may I request that we complete the debate now and call the hon. Minister to finish it? Otherwise we will never do any business in this House.

[Translation]

SHRI NITISH KUMAR (Barh) : For the last five minutes he is on a point of order. In which party's account this time will be adjusted.

[English]

SHRI RANGARAJAN KUMARAMAN-GALAM : Mr. Deputy-Speaker, I would also ask you for a Ruling. I think he is aware that a point of order does not form part of the debate. The hon. Member does it on the Chair often for us and we are very happy when he sits in the Chair because that is a different Member we see. But the point that is important is... (Interruptions)... I think a Ruling is called for that a point of order never comes within the time taken in discussion.

MR. DEPUTY-SPEAKER : In the beginning also I told, the time allotted was two hours and at that time you have taken two hours and twenty minutes and subsequently our friend has also started. Anyhow he brought it to the notice of the entire House that the time allotted was so much and we have just exceeded. There are two or three Members more. So, kindly oblige and limit yourself to the time.

[Translation]

SHRI MADAN LAL KHURANA (South Delhi) : A statement on bomb explosion in Madras was likely to be made by the Government, as they said in the morning. I would like to know the time by which it would be made.

[English]

SHRI RANGARAJAN KUMARAMAN-GALAM : Yes, the Statement will come. I do not know whether it is 5.30 p.m. or 5.00 pm., I will check up. But I believe a notice has gone to the Speaker's office. I will inform the hon. Member whether it is at 5.00 p.m. or 5.30 p.m.—one of these two. (Interruptions).

MR. DEPUTY-SPEAKER : You can check it up and come back.

SHRI RANGARAJAN KUMARAMAN-GALAM : I will check up the time and inform you the exact time, but definitely before we rise, the statement will be made, honourable Khuranaji.

MR. DEPUTY-SPEAKER : Now, Mr. Anna Joshi. My request is, kindly limit to the time. Only two or three minutes each. Kindly oblige.

(Interruptions)

MR. DEPUTY-SPEAKER : Yes, I have noted down. Of course you are all very matured people. you know and you are fully aware of the timings also.

15.18 hrs.

SHRI ANNA JOSHI (Pune) : Mr. Deputy-Speaker, Sir, I rise to support the disapproval motion of the Ordinance, and at the same time to raise some points in respect of this Bill here introduced by the hon. Minister.

Sir, in the statement it is stated that banks and financial institutions find it very difficult with regard to the present procedure of getting the dues to banks and financial institutions and therefore, the recovery of loans has become a big problem and a huge amount of the public money is lying idle and it cannot be utilised for public purposes.

Sir, this point is being discussed in the banking system for long. A Commission was appointed under the chairmanship of Shri Tewari in 1980. At that time also.

the Tewari Committee had suggested establishing of tribunals for recovering the loans due to the banks and the financial institutions. But it remains unanswered as to why, at that time only, these tribunals were not established. That is one query I would like the hon. Minister to answer. It is stated that even now the banks and the financial institutions are snowed down under mountains of bad and doubtful debts. The Nationalised Banks would probably have gone down without a trace if the Government had not come to their rescue. The Finance Minister has decided to intercept Rs. 5,700 crore for covering up the loss due to these contaminated debts or bad debts which are estimating more than Rs. 10,000 crore.

Sir, one would like to ask as to why these loans of more than Rs. 10,000 crore have become bad debts or doubtful debts or contaminated debts. Has this something to do with your loan melas or with the political gimmick you were out to play with the banking system? The banking system has got its own norms and it has got its own rules. But you have compelled this banking system to overrule all their systems and therefore, they have to stand Rs. 10,000 crore loans as bad debts and then you have to give that amount from your budget now. How have you decided that? Is it the right way for recovering this Rs. 10,000 crore loans by only giving the amount from the budget? You will have to answer that question.

Sir, the second point which I would like to place before the House is that, in spite of the Tiwari Committee report and in spite of the experience from these loan melas, the Government is still playing with the banks or it is not paying proper attention to the working of the banks and therefore, it happened that during the period of one year, that is, from March, 1991 to April, 1992, one man named Harshad Mehta and his group of companies were looting the banks for the whole year and all your responsible banks officers, banking system and the Government officers were helping them with political backing. So,

this one man was looting the banks for one full year. First it was said that the Securities Scam was a fraud of Rs. 100 to Rs. 600 crore. Then it has risen to Rs. 3,000 crore and when the CBI has filed cases against Harshad Mehta, his five family members and three bank officers it has risen to Rs. 17,000 crore. It is stated here that the report has indicated public sector banks, foreign banks, financial services companies and public sector undertakings for misusing public funds involving a nexus amongst the brokers, bank officers and senior bureaucrats with political backing. Actually, they were looting Rs. 17,000 crore and the RBI officers and other Government officers were just helping them. You must have heard what hon. Member, Shri A. C. Charles has said last time that if an young entrepreneur goes to the bank asking for Rs. 5000 loan, he is asked to bring so many certificates and so many forms. These people on fake security go to the bank and get Rs. 5 crores, Rs. 6 crores. Do Mr. Harshad Mehta and his allies do it alone? Therefore, before coming with this Bill that the banks are in danger and so we have to establish tribunals, as if those people are responsible for all these things, the Minister should have explained what he is doing against those people who are responsible for the fraud of Rs. 17,000 crores.

You have appointed the Janakiraman Committee and the JPC. They have given their interim reports. The reports say, we do not know where this money has gone. Fraud has taken place, crores of rupees have been looted. But we do not know who have looted it and where the money has gone. When you do not know about Rs. 17,000 crores and where it has gone, what right you have got to say we are now appointing tribunals and that tribunals would be given tremendous power.

During my speech in the Budget discussion, I have said, security scam was a peanut compared to the fraud that may reveal losses of thousands of crores of rupees. It could be even Rs. 50,000 crores when

the reconciliation for the nationalised banks which is pending for years and years together is completed. Out of the 20 nationalised banks, 19 banks are not able to complete their reconciliation. They do not know where they stand. They do not know how much is the loss. The Chartered Accountants' Association which is a very prestigious institution has said that this fraud may even go to Rs. 150,000 crores.

You have shown in your statement that Rs. 6,000 crores are lying under recovery of loan. There are 15 lakh cases amounting to Rs. 5,000 crores and 304 cases of loan recovery from the financial institutions amounting to a sum of Rs. 904 crores, totalling about Rs. 6,000 crores. You are worried for Rs. 6,000 crores only. You do not worry for Rs. 10,000 crores which are under bad and doubtful debts. You do not worry for Rs. 17,000 crores which has been looted by Harshad Mehta and his allies. You do not care for Rs. 50,000 crores fraud of the 19 nationalised banks. You are worried about only Rs. 6,000 crores. Of course, you are not sure whether the tribunals also will help you in recovering of these loans and debts.

I have raised these three points which have jeopardised the whole banking system as well as shaken the very faith of common men in the banking system.

15.59 hrs. (Shri Peter G. Marbaniang—in the chair).

Up till now, all of us were thinking that at least in banking system, there was no fraud. We could believe in them and we could have good dealings with them. But there also these types of things have happened. Therefore, before appointing the tribunals, I want an answer from the Minister on all these points. Tiwari Commission has suggested in 1980 for appointing tribunals. Why have you not gone for that then?

16.00 hrs.

We have given relief to you ten years earlier. You have made provision for

Rs. 10,000/- without attending any tribunal. You have straightaway given the money from the Budget.

How are you going to recover Rs. 17,000 crores from Shri Harshad Mehta? Who is responsible for that? What have you done against this? That is my third point.

The fourth point is about conciliation of nationalised banks. Why is it not being carried out? Why are you afraid of this?

I want your answer on all these points.

We come straightway to the Bill itself. Some of my colleagues have referred to p. 5 Clause 21. While making the appeal in some cases, the condition is that :—

“Where an appeal is preferred by any person from whom the amount of debt is due to a bank or a financial institution or consortium of banks of financial institutions, such appeal shall not be entertained by the Appellate Tribunal unless such person has deposited with the Appellate Tribunal 75 per cent of the amount of debt so due from him as determined by the Tribunal under Section 19.”

If he has that capacity of paying, why should he go to Appellate Tribunal for 75 per cent of the loan? He can himself solve the problem. Therefore, if you really want to do him justice, the condition of his going to the Appellate Authority should be waived or at least it should be somewhat watered down. Further, it is a source of corruption. It can be.

“Provided that the Appellate Tribunal may, for reasons to be recorded in writing waive or reduce the amount.”

Why is this permission necessary? If you want to give relief, give it to all those who are going to the Appellate court. Why only to some of them? It means some of them who will just satisfy that he cannot pay that much amount, and if the Presiding Authority allows, then it will be waived. Why this condition should be there?

Therefore, I appeal to the hon. Minister through you that if you want to give this concession, then that concession should be given to all. Therefore, this clause should be reconsidered.

This Tribunal will be only for the cases above Rs. 10 lakhs. How have you decided that it should be for Rs. 10 lakhs? what are the cases? What is the principle? We can be satisfied if those details are given.

I am not opposing this Bill.

But, at the same time, before speaking on this Bill or before taking the decision, the Government should explain its position and the efforts it has made. The Government should explain the four points that I have raised.

Then I can support this Bill.

MR. CHAIRMAN : Prof. Susanta Chakraborty will now speak. We are running out of time. I can allow only three minutes for you to speak.

PROF. SUSANTA CHAKRABORTY (Howrah) : Mr. Chairman, Sir, it cannot be completed in three minutes time.

Sir, next year, we will be having Silver Jubilee celebrations of the nationalisation. In July 1969, 14 private sector banks were nationalised to control our economy to serve heights and cater to the needs of the development of our economy. After 24 years, the view is that, after all, banks should run commercially and the Government, perhaps, is not in a position to control it.

The question of non-performing assets, the question of sticky advances and the question of bad debts are some times used by the banking division to justify their claims.

The present position is surely alarming. Non-performing assets and advances are to the tune of Rs. 20,000 crore, bad debts are to the tune of Rs. 10,000 crore.

There are more than 15 lakh cases of the public sector banks pending with the courts and with regard to the financial institutions, there are some 304 cases. So, the number of cases, with the advancement of days, are mounting up.

Now, for the purpose of speedy recovery of those bad debts, the Government, through this Bill, has sought to set up two Tribunals; one is debt recovery Tribunal and the other is Appellate Tribunal, in accordance with the advice of the Tiwari Committee and the Narasimhan Committee.

Sir, the question is, whether there was any absence of law, whether there was any absence of rule that the Government or the banking division could not control it. The Banking Regulations Act, Section 35 (A) gives enough powers to the Reserve Bank of India, to monitor the things, to initiate mandatory action. But, why did they remain silent? Why did it give room for hair splitting on whether circular was an instruction or any advice issued under the Act? These are certain important questions, which the Government should surely answer.

Sir, from the securities scam, the Government should learn certain lessons. How does these bad debts occur in our country? From the draft report of the JPC, what we find is this.

The irregularities in the securities transactions of some banks were noticed as early as 1986-87. Yet, the top management of the Reserve Bank of India failed to initiate timely action. Now, here is a Tribunal. If this is the attitude, do you believe Mr. Minister that the things will be improved?

Second, the Follow up action on the findings of the RBI inspection took a couple of years to materialise. Thus, it is obvious that the entire thing was an exercise in futility.

The Finance Minister himself made a deposition before the JPC and it came to the Press that the diversion of funds from banking system for deployment



in other areas including financing of securities transactions in the stock market is primarily a fraud, which was perpetuated by collusion between certain brokers and some officials who deliberately violated the established rules.

So, Sir, the question is, in which way the Government wants to function. Does it want to function in the model as laid down by Shri Janardhan Poojari and organise loan melas or does it want to develop a system where some Dalals and Mehtas can loot our country, encouraged by some political, by some Minister, by some politicians of the ruling party, who, today, feel encouraged by political blood truly contaminated by defections? It is running this way. So the Government should answer those questions. What about the reconciliation of grants? This question also should be answered. What about the advances and loans that have been given to the companies which made them sick and for which Mr. Ganapathi, the ex-Chairman of the BIFR made the remark that to make a company sick is business with some people? What about the sticky advances? What about the recommendations of the Ghosh Committee on fraud that people holding high offices in the banking division should not be permitted to hold high offices in certain private sector companies? What is the Government doing with that? What is the attitude of the Government with regard to the recommendation that if a person, three or four months before his retirement, gives some sticky advances to some persons, this type of advances and grants should not be permitted? The Government should take certain positive stand on these things; otherwise things cannot improve.

One more point to which I would like to draw the attention of the Government is that in order to show good health the bad debts actually provided for are written off or depressed as much as possible. This is known to everybody. The very fact that banks do not have to disclose the actual position or the state of health of

their debts in their annual balances help them towards this end. We are speaking of accountability; we are speaking of transparency; we are speaking of profitability. Then why is there the secrecy clause? Bad debts amount to Rs. 10,000 crore. Which are the banks which are responsible for these things? If you go to the courts, the names of those persons are known. I do not know what is the difficulty of the Government to make those names public?

As regards the Bill I think there are certain lacunae and I draw the attention of the Minister towards them. By the very definition of the Bill, interest is included in it. What I apprehend is that because it refers to any liability which is owed to a bank or a financial institution or a consortium of banks and financial institutions during the course of any business actively undertaken by them under any law for the time being, sheer of a legal jargon this means debt arising out of both banking and non-banking sector operations would be transferred to this tribunal. That is not the wish of this Bill. So while framing rules, I would request the Government to consider this aspect.

Secondly, there is no provision in the Bill to determine other interests in the mortgaged property. As a result, the first creditor who obtains a recovery may pocket the entire proceeds of the sale. This should be given due attention.

Lastly, large projects may have a number of creditors; many of them are foreign lenders and multinational agencies. These creditors who are not covered by the Bill will have to press for proceedings in a civil court. If that is so, in that case lawyers feel that there would be a cause for conflict of interests between the tribunals and the civil courts. So while framing the rules I would request the Government to look into these lacunae.

Again, I would request the hon. Minister to see to the recommendations of the Ghosh Committee on fraud and to realise that the system which they have developed

and the practice which they have developed. Those are the main causes behind such a state of affairs. It is no, that there was no institution. Surely tribunal is necessary; surely some mechanism is necessary and you are setting it up. But first make up your mind and decide that you are not going to interfere in the banking procedure. Please see that political persons do not interfere in this.

Thank you; I conclude, Sir.

**SHRI SOBHANADREESWARA RAO VADDE** (Vijayawada) : Sir, I rise to support the Bill. In fact, this is a Bill which should have been brought forward much earlier. I will not repeat what my colleagues have already said, that is about Tiwary Committee and the Narasimhan Committee.

I want to know certain things from the hon. Minister when he is replying to the discussion. He has mentioned that 15 lakh cases have been filed by the public sector banks; and under section (1), the provisions of this Act shall not apply if it is less than Rs. 10 lakhs. I want to know from the hon. Minister whether each one of these 15 lakh cases is involved in Rs. 10 lakhs and more; or is it between Rs. one lakh and Rs. 10 lakhs. That information, I want to know from the hon. Minister.

This Bill is very essential because it is so happening that—I do not say that each and every company or industrial unit is doing that—a good number of them are doing in such a way that they are escalating the cost estimates of the project proposal—value of the land, machinery, buildings, etc. They escalate it to get sometimes subsidy or higher loan from the commercial institutions, as a result of which the viability aspect is being eroded and several units are becoming sick. I know that there are some cases where the unit has become sick and the same person is starting some other company, again taking a loan of Rs. 15 lakhs or Rs. 20 lakhs or sometimes Rs. 1 crore from the commercial institutions.

So, I support this Bill. Unless you recover the money from these people, you will not be in a position to give loan to the farmers or small traders or petty traders or some small scale industrialists. I would like to say that after the nationalisation of the banks, by and large, the banks are compelled to cater to the needs of the farmers, traders or small scale sectors. Priority sectors are fixed for them. But, in spite of that, the practical aspect is that till today, 25 per cent of the farmers are not covered by the bank loans. What is happening is that every bank—either State Bank or any other bank for that matter—is trying to give the money to a small number of big people and then they say that we have given so much amount of money to so and so sector; we have given so many crores to so and so sector. That is because some influential persons at Delhi are greasing the palms of the Regional Manager or the General Manager or the Deputy General Manager. By this one is able to get crores of rupees as loan whereas, the small farmers, the small scale industrialists—even in the towns it is happening and it might have come to your knowledge also—or the fruit vendors and other small people are not getting the loans from the banks. They will have to pay in our area—I am saying about my area, I do not know what is happening in other areas—an exorbitant interest. Sometimes it will be 120 per cent, you will not believe. Out of the 100 rupees, the person who gives money to them, the financial company or the creditors, holds back Rs. 10 and give them only Rs. 90 which they have to pay back every day as one rupee, in the following three months. Like this, they are charging exorbitant rates.

So, my suggestion to the Government is that you may kindly cater to the needs of the small people and you can insist on security, without that sometimes the possibility of recovering the money will be very weak. The point is that the needs of those people should be taken care of. Otherwise, the nationalisation of banks will have no meaning. Sir, our Agriculture Minister is going out now; in the coming

few years, we have to increase the agricultural production from 180 million tonnes to 210 million tonnes. How are we going to achieve it unless you help the farmers, mostly the small farmers? Similar is the case with other trades also. My suggestion to the Government is that you may take security, surety; but give loan to the needy people—small farmers or petty traders, etc. In the urban areas, it help them to stand on their own legs. Self-employment will help them. So far, no sincere efforts have been made to recover the money. I will not go into what Mr. Anna Joshi has said. My suggestion to the Government is to ensure and take all possible steps and give clear directions to all the banks to cater to the needs of small people in particular. With these words, I conclude.

SHRI SHARAD DIGHE (Bombay North Central) : Mr. Chairman, sufficient discussion has taken place on this Bill. I would like to make only three or four points in short. Of course, in order to recover the debts of banks and financial institutions, it was necessary to establish some speedy remedy tribunals though I do not always subscribe to this view that establishment of tribunals is the real answer to the delays in civil courts but that subject is not here today for discussion. So, I would not dwell on it for a long time. What I want to submit is this. In our enthusiasm to create a speedy machinery for recovery of national securities and assets, we should not make poverty as justice as casualties as far as this machinery is concerned. In the first place, we are trying to establish tribunals for speedy recovery of debts. Now, the jurisdiction is initially Rs. 10 lakhs and the Government has the power to increase the jurisdiction to Rs. 1 lakh only. That means, several cases will be covered by these tribunals if the Government thinks of making the jurisdiction of these tribunals to Rs. 1 lakh debt only. Therefore, the Government will have to think as to how many tribunals they are going to establish for dealing with such cases. Unless Government takes a very bold stand

of establishing as many tribunals as the lower civil courts are there it will not serve the purpose but this will work as hardship to the poor debtors. Now, Rs. 1 lakh is comparatively a small amount from the debtors point of view and if it includes the interest also, then the principal amount must be a very small amount and if a debtor, having taken this principal amount has to go even to a district from a village or far-off place, it will work a great hardship and we shall be unnecessarily establishing or having establishment charges of establishing these tribunals; we will be working hardship as far as the poor people are concerned.

Then, the second casualty as far as the poor people are concerned is this. No specific procedure has been laid down in this Bill for trying these matters by the tribunals. It merely says that certain provisions of the civil court will apply and the tribunal will establish its own procedures. What procedure they will be establishing is not known to us. From the cursory glance, it appears that show cause notice will go to him and he has to show cause within 30 days and for that purpose, he will be given an opportunity to be heard. I do not know what kind of hearing he will get. If a very summary hearing is given, perhaps hardship will be there as far as the poor debtors are concerned.

We should never presume that banks are always correct and that their accounts are to be accepted by the courts. There may be cases where hearing will be necessary and justice will have to be done in a proper way. Therefore, it must be ensured that rules of natural justice are followed by the tribunals and as far as framing of these rules are concerned, subordinate legislation will have to take care of these aspects.

My third point to which serious attention has to be paid is about the power given to the recovery officers. This Bill empowers the recovery officers to detain a person for not paying his debts. Now Sir, I submit that detention for a civil debt has been outdated and even

during the British regime, this provision was removed from the Civil Procedure Code. Nobody has ever been detained for civil debt in this country and so was the case even in British Raj too. But here, we are providing civil prisons and civil detention for a person who may not be able to pay debts. There may be some persons who cannot repay debts only because of poverty. So, we are providing civil prisons even for poverty! This step that we are taking is very dangerous. Secondly, to whom is this power given? Under this Bill this power is given to the recovery officers. As to who are going to be appointed as recovery officers, nothing is stated in this Bill. As far as the qualifications of the recovery officers are concerned, are they going to be given the status of district judges or are they going to be the bailiffs of courts? I say this because in civil courts, there are bailiffs who go for the attachment of property. Their only duty is to go and attach the property. Are these recovery officers going to be bailiffs? Will they be armed with this wide power of detaining a person for not paying debts. Mr. Chairman Sir, this provision which is going to be introduced is very serious and the Government should have a second look as far as the civil prison is concerned. If this provision were to be retained, I would submit that the recovery officers should be people with high qualifications and they should be very highly responsible persons, as far as such matters are concerned.

Many people have spoken about the deposit of 75 per cent of the dues before filing an appeal. Of course, court has the power to waive. Mr. Anna Joshi has also referred to it. What I submit is that making the debtor deposit 75 per cent of the amount is tantamount to denying him the right of appeal completely. In other words, we are denying natural justice and the right of appeal as far as debtors are concerned. Even though the power is given to the court, we just do not know whether it is used in a *mala fide* or *bona fide* manner. Therefore, this provision also requires to be gone into properly and a

second look will have to be given to it by the Government.

These are some of my observations as far as the Bill is concerned. I support the Bill.

SHRI SYED SHAHABUDDIN (Kishanganj) : Mr. Chairman, I rise generally to welcome the Bill. But I find a lacuna in the statement of objects and reasons. The statement gives us the figure of nearly 6,000 cases, ending 30 September 1990. In a reply to Parliament on 6 August 1993, the hon. Minister has given us the latest figures as available on September 1992 and of September 1991. I do not see any reason why in this Bill old statistics of 1990 have been relied upon. The reason might lie in this, Mr. Chairman, that the figure show—on a comparison of 1991 and 92 figures, that the overdues of SBI increased from Rs. 5884 crore to Rs. 6216 crore; of other nationalised banks from Rs. 1283 crore to Rs. 14281 crore and the total thereof, of the banks alone, rose from Rs. 17967 crore to Rs. 20498 crore; which implies, Mr. Chairman that while for the last 10 years we have been talking about the best way of recovering the overdues, they have been piling up such dues merrily. Even in the last two years, when perhaps this Bill was being drafted, the banks were unheededful of any other restraint placed on them, and they were simply piling up these dues. I do not know who is responsible for this. The Minister has said in his reply that certain executive directions have been given to the banks. Of course, Government does not have a direct control of the banks except through their Directors. I assume that the RBI has some control. But, obviously, those were only executive instructions and they have had no effect. So, during the last 2 years it is found that nearly Rs. 3000 crores of overdues and bad debt have been added. I would like to know whether the Ministry propose to take any action to fix the responsibility that

while the entire country is shouting about the piling of irrecoverable and bad debts by the banks, why should these be piled up.

In several replies in the past the Hon. Finance Minister has said that confidentiality of the banking system must be respected. Confidentiality, Mr. Chairman, has become a cover for, shall we say, mismanagement. In fact I do not see any reason why those who are bad debtors; who are not in a position to repay or are considered by the bank to be evading repayment on one pretext or the other, at least the Parliament cannot be taken into confidence once in a year that overdues above a certain level can be compiled into a statement and that statement can be placed before the country. I recall, Sir, that in France a system was adopted for reducing the Municipal Tax evasion. The system was that a typed list of Municipal Tax evaders was placed in the Town Hall and the result was that by sheer social pressure the evasion came down. I feel, Sir, that if the information is made public that such and such individuals or companies owe so much to the banking system, the level of evasion will go down.

**SHRI RAM NAIK (Bombay-North) :** Even M.P.s do not pay till it is published in the Press.

**SHRI SVED SHAHABUDDIN :** M.P.s are a class by themselves.

There is also a lack of mutual communication among the banking system. I would like to know from the hon. Minister whether the banks have some system of consulting each other because the same party which is evading repayment to one bank may go to another bank and take another loan. So, is there any system of cross-checking or any system of monitoring so that this sort of persistent bad debtors can be brought under some control?

Thirdly, and this I say from my own personal experience, the banks suddenly

wake up after year and then send notice. This particularly happens in the case of small borrowers, some came running to me and said that had they been given any notice once in six months, they would have been in a better position to repay. The bank has not sent any notice to them for the last 10 years and then suddenly it woke up and sent out notice. I think that is also another reason for piling up of bad debts. I think there should be some system whereby every borrower is told, at least every six months, what is overdue against him.

I find there are certain lacunae in the Bill. I draw your attention to Section 19. Section 19 says that a bank may make an application. Why are we giving this option? If we are establishing a system for the collection of debts and we are fixing a certain financial limit, we should also fix a time limit and tell the banks that if any amount above a certain limit is owed to a bank for a period of 6 months, or for a year, two years, five years or six years then the bank has a duty to go to the tribunal.

The bank must have a mandate to go to the Tribunal. The bank must take the step. The bank cannot lend itself to the situation in which corruption can play its own role. It takes action in some cases and it forgets the other. I think, there should be a very clear cut rule that the banks have no option in the matter and that if a debt above a certain limit is due for a period above a certain limit then the banks must approach the Tribunal and file a suit.

Similarly, there must be a certain personal responsibility and that must be fixed in the rules. If the Manager or the Director of that bank does not take action, then he is somehow colluding with the debtor and therefore, there should be a possibility of an action against him.

Secondly, Sir, I have read the Bill. Perhaps, I may be wrong but I do not find any time limit for the Tribunals' wheels to turn. They give a notice. But how long after filing a case. That is not

laid down. How soon do they take cognizance is not laid down. How much time will they take in coming to a final decree is not laid down. I think, both these positions have to be clarified, otherwise, once again, the Tribunal themselves will become subject to this corrupting atmosphere.

SHRI SHARAD DIGHE : Within six months, they have to complete.

SHRI SYED SHAHABUDDIN : I am sorry. Then, I missed it.

Thirdly, there is no provision for making an Annual Statement. After all, we are going to pass this Bill in the hope that the system would be remedied. Now, we would like to know every year how far has it been remedied. We would like to have a provision or a promise or at least an assurance from the hon. Minister that once a year, he will come and tell us, without our asking questions, that the number of pending cases and the total amount due has come down from a certain level to a lower level within a certain period of time. At least there should be a provision to that effect.

Fourthly, I would now like to come to a point that has already been made regarding the number and location of banks. I personally disagree with Mr. Dighe. I do not think that a man who owes a lakh of rupees asked to come to the District Headquarters faces a big handicap. I think, they do come to the District Headquarters for many a reason. Now, the districts are getting smaller and smaller. Therefore, so long as the Minister has such a Tribunal, at least at the district level, then I think, there shall be no particular handicap.

Fifthly, there should be a limit—this is the other side of the story—on the expenditure on litigation by the banks. I know, all banks, Mr. Chairman, have some times been spending much more than the amount over due on the process of collecting it. To collect a lakh of rupees, they were prepared to spend the taxpayers' money up to Rs. 5 lakh or Rs. 10 lakh.

That includes fat fees to the lawyers. I think, within the rules, there should be some provision somewhere that a prudent decision may be taken as to how much can be spent on recovering a certain loan. If the cost of recovery is going to exceed the amount that the bank is finally going to get, it is better to write it off and the write off rules must be brought up to date.

Finally, I would like to make one point and that is with regard to the management of the banks at the higher levels. Many of us, Sir, have been asking questions in the Parliament about the vacancies on the Boards of Directors. That the banks have been mis-managed, are being mis-managed does not require any commentary. I think that is a well known fact that the country is aware of. One of the reasons why this is so is that, in their wisdom, the Government do not fill the vacancies on the Board of Directors. For some reason or the other—I do not know with what political motivation—they keep these places vacant. Sometimes, they fill it with people who are not qualified or represent a particular group or constituency that they are supposed to represent. So, either the directors are wrongly selected or the selection becomes such a heavy burden on the political will and wisdom of the Government that they do not make any selections at all. I do not know how many such vacancies have been filled during the last two years by the present Government. My personal feeling is that, perhaps, hundreds of posts of such vacancies exist in the banks and financial institutions. I do not think they can run the banks prudently and wisely only with the help of Government-appointed managing Director and with the help of one of your officers in the Government who sits in the Board of Directors.

I think banks have to be brought under social control. The banks were nationalised with a purpose. There has to be an effective measure of social control on the banks. Therefore, I would suggest that—whatever tribunals you may set up and

whatever system you may introduce, I welcome it; I welcome the establishment of the tribunals; I welcome the summary procedure; I welcome the possibility that through this method you may be able to bring back all the frozen money back into circulation—unless banks are managed properly, the banking system will continue to suffer and the bank credibility; and the confidence which they should inspire in the public, regarding the economic health of the country shall not rise to the level that we desire.

With these words, I welcome the Bill. I hope the hon. Minister will reply to some of the points that have been raised on the Floor of the House.

[Translation]

SHRI NITISH KUMAR (Barh) : Mr. chairman, Sir, a lot has been said on this and now a statement also has been made. The question is that he had made a request to provide security, in the House and all the opposition parties had supported him. But he was not given security and in the meantime this mishap occurred. You did not say anything on this aspect... (Interruptions)

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI RAJESH PILOT) : Perhaps, you did not listen to my statement carefully. I said that the security was given but he sent the security personnel to his quarters... (Interruptions)

SHRI NITISH KUMAR : It was his private security.

SHRI RAJESH PILOT : No, it was provided by the Government.

[English]

SHRI D. VENKATESWARA RAO (Bapatla) : Sir, only one gunman was given.

MR. CHAIRMAN : Allow the Minister to make the second statement.

(Interruptions)

SHRI RAJESH PILOT : It is very clearly mentioned in the statement... (Interruptions)

SHRI D. VENKATESWARA RAO : The security was denied to him by the Government. Sir, the Government included here, informed the culprits and asked them to bomb him. The Home Minister of Andhra Pradesh is doing all this. The Home Minister belongs to the same district where late Shri Siva Reddy belongs. He himself has ordered these people to go and bomb him. This is what has happened in the State of Andhra Pradesh. Even after 24 hours of the orders of the Speaker of the Assembly, security was denied to him.

SHRI RAJESH PILOT : Mr. Chairman Sir, just because the hon. Member has pointed out this thing, let me also put it on record. I had a word with the hon. Chief Minister. He said there is frictional rivalry among groups. There are nearly 23 cases registered against late Shri Shiva Reddy—8 murder cases, 8 other criminal cases and 7 other cases, total 23 cases. The security was given to him as I have said in the statement. The State Government have informed that he left the security and told them to go home and he said that he would go without security. This is the information given by the State Government.

[Translation]

SHRI NITISH KUMAR : It is said that the Home Minister of the State is involved in this incident. He has been accused for it. He has a hand in it... (Interruptions)

[English]

MR. CHAIRMAN : No, no explanation need be given.

SHRI RAJESH PILOT : All these queries can be answered.

MR. CHAIRMAN : Shri Nitish Kumar, you are a very senior member, please do not interrupt. Minister may now make the statement regarding bomb explosion at Madras.

SHRI RAJESH PILOT : May I, with your permission make a statement about the bomb explosion which occurred at the R. S. S. Headquarters at Madras on 8 August 1993 ?