

country and the amount of black money and assets unearthed thereby?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, the main question was: whether jewellery valued below Rs. one lakh is permitted as 'stri dhan' to Hindu woman. So right now I do not have the information desired by the hon. Member. In reply to a question I have placed before the House a statement in this regard and I assure the hon. Member that a copy of that statement will be sent to him.

MR. SPEAKER: Shri Mullappally Ramachandran.

Prof. Ram Ganesh Kapse.

[English]

Government Control over Banks

*64. PROF. RAM GANESH KAPSE:
PROF. PREM KUMAR DHU-
MAL:

Will the Minister of FINANCE be pleased to state:

(a) the nature and extent of Government control over the working of banks;

(b) whether Government propose to enact a law with a view to make public sector banks effectively accountable to Parliament; and

(c) if so, the details thereof?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (c). A Statement is laid on the Table of the House.

STATEMENT

Government exercises control over the working of the public sector banks as per the powers enjoined upon it in the relevant statutes governing these banks. The control, as necessary, is exercised through the detailed

reporting system, representation on the Boards of Directors, periodical meetings with the Chief Executives external audit by qualified accountants. Supervision over banking operations is also exercised by Reserve Bank of India, the Central Banking Authority. Specific aspects of functioning of the banks are also scrutinised and examined by Committees and working groups set up by the Government. Instructions and guidelines are issued to the banks from time to time on the various aspects of their operations.

The public sector banks are required to function within the legislative frame-work by which they have been constituted. The annual report of each of the public sector banks is laid before the Parliament as per the statutory requirements. A consolidated report on the working of the public sector banks is also laid before the Parliament every year. The working of the banks is also reviewed at the meetings of Consultative Committee for Finance Ministry and various other Committees of Parliament. Government do not propose to enact any separate legislation in this regard.

PROF. RAM GANESH KAPSE: I would like to know whether it is a fact that undeserving persons were nominated because of favouritism and nepotism on the part of the Board of Directors of banks and what steps have been taken to correct the disease on the long-term permanent basis.

PROF. MADHU DANDAVATE: Sir, I would like to inform the hon. Member that we have already received some complaints regarding the appointment of certain persons for various Boards. We have already set up an Appointment Board presided over by the Governor of the Reserve Bank. That Board is supposed to recommend names about the members who are to be appointed on the Board and the final decision is taken by the Minister. We have also entrusted the work to a committee to enquire into certain complaints that have been lodged by Members of Parliament, MLAs, social workers and members of the political parties regarding some favouritism that had taken place in

the past. As a Finance Minister, I would not like to induct any politics into the matter and therefore whatever complaints are brought in, we will look into them. Only those who are not connected with politics and those who will judge the issues on administrative merits have been entrusted with the responsibility to enquire into the matter and when I get the report in about two week's time, I will take a very firm attitude without showing favouritism of whatever type. Only men of merit, as far as possible, will come to the Board, because whatever selection is ultimately made, it will always be open to some objection that 'X' is more meritorious than 'Y'. But, we will see to it that whoever had suffered at the hands of the instrument of favouritism will not continue to suffer.

PROF. RAM GANESH KAPSE: Sir, the Government is a permanent and continuous affair. I would like to know as to what steps have been taken to correct the system on a long term basis as far as other wings are concerned. I would also like to know as to why, after taking all the precautions, there were hundreds of instances of irregularities in the banks because of oral instructions from the Ministry in the earlier regime. So, what steps are being taken to stop this practice for ever?

PROF. MADHU DANDAVATE: Sir, I am not sure whether he is connecting the second question with the first one which relates to the appointments to the Board, but this relates to the general functioning of the banks.

PROF. RAM GANESH KAPSE: In the general functioning, there are instance after instances of loaning to wrong persons involving crores of rupees which you were criticising when you were in the Opposition. So, I would like to know as to what you have done to prevent it. If you do it, it must be for ever, not only in your regime.

PROF. MADHU DANDAVATE: Sir, the hon. Member has rightly said that a Government is a continuing affair—affair in a good sense. I fully agree with him. When putting the responsibility on 'X' or 'Y', we are trying

to evolve a certain institutionalised pattern whereby matters will not be left to the discretion of individuals encouraging arbitrariness. No doubt, irregularities not only about appointments on various Boards, but certain doubts have even been expressed about granting loans to various institutions or individuals and also about waiving certain hurdles which are there. To give him a concrete instance—I do not want to elaborate the reply further—very often Members of Parliament come to us saying that a particular unit is sick—more than 2,20,000 units are sick—and say that the unit deserves a certain help. Now, we have evolved a guideline. If a large number of sick units are there, IDBI, BIFR and other banking institutions are supposed to give them necessary credit facilities and assistance. It is better that they try to find out as to which are the units which are likely to become viable and survive if they are given certain assistance. Whatever kit is available to us, we will distribute to all units. We will give priority to those units which are likely to gain viability as a result of the assistance and loans given by us and on the basis of that, we will try to give loans. Like that, for various form of changes and reforms, we are trying to evolve the norms. It might be that there might be some gap between professions and practice. We will try to close that gap and whatever I had said while sitting on the other side, I will try to implement them while sitting on this side.

[*Translation*]

PROF. PREM KUMAR DHUMAL: Mr. Speaker, Sir, I would like to know from the hon. Minister whether service in a bank is considered as an Office of Profit and whether bank employees could contest Parliamentary or Assembly elections; if so, the name of the competent authority to grant such a permission. Besides, I would like to know whether in pursuance of the reply given by the hon. Minister to second part of my question, the Government proposes to bring forward a legislation in this regard? Even after receiving complaints about it, why does not the Government take note of them and take remedial measures? Do you consider the

present system all right? Does not the Government consider it necessary to bring forward a legislation so as to gain more control over the banking system and make the system more effective, in view of the complaints received by them.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, the hon. Member has made a very good suggestion and has also desired to know whether bank employees have a right to contest the elections. In this connection, I would like to cite here an old instance. This point has been under discussion in the country for a pretty long time. There was a time when teachers and professors of universities and schools had no right to contest elections. But the Kothari Commission in this report made a recommendation that professors and teachers might contest elections and become members of such institutions as long as it does not come in the way of discharging their duties.

MR. SPEAKER: You are also here because of that.

PROF. MADHU DANDAVATE: I entered this field after my retirement. But so far as the bank employees are concerned, nothing has so far been decided in this regard. There is a difference between the railway or Government employees and banks or insurance employees. But no final decision has yet been taken about them. In a democratic state, any employee of a bank or insurance company or a corporate body has every right to contest elections and your suggestion in this regard is most welcome. If considered necessary, we will bring forward a Bill to that effect...(*Interruptions*)

PROF. PREM KUMAR DHUMAL: Mr. Speaker, Sir, reply to my second question has not come. I had desired to know as to why the Government does not bring forward a Bill in order to deal with the complaints of the general public coming in respect of banking services so as to have a greater Government control over the banks. I had raised the point of elections separately. In order to redress the public grievances in

regard to working of banks, it is necessary that the Government should exercise more control over their functioning to ensure regular and smooth working of banks. Will the Government bring forward a legislation in this regard?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, while replying the main question, I had covered all these points. We have evolved a separate procedure to ensure the participation of people and parliamentary institutions in the functioning of the banks. We have also evolved a set procedure with regard to the functioning of the Board and the non-official members of the board, extent of power of the Reserve Bank of India in monitoring the working of banks and their accountability to Parliament. I would also like to inform the hon. Member that the Estimates Committee, which is a Parliamentary Committee, is fully empowered to inspect the working of banks in various states. Several hon. Members of Parliament have made a number of complaints in regard to the working of the banks and have given a number of reports. Parliament has the right to inspect all the banks under the public sector in the country. Annual reports of each and every public sector bank is laid on the table of the House. Not only that, an overall report with regard to the working of public sector banks is prepared by the Ministry of Finance and submitted to the Parliament. Such reports are brought before the Parliament. During the previous Lok Sabha, I had raised a point of order that as and when a document is placed on the table of the House, every hon. Member has a right to raise a discussion on any of the points contained therein. Similarly, as and when reports of the banks or any individual bank are laid on the table, hon. Members of Parliament have a right to discuss the report in the House and point out any irregularity that comes to their notice.

[*English*]

SHRIS. KRISHNA KUMAR: The Banks were nationalised in 1969 by Shrimati Indira Gandhi so that the banking system may

subserve the cause of social justice and investment in priority areas. In order to ensure that the banks adhere to the social and economic objectives, there is need for adequate control by the Central Government on the Banks. So, a fine balance has to be achieved between the fiscal and professional banking principles as well as the concerns of social justice. The Janata Dal Government seems to be revelling in taking a series of steps to whittle down the power of the elected representatives of the people as well as the political executive. I do not want to elaborate. Let us take legislations like the Lok Pal Bill and the Prasar Bharati Bill. In each of these initiatives, parliamentary control and the power of the political executive is being whittled down. It is almost like a scorched earth policy. They know that they are not going to be in power for long. They want to reduce the power of the political executive for ever.

Against this background in the banking sector, I would like to ask the Finance Minister whether there is a proposal to reduce the power of the Department of Banking, over the national Banks and hand over the nationalised banking system totally to the Reserve Bank and make it 100% under its control, almost extinguishing the Banking Department of the Finance Minister. I understand there is a proposal like that. We would like to know the Finance Minister's reaction.

PROF. MADHU DANDAVATE: The hon. Member has unnecessarily tried to induct politics into the banking system. I never indicated that we wanted to reduce the control of the Parliament. Of course, I have made my very first submission while speaking on banking in this House that in order that the banking and insurance are able to function more effectively and to make them viable and profitable institutions, it is necessary that these institutions should have functional autonomy subject to accountability and I said that accountability had been diluted. So, merely giving autonomy and forgetting accountability is not going to solve the problem. The new Government's equal stress as of your Government, the former Govern-

ment, is that we would like to maintain balance between functional autonomy of the banks on the one side and accountability on the other and, in order to increase the accountability, we will try to see that various Committees of the Parliament like the Estimates Committee are requested to take up more and more problems connected with the Banking institutions, prepare a report on them and these reports are laid on the Table of the House and I would very much like that rather than discussing so many other non-issues, if we are able to discuss those problems, I think Parliament will be able to exert its authority more effectively than we have been able to do.

SHRI S. KRISHNA KUMAR: Are you going to reduce the strength of the banking Deptt. of the Finance Ministry?

PROF. MADHU DANDAVATE: No. I am not at all in favour of curtailing the powers of the banking Section of the Finance Ministry. But, at the same time, I do not want undue political interference in the working of insurance and the banking system.

SHRI NANI BHATTACHARYA: Will the hon. Minister enlighten the House about the incidence of backdates as the quantum of backdates have increased continuously since 1980 in the nationalised banks?

PROF. MADHU DANDAVATE: The picture is not uniform. Some of the banks have produced adequate surpluses, if you do not like the word 'profits'. But at the same time I must say that because of certain habits of the customers and those who taken the loans from the banks, in some of the sections the bad debts are increasing. The Reserve Bank has addressed itself to this task and it was, to a certain extent, alarmed by this particular trend in some of the banks no matter whether they are the private banks or whether they are the nationalised banks. Therefore, we will take due cognizance of the doubts you have expressed. We will take all possible measures to see that this particular aberration of bad debts in the banks is

reduced to as small an order as possible.
(*Interruptions*)

In this respect, the State Governments and the Central Government can also do a lot of work. Some Governments had done a very good job in assuring those who have taken the loans that if they return the loans within the prescribed amount of time, then the Government will give some subsidy so that there will be more incentive for clearing the debts in time. I remember, as far as Karnataka State is concerned, irrespective of the political party that runs the Government, I think this experiment has succeeded a lot. I hope this will be emulated by the different States.

[*Translation*]

SHRI GUMAN MAL LODHA: Mr. Speaker, Sir, I would like to know whether in pursuance of the Supreme Court verdict dated 26.11.87, the National Industrial Tribunal was constituted in order to bring parity in the pay scales and allowances of employees of Regional Rural Banks and those of the nationalised banks. Is it also a fact that in para 8 of Government of India notification, it has been stated that.

[*English*]

The decision of the court is final and binding.

[*Translation*]

Is it also a fact that the Chief Justice of Andhra Pradesh High Court, Shri S. Obal Reddy who was Chairman of the above Tribunal, passed orders that the pay and allowances of both the categories shall be identical? Is it also a fact that during the Congress regime, it was also made applicable to the undertakings? Your Government is more progressive and you are yourself well-versed in the socialistic ideology and one who has always extended his support to the employees of the rural banks. Are you going to implement the above recommendations and if so, by what time.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, he has raised a point about the employees of regional rural banks. His trade union colleagues met me only 4 days ago and I have given them assurance. Of course, I cannot refer to the proceedings of the other House, i.e. Rajya Sabha.

[*English*]

And in other places, I can say.

[*Translation*]

An other hon. Member had raised this issue. I have assured him also that after holding negotiations with our friends from the trade unions and in the light of the verdicts of the tribunal and the court, we will think about coming to an amicable settlement. They will feel satisfied when they are consulted in the matter.

SHRI RAJVEER SINGH: By when it will be done.

PROF. MADHU DANDAVATE: The trade unions, who were apprised of our views, have accepted our proposal.

SHRIMATI SUBHASHINI ALI: Mr. Speaker, Sir, the hon Minister of Finance made a reference to the question of accountability. I would like to make two suggestions so as to ensure accountability. However, I would like to know whether the hon. Minister is prepared to accept those suggestions. Firstly, there should be the representatives of the employees on the boards of the Nationalised Banks. Is the hon. Minister going to give them representation on the boards or not? My second suggestion is about C.A.G. and I would like to know whether the hon. Minister is going to bring the accounts of the nationalised banks within the ambit of the C.A.G.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, as regards the suggestions given by the hon. Member, the first suggestion concerns the legislative part of it. As per the existing provisions of law, the structure of

the banking board will have one representative from bank employees union and one from the bank Officers association. This case had also been referred to the Supreme Court and the High Court. These courts also gave their verdict that the Government should recognise the majority union in each industry, banking industry or banks. They have given maximum freedom in the matter. The union could make their suggestion but the board would take its final decision. In pursuance of the above verdict, the Government on its part has decided that a panel of three persons will be forwarded by the majority union. However, only one person from amongst the persons on the panel will be taken on the board and there will be one representative from the officers' association. As such the suggestion made by the hon. Member is hundred per cent acceptable to us. So far as the suggestion regarding the C.A.G. is concerned, we will consider that point. To this date, no final decision has been taken in this regard. As such, I would not like to give wrong information to the Hon'ble Members of the House.

[English]

SHRIBHABANISHANKARHOTA: The hon. Minister has already explained different types of control over the banks in improving the functioning of the nationalised banks. (Interruptions) I want to know from the hon. Minister what are the causes of total loss in which the regional rural banks are running now. And what remedial steps the Government propose to take for the proper functioning of the regional rural banks?

PROF. MADHU DANDAVATE: Sir, as far as regional rural banks are concerned, it is a fact that some of the banks are running into losses. There was a Kelkar Committee that was set up and that made various recommendations to improve the situation. One of the suggestions outside the Committee that was put forward is that those regional rural banks which are running in losses they should be merged with the sponsoring banks. But we have not taken a decision. On the contrary, we would like to follow some of the

recommendations of the Kelkar Committee in which they have asked to broaden the per capita base of the bank to try to change the investment policy. But we will take final decision, as I assured the unions of the regional rural banks, in consultation with them, in the matter. (Interruptions)

Pay Parity Recommended by Ninth Finance Commission

*66. SHRI SURESH KODIKKUNIL:
SHRI PALAI K. M. MATHEW:

Will the Minister of FINANCE be pleased to state:

(a) whether the Ninth Finance Commission has recommended additional financial assistance to States which propose to give their employees the same pay scales as are admissible to Central Government employees;

(b) if so, the details of such States and the reaction of Union Government thereto;

(c) whether the Ninth Finance Commission has recommended a sum of Rs. 513.27 crores for Kerala in this regard, while computing the revenue expenditure of Kerala Government for the period 1990-95;

(d) the revenue surplus or deficit calculated by the Ninth Finance Commission in respect of Kerala for the above period; and

(e) whether this position takes in account the expenditure of the State for Pay parity?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) and (b). The Ninth Finance Commission has not recommended any specific financial assistance to States which propose to give their employees the same pay scales as are admissible to Central Government employees.

(c) While computing the normative revenue expenditure of Kerala for 1990-95, the