

LOK SABHA

Friday, March 25, 1983 | Chaitra, 4, 1905
(Saka)

*The Lok Sabha met at Eleven of the
Clock*

[MR. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

Permission to Public Sector Banks to Form Subsidiaries for Leasing out Farm Equipment

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392. SHRI B. V. DESAI:

SHRI M. V. CHANDRASHE-
KARA MURTHY:

Will the Minister of FINANCE be pleased to state:

(a) whether public sector banks will be allowed to form subsidiaries for leasing out farm equipment in the rural areas;

(b) if so, whether any legislation in this regard is likely to be introduced;

(c) if so, what are the features; and

(d) by what time it is likely to be introduced?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY): (a) to (d). A notice for the introduction of a Bill seeking to amend various laws relating to banking has already been sent to Lok Sabha. The proposed legislation, inter alia, includes an enabling provision for forming to a subsidiary company by a banking company for hire-purchase business, equipment leasing,

merchant banking etc. Any application of a banking company in this regard after appropriate legislation has been enacted will be decided considering the need for the same on merits keeping in view the public interest.

SHRI B. V. DESAI: Sir, at present, the banking institutions in our country are mainly doing the business of money lending, creation of credits, etc. It is a well-known fact that money is a commodity for the banking transactions. Now, as per the present amendment or the introduction of the Bill which is proposed to be brought before the House, they are going to do hire-purchase business by the formation of a subsidiary company. Of course, hire-purchase business is already there. The equipment leasing also is envisaged in the Bill. So, that requires a lot of amendments to the existing laws. For example, the Nationalised Banks Act, the Reserve Bank of India Act, the State Bank of India Act, the I.F.C. Act, etc. all those things are to be amended if the Government intends to do that exercise of formation of a subsidiary company for hire-purchase business and equipment leasing. I would like to ask one more question. Sir, in Karnataka, the State Bank of India is doing its banking business with its local head office. But there are not sufficient number of branches of the State Bank of India in Karnataka. We have represented the matter to the Government several times for a local head office of the SBI, yet the Government has not come out with a positive response. Will the hon. Minister be pleased to state whether the Government is going to open the local head office of the State Bank of India in Karnataka State in Bangalore? And if so, on what date?

MR. SPEAKER: And on what road?

SHRI JANARDHANA POOJARY: I will answer the second part of the question first.

MR. SPEAKER: You will catch him by the tail!

SHRI JANARDHANA POOJARY: I am very glad to inform the House that the Government has agreed to set up the local head office in Karnataka in Bangalore.

PROF. MADHU DANDAVATE: Will it be SBI or CBI?... (Interruptions).

SHRI JANARDHANA POOJARY: It is true that the banks are no longer merely lenders or the borrowers. It is an instrument of change in the process of development of economy in the country. The hon. Member has given some suggestions. As I have stated in the main reply, a notice for introduction of a Bill has already been sent to Lok Sabha, and this legislation would include only an enabling provision for forming of subsidiaries, and what the main banking amendment Bill will be brought forward before the House, all these things will be discussed in detail.

SHRI B. V. DESAI: I congratulate the Government for having agreed to our long-standing demand for demand for opening the local head office in Bangalore for the Karnataka region. I am very glad to know this.

Now, my second supplementary is about the subsidiaries of the nationalised banks proposed to be opened in case of necessity. Will the statutory liquidity ratio remain the same for them, or will it change? Is there any provision for that? It is not a banking business, it is something different, where the liquidity ratio has to be increased. In the Government prepared for that and if so, to what extent?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): As my colleague has explained we are bringing a comprehensive legislation for the banking laws which will enable us to establish subsidiaries either to supply on lease equipment or to provide the facilities on hire-purchase basis and so on. When we will have the power to establish these subsidiaries, then all these details can be discussed. Just now we are not going to discuss, the subsidiaries have not yet been lished. We have stated in the reply that we have sought your permission to introduce a comprehensive amendment of the Banking Regulation Act which enable us to do so. At present, Section 19 of the Banking Regulation Act does not permit us to establish any subsidiary.

SHRI MOHAN LAL PATEL: Today, many companies are working as the parallel bank in the name of shroffs and financiers. They are paying higher rate on the deposits than the nationalised banks. The people naturally deposit their money with them. I would like to know, whether there is any adverse effect on the national banks due to these parallel banking companies. If so, whether the Government is thinking of discontinuing these shroffs and financiers.

SHRI PRANAB MUKHERJEE: Apart from affecting the banking industry, it is affecting the life of the common people also. Some of the common people are being duped by unscrupulous institutions, and we have a few cases like that also. In the comprehensive amendment which we are bringing forward, we are trying to tackle some aspects of this problem. But at the same time, it will have to be kept in mind that this is an area where these people are there. I have no doubt that they are adopting all sorts of dubious means—I would not name a particular company—i.e. by the rate of interest they gave. Unfortunately, the depositors fell victim to the tendency to make quick money,

when they themselves were told clearly that they would get 12 per cent in white, and 12 per cent in black. And many fell into this.

SHRI SOMNATH CHATTERJEE: Twenty-four per cent in black.

SHRI PRANAB MUKHERJEE: I will not go into that. You know details of it.

SHRI SOMNATH CHATTERJEE: Sir, I need an answer. I will put a supplementary.

SHRI PRANAB MUKHERJEE: I said this because you are fighting against that.

SHRI SOMNATH CHATTERJEE: I thank him for bringing me into this.

SHRI PRANAB MUKHERJEE: I am saying that we are trying to tackle this problem; and we are fully aware of it.

SHRI OSCAR FERNANDES: We are grateful to the Finance Minister for conceding our long-standing demand for the establishment of Local Head Office at Bangalore. That apart, it is not only a question of opening subsidiaries of banks for finance or hire-purchase. It is also a question of opening more banks in rural areas where valuable deposit mobilization could be made, as well as finance to priority sector undertaken. In this connection, I would like to know the programme of the Government, i.e. as to how many branches we would be having in the coming, say, two years, throughout India.

SHRI JANARDHANA POOJARY: In the year 1969, i.e. before nationalization, there were only 1,832 branches in rural areas. Now, after nationalization, as of December 1981, the number of branches in rural areas is about 20,394. We are having a proposal to set up about 8,000 branches in rural and semi-urban areas; and about 2,000 branches in metropolitan and urban areas.

SHRI SOMNATH CHATTERJEE: The hon. Finance Minister has referred to a possible provision being included in the proposed Bill to control some non-banking financing institutions indulging in dubious transactions, to quote his language. One of the prime concerns in this country has been the concern called Sanchaita in West Bengal, which matter came up before the Supreme Court after the West Bengal Government took action against them. Supreme Court requested the Central Government, Reserve Bank of India and the State Government to take action with regard to that concern. State Government has initiated prosecutions against persons concerning that. In spite of repeated requests to the Central Government and the Reserve Bank, no action has been taken by either of these agencies. One of the things which came out during the Supreme Court hearing was that initially, 48 per cent interest was being given, although on record it was 12 per cent i.e. 36 per cent in black, and that before the 1980 elections, it was reduced to 36 per cent, because they had contributed to the funds of the political party. One can assume who was the beneficiary. Therefore, knowing all this, I would like to know what step has been taken for the last two years in this matter, either by the Central Government or the Reserve Bank, to control the affairs of Sanchaita and similar organizations, and how to save the small depositors.

SHRI PRANAB MUKHERJEE: The hon. Member knows very well what steps we have taken, because this matter was discussed—I do not know whether it was done on the floor of this House but—in the other House in detail. Firstly, so far as Government is concerned, already the Income-tax Department have initiated action.

SHRI SOMNATH CHATTERJEE: They are only copying documents.

SHRI PRANAB MUKHERJEE: Because you did not hand over the documents to them.

SHRI SOMNATH CHATTERJEE: No.

SHRI PRANAB MUKHERJEE: Please don't enter into an argument. We had to go to the Supreme Court to take the permission, i.e. to see that we have the authority. I can give you details. If you want, you please raise a discussion. I will give the details. (Interruptions) Not only that; even to get their documents, was difficult. We did not get them from the West Bengal Administration. We had to seek the permission of the Supreme Court, so that our people had the authority.

SHRI SOMNATH CHATTERJEE: This is not correct. Unfortunately, he is not correctly informed. Then I shall bring it.

SHRI PRANAB MUKHERJEE: Very well, then you bring it. The second point is that I gave the date and the number of the letter of the Deputy Secretary who wrote to the State Administration in regard to the character of the company and I quoted that letter. When they were alerted that we were getting complaints—in fact, the complaint was received by Choudhari Charan Singh who was then the Finance Minister—somebody from the Ministry of Finance wrote to the West Bengal Government that we were getting complaints about this company; and we were told by an official—obviously at a lower level—no, we did not find anything wrong in it, nothing criminal. If you want I will give you a copy of that letter. Therefore, let us not go into that aspect. What I

would like to point out is that we have initiated action, from the banking side, action has been initiated from the income tax side, action has been initiated. In regard to protection, what protection I can give? If they had evaded tax, I can penalise them, if they had flouted the law, I can penalise them. But if simply people will keep money and they do not get it back from such companies and think that government will come to their rescue, that position we cannot accept.

Export of Rice

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*393. SHRI SUDHIR KUMAR GIRI:
SHRI NAVIN RAVANI:

Will the Minister of COMMERCE be pleased to lay a statement showing:

(a) the total quantity of rice exported from India during the years 1980-81, 1981-82 and 1982-83 and to which countries;

(b) the total quantity of rice produced in the above period, (year-wise);

(c) the perspective of exporting rice while there is food shortage in the country; and

(d) whether Government also propose to export rice in the year 1983-84; if so, to what extent?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE (SHRI-MATI RAM DULARI SINHA): (a) to (d) A statement is laid on the Table of the House.

Statement

(a) The total quantity of rice both basmati and non-basmati exported is as follows:—

The figures are provisional

Year	Qty. (Lakh Mts)	Destination
1980-81	6.87	USSR, Vietnam, Mauritius, Netherland, UAE, Kuwait, Saudi Arabia, Iran etc.
1981-82	8.54	
1982-83	4.70	