

12.42 hrs.

BANKING COMPANIES
(ACQUISITION AND TRANSFER
OF UNDERTAKINGS)
AMENDMENT BILL

[English]

THE MINISTER OF FINANCE
(SHRI MANMOHAN SINGH): On behalf
of Shri M.V. Chandrashekhara Murthy, I
beg to move—

“That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, be taken into consideration.”

Mr. Speaker, Sir, following the recommendations of the Committee on the Financial System (Narasimham Committee), the Reserve Bank of India has laid down certain norms for income recognition and provisioning and also for capital adequacy in relation to risk weighted assets of banks. These norms have been designed to put the financial accounting standards of Indian banks on a sound footing in line with current international practice. Following the introduction of these norms, all the nationalised banks will have to build up their capital base substantially over the next three years. All the banks have to ensure that their total capital equals at least eight per cent of their risk weighted assets by 31st March, 1996. The Banks having overseas operations had to achieve this norm by 31st March, 1994 which has since been extended upto 31st March, 1995 by Reserve Bank of India.

Achievement of the prescribed capital adequacy norm is essential for the basic financial health of the banking system. It is also essential for its international credibility as banks all over the world are adopting the norm laid down by the Committee on Banking Regulations and Supervisory Practices set up by the Bank of International Settlements.

At present the entire paid up capital of the nationalised banks stands vested in and allotted to the Central Government. The Central Government have been contributing to the paid up capital of these banks during the last few years. During the period 1985-1986 to 1993-94 Government have contributed Rs. 9700 crore to the paid up capital of these banks. A sum of Rs. 5600 crore has been provided in the current year's budget. Since resources of the Government are limited and funds are required for other priority areas, it will not be possible for the Government to contribute the substantial amounts now required by the nationalised banks for meeting the new prudential norms. Government have, therefore, decided that the nationalised banks which are in a position to do so may be allowed to approach the capital market to raise fresh equity to meet their shortfall in capital requirements.

The additional capital thus mobilised will help the banks to expand their lending. The Government will, however, continue to retain majority ownership and therefore effective control in the public sector banks.

Sir, in order to give effect to the above decision, it has become necessary to amend the Banking Companies

[Shri Manmohan Singh]

(Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. The proposed amendments *inter-alia*, provide that the Board of Directors of the nationalised banks may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government, raise their paid up capital by public issue of shares subject to the condition that the Central Government shall at all times hold not less than 51 per cent of the paid up capital of the bank. It is also proposed that the authorised capital of every nationalised bank shall be divided into 150 crores fully paid up shares of Rs. 10/- each. No shareholder other than the Central Government shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the bank. There are also amendments dealing with the composition of Board of Directors providing for election of shareholders' Directors, and also empowering the Board of Directors to frame regulations on various matters such as maintenance of shareholders' registers, particulars to be entered in the registers, the manner in which the shares may be held and transferred, convening of general meetings of the shareholders, etc.

The Standing Committee of Finance to which the Bill was referred to, have also made certain recommendations relating to ceiling on foreign investment, composition of the Board of Directors, etc. The Government have decided to accept most of the recommendations of the Committee and necessary official amendments are being moved separately in this regard.

With this I commend the Bill for consideration of the august House.

MR. SPEAKER: Motion moved:

"That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 be taken into consideration."

[*Translation*]

SHRI CHETAN P.S. CHAUHAN (Amroha): Mr. Speaker, Sir, the Bill moved by the hon. Finance Minister is pushing the whole of the banking industry backward. 14 banks were nationalised in 1969 and later on 6 more banks were nationalised. In this way, total 20 banks have been nationalised. Through this Bill the Government is going for privatisation of the banks. The shares are being issued to the public. This Bill was also discussed in the Standing Committee. I was also a member of the committee. It was discussed in detail there. I would not like to go into the details. We had expressed our apprehensions. These should be paid due attention in the wake of the bank scam last year. It was a scam of 8 thousand crores. No action has been taken against those who were found to be involved in it.

The people's faith in the banking system has shaken. I am not saying that they have lost faith completely. Today, when the Government is heading towards privatisation of the banks, the confidence of the people has shaken. We will have to pay more attention towards it. Reserve Bank of India will have to be given more powers and its control will have to be increased. We may increase the share

capital by private resources but the cardinal question is of bank administration. Unless, the administration is improved, faulty policies are rectified, the present structure is improved, the customer services is improved, and the bad debts of 30 thousand crores are brought into control the money brought from the private sources or the Government sources will go waste. I would like to know from the hon. Finance Minister through you as to what steps are likely to be taken to improve the banking structure.

As I have already said, if a person goes to the bank for withdrawal of some amount this process takes 45 minutes to one hour. The cheques are not cleared in one or two months and the entries are not made in the pass books. The common man is annoyed at it and this is the reason that he is running towards foreign banks or private banks leaving aside nationalised or the Government banks. Therefore, unless we improve our services, improve the administration and streamline the banking system, our investment will go waste whatever may be the amount.

An hon. Member rightly pointed out last week that even after passing of one year only one recovery tribunal has been set up. So what would be the state of recovery? Rs. 30,000 are in bad debts or are doubtful debts. How would these be recovered? The number of the wilful defaulters, who do not want to pay the loans and those who take the loan from one bank and declare the unit sick and later approach another bank for loan, is on the rise. From the second bank they go to the third one. New companies are set up or new groups are formed, the number of persons is on the increase. Not only this, there are people who have

the company on paper alone and even then they enter the share capital market to raise the funds. They do not have even land or other set-up. Attention should be paid towards it so that such people do not take loan from banks.

I would like to submit one more thing through you that this year the provision is of Rs. 5600 crores while during last year it was of Rs. 5700 crores. Since the hon. Finance Minister is moving this Bill and giving permission to the banks to raise money from the market, I would like to submit that 5600 crores is a huge amount. Therefore do not give Rs. 5600 crore to the bank immediately. First of all the banks should be allowed to raise as much money as they can from the market. I am sure that not all the 20 banks will be able to raise money from the market but permission should be granted at least to the banks to raise the capital from the market. As the State Bank had raised the issue, which had been very good and the issue was over-subscribed heavily. The nationalised banks should be given permission in the same way so that these can raise money. If this Rs. 5600 crore can be saved, it should be saved and invested somewhere else. ...(*Interruptions*) 5600 crore or 7000 crore whatever it is. It should be saved, so that it can be invested in development projects. The hon. Finance Minister need not be advised that this money can be utilised for deficit financing so that the burden on the budget or the Ministry of Finance can be reduced.

I would like to submit that after privatisation, when the 49 per cent will be in the hands of the public, the Government should not concentrate on profit only, otherwise the poor, the farmers, the labourers, the small scale

[Shri Chetan P.S. Chauhan]

[English]

industries and rural industries will suffer. The hon. Minister of State for Finance had recently said that about 110 branches of banks are likely to be closed. Only earning profit should not be the sole aim and the banks in the rural areas or non-banking areas should grant loans to the poor and the farmers.

I would like to submit one more thing that there are many such banks which are not fulfilling the target of 40 per cent of priority sector. Steps should be taken in this regard and 40 per cent funds should be given to priority sector compulsarily by each bank. It must be completed since it is a social objective. Priority sector is deprived and if, the people living in rural areas or in small towns, do not get loan, the problem of unemployment will increase. With these words, my submission is that if privatisation is to be done, please do it cautiously. The Reserve Bank of India should have full control and the thousands of crore rupees in the banking industry should be utilised properly and as far as these shares are concerned, I would like to submit two things. Firstly there should be no director's quota in it and secondly the recommendations made by the Standing Committee regarding the directors are very important these are unanimous recommendations and not based on party lines.

Sir, my submission is that the unanimous report of the Standing Committee should be implemented properly. However, the assurance has been given that maximum recommendations would be implemented but my submission is that wherever there is no dissent, the whole report should be implemented. With these words I thank you.

DR. MUMTAZ ANSARI: Mr. Speaker, Sir, so far as this amendment that is going to be brought about is concerned, there are so many provisions in it, which are quite obnoxious and highly objectionable from social point of view.

So far as capital adequacy is concerned, nobody will dispute that there should not be adequate capital at the disposal of the banking institutions because these institutions are the lifeline of the economy and the backbone of the economy. That is why proper amount of money must be kept at the disposal of all these banking institutions in order to make investment in different productive channels. The Government of India has placed sufficient amounts of money during various periods of time. Right from 1985-86 to 1992-93, Rs. 4,000 crore were placed at the disposal of the banking institutions. Similarly, in the current year's budget also, Rs. 5,700 crore have been put at the disposal of the banking institutions for their proper functioning. But the Government has now refused to provide adequate amount of funds to the banking institutions in the light of privatisation or liberalisation or whatever policy this Government is going to adopt in this respect. I think this is as a result of certain pressures from abroad also that they are yielding to such type of things. This is not in consonance with the recommendations of the Narasimham Committee or other committees but these ideas might have been borrowed from abroad.

All the banks were nationalised during the year 1969 which was a historic period, and whatever steps were taken

by the then Government, headed by the Congress Party, were quite applauded and appreciated in louder terms by all the people from all the corners of the country. Before nationalisation, funds were just located in different important cities and industrial areas and centres. These benefits and these deposit and borrowing facilities were not available to the remote corners of the rural areas and that is why in view of all these shortcomings and drawbacks, these banking institutions were nationalised by the Government of India at that time.

This was a historic decision at that time.

Now, the ideas prevailing upon the Finance Minister or the sort of views being expressed by the Finance Minister are going against the farming class and all the rural areas and all the poorer classes of people. You have to please everybody. At the same time you are telling that whatever amounts are released to these nationalised banking institutions are entirely vested in the hands of the Government and they are entirely at the disposal of the Government itself. Then what is the propriety?

MR. SPEAKER: Shri Ansari, you may continue after the lunch break.

The House stands adjourned for lunch to reassemble at 2.00 P.M.

13.00 hrs.

The Lok Sabha then adjourned for Lunch till Fourteen of the clock.

14.06 hrs.

The Lok Sabha re-assembled after Lunch at Six Minutes past Fourteen of the Clock

(MR. DEPUTY-SPEAKER *in the Chair*)

**BANKING COMPANIES
(ACQUISITION AND TRANSFER
OF UNDERTAKINGS)
AMENDMENT BILL—(Contd.)**

[English]

MR. DEPUTY-SPEAKER: It is necessary that I should announce the time allotted to the subject, which is two hours. It is not necessary to say what the time allotted to each political party. Anyhow, I would say, Congress - 54 minutes, BJP - 25 minutes, Janata Dal - 8 minutes and CPI - 7 minutes.

Mr. Mumtaz Ansari may continue his speech.

DR. MUMTAZ ANSARI: The provisions of this Amendment Bill 1993 are very much obnoxious and objectionable. That is why, I am telling you, when those banking institutions were nationalised in 1969, it was a very historic time and it was appreciated all around, all over the country and by all sections of the society.

But nowadays, I find, that the whole cycle is being reversed and the historic decision of the then Government has been reversed and relegated to the background. I think, this is very objectionable. This will adversely affect various sections of the society. Whatever benefits percolating to different sections of the society by nationalisation of these banking institutions will not be available to all the sections of the society.

[Dr. Mumtaz Ansari]

For example, the Reserve Bank of India has fixed up priority sectors to which 40 per cent of lending should go. I fear that once this amendment Bill will be brought into effect, all these benefits for the priority sectors like small scale industrialists, farmers, transporters, will be badly neglected because the shares will be floated in the open market. All these nationalised banks will be just open to float their own shares in the open market. In that case, the shares will be purchased by the private members and individuals and they will be holding some sort of control over the banking institutions. A large chunk of funds will be apportioned to different important cities and important industrial centres. In that case, rural areas and the remote corners of the country will be neglected and the poor farmers and the small scale industrialists and all these small people will be badly neglected.

So, I fear that this provision should not be here in the Banking Amendment Bill, 1993 and they should not be allowed to float their own shares in the open market and whatever was done by the Government earlier, the same practice should be followed because once they are asked to float their shares in the open market, a large number of individuals shall become the owners of the nationalised banks and they will put pressure though there is a provision in the Amendment Bill that the Directors will not be from the private owners and 51 per cent of the equity will be held by the Government itself and the rest 49 per cent will be held by the private individuals. Twenty per cent will be held by foreign entrepreneurs which is highly objectionable because they are also having some sort of control over the banking system. In that case, the whole healthy

atmosphere will be vitiated and the whole cycle will be reversed. My request is that these banking institutions should not be allowed to float their shares in the open market and whatever funds the Government was granting to all these banking institutions should be continued.

So far as the Directors are concerned, my suggestion is that they should be in proportion to the number of shares. But at the same time, the majority of shares must be held by the Government and the Directors from the private persons or the individuals or the private entrepreneurs should not have any power in this respect though this has been provided that the voting power will not be available to all these persons who are making investments but I fear that once they will be having their own approaches to all these banking institutions and once they make investments in such banking institutions, they will have some sort of handle in their own hands and they will divert the funds from rural areas to urban areas and these funds will be utilised by these entrepreneurs or private persons for their own private ends.

So, this Bill must be withdrawn by the Government and the provisions contained in this Bill must be revised to the satisfaction of all cross-sections of this House and then this Bill should be brought forward before the House because this banking institution should not be allowed to the private institutions. I think this idea has been borrowed from the World Bank and IMF because these ideas are not originally from our country. These ideas are not by the Members of the Congress party also earlier, that the banking institutions must run in the Government sector. These are very sensitive sectors. You might have seen that such a security scam has taken place in this country and not even a single person

has been punished for whatever has been done against the norms of these securities to ensure the bonds issue. They have made a scandal of these important and very scarce funds of the country.

Such a scam has taken place in this country. In spite of that, these are being left to the banking institutions that they can float their shares and debentures and assets and all these issues in the open market. If a scandalous thing happens again in this country, no power can stop the scandals which are floundering all the norms are standards of finance.

At the same time, I would like to say that whatever provisions you are making in the Amendment Bill, 1993, you must see that whatever fund is available to the banking institutions, the management must be improved. This must be seen by the hon. Minister and they must try to improve the working conditions so that the limited funds at the disposal of these banking institutions may be used for the welfare of the country. If you leave it to these banking institutions, again such type of scandalous things can happen. Till now, whatever has taken place in the security scam, no person has been brought to book and no punishment has been inflicted upon.

No deterrent action has been taken against all those persons involved in it. If you just allow floating of shares, floating of these issues in the open market, what will happen? What is happening in foreign countries? We are losing our credibility. Whatever issues have been raised in foreign countries, we are not showing our credibility in that respect. So, this goes against the prestige and position of our own country. If you

want to have financial soundness and financial health of the country, this sort of a Bill should not be put forward and should not be passed by this august House. Therefore, I would like to request the hon. Finance Minister that such type of an objectionable Bill should be withdrawn and it must be discussed again. All the consensus views and dissenting views of all the Members of Parliament should be taken into account.

It is generally said that the Standing Committee has okayed this Bill and it has given the green signal to this Bill. But I just discussed with my friends from the Left Parties. They say that there are certain provisions which are highly objectionable in respect of the shares which will be left to and just given to all those foreign enterprises. You can see that so many banking concerns are coming to our country. They are also floundering all the norms and standards of the finances here also. Naturally, once these issues are also given to all those foreign enterprises, again some scandals will take place. So, I request that whatever dissenting views have been expressed by the Members of the Standing Committee belonging to different parties, those dissenting views should also be taken into consideration. After arriving at a complete consensus and after having complete agreement over all these aspects of the banking institution, then such type of a Bill should be put forward before this House. In that event, all the different aspects of the Bill can be discussed here. After that, if it looks very good and desirable keeping in mind the interests of the country, in that case it can be passed by the whole House.

With these words, I conclude. Thank you

SHRI P.C. CHACKO (Trichur): Mr. Deputy-Speaker, Sir, I thank you very much for giving me this opportunity to speak.

I rise to support this Bill moved by the hon. Finance Minister for amending the Banking Companies Act. There is a criticism that this Bill is reversing the nationalisation of banks which was announced by the former Prime Minister Shrimati Indira Gandhi in 1970 and it is reversing the subsequent amendments made in 1980.

Sir, I would like to say that this amending Bill is for the purpose of furthering the decisions taken in 1970 and 1980. This is a progressive legislation going further and further from the concept of nationalisation of banks made in 1970. This is not a retrograde step. The Government is not going back. Unfortunately, some interested people are trying to create an impression that the Government is going back on all its promises made when the banks were nationalised. The fact remains that the nationalised banks have grown in size and strength. After the nationalisation of banks in 1970, the number of bank branches has gone up substantially. Today, an average 12,000 people have got a bank branch in the country. It is a very good level. This was one of the objectives of nationalisation of banks. At the same time even though the bank branches have gone up in size and number, yet we cannot claim that we have improved our banking service to the people of this country. The objective at the time of nationalisation of banks was to make available the best service to the common man of this country through the nationalised banks. But the fact remains—whatever one may say—that the service of the nationalised banks has

gone down in quality. This aspect should be borne in mind when we are thinking of any further reform in the banking sector. Now, the private sector banks and the international banks are going to come to this country. They are all working in this direction. If the service in the nationalised banks is not up to the standard, then, naturally people have got the option to opt for the private banks or the foreign banks which are going to come. The important point is that the nationalised banks in India are playing a very important role. They have got a very major role to play in our economy. So, the quality of service of the nationalised banks, which was expected by the people of this country at the time of nationalisation, should be achieved.

The criticism that the objective of nationalisation is being diluted is totally false and it is without any basis. This Bill seeks to amend the ownership of the bank, dilute the shareholding of the bank by giving 49 per cent of the shares to the public. I do not understand how, if 49 per cent shares are given to the public, the control of the bank is given up by the Government. Everyone who knows the Company Act and the Company Law knows very well that 51 per cent shares is as good as having one hundred per cent shares. The absolute control is with the Government. My friend Shri Ansari was expressing some anxiety and some fears about this clause. It is very specifically mentioned in this amendment that 51 per cent of the shares of the banks will be vested with the Government. When new shares are being issued this aspect will also be taken care of and the absolute control of the bank will be with the Government. In giving 49 per cent of the shares to the public, we have to analyse in the background of this Bill what are its motives and intentions.

In the current year's budget a huge amount of Rs. 5600 crore is earmarked for strengthening the capital based of the nationalised banks. As rightly said by my hon. friend, Rs. 5600 crore is not a small amount. The resource crunch which we are facing today for the social sector especially for the poverty alleviation programmes, for the employment programmes, we are finding it extremely difficult to raise resources. At such a situation we cannot have this luxury by setting apart Rs. 5000 crore every year for strengthening the capital base of the nationalised banks. An equal amount, or a little more than this, Rs. 5700 crore was earmarked and set apart for strengthening the capital base of the nationalised banks in the last year. Last year it was Rs. 5700 crore and this year it is Rs. 5600 crore.

In this context I would like to bring to the attention of this House an amendment suggested by the Standing Committee. Different party representatives are in this Standing Committee. During our discussions we had almost come to an agreement to request the Government to see whether this is extremely unavoidable because if Rs. 5000 crore can be saved the Government can do a lot for the other social welfare measures. But the situation has come to a stage where we have no other way but to provide money from the budget for strengthening the capital base.

The Narasimham Committee report is very well known to everybody. International decision is that the capital adequacy should be eight per cent of the risk weighted assets. Nobody has got any dispute on this point. Nobody can say that this capital adequacy is not necessary. There are some opinions that because the Central Government is giving

the guarantee, the capital adequacy is not necessary. When we are working in an international environment, it is necessary that our banks should be respected, our banks should be honoured by the other banks in other countries also. Otherwise if we are opening an LC, nobody in the other countries is going to honour that. So an international arrangement is necessary because we are aiming at a higher growth in the exports. When we are thinking in the context of exports and imports, any commitment or any offer or any guarantee from the Indian banks should be acceptable to the international banks. There is no conditionality from the IMF or the World Bank or from anybody. Unfortunately some friends are always finding some strange relation between World Bank and the IMF for all kinds of such things without any basis.

For the Indian banks to survive, for the Indian banks to attain credibility in the international banking industry we must have this basic condition. It is in our interest and not in the interest of anybody else that we attain an eight per cent capital adequacy norm and an eight per cent of the risk weighted assets. After the Narasimham Committee report was accepted by the Government, the Government also made it mandatory and new provisions and norms are being introduced for provisioning and also for other accounting practices.

So now sufficient provision is being given for doubtful debts. After the eight per cent of the risk weighted assets is fixed as the capital adequacy, to reach this eight per cent, the target date given is 31.3.1996. The banks having an international operation, having branches outside the country should reach this capital adequacy norm by 31.3.1994. So that

[Shri P.C. Chacko]

time is almost over. By 1996 all other nationalised banks working inside the country also should reach this eight per cent capital adequacy.

The capital of the nationalised banks as on today is totally insufficient. How are we going to raise this? Anybody who opposes this Amendment Bill may kindly give suggestions. In the Committee it did not happen. In the House I expected that but that suggestion is also not coming. Opposing anything for the sake of opposition alone will not help to solve the problem. Nobody is making suggestions. How can we reach this 8 per cent capital adequacy norm? For that we have to allow the nationalised banks to go to the public to raise their capital from the share market or from the open market.

There are banks which are having good health. There are banks which are in the red. Out of these 22 nationalised banks, some banks are not in good condition. Such banks, at least, can go to the public. There is large amount of money in the share market today. If the banks are allowed to go in for public issue and raise their funds, they can produce good results. There are number of banks which are working in a profitable manner. They can, at least, collect their capital from the share market. That is why mainly this Bill is brought before this House.

This amendment, I think, is one which should be supported by all parties because this is not something connected with the policy of the Government alone. If the Capital strength of a bank, specially of a nationalised bank has to be increased, we should allow them to go to public. So 49 per cent share can be

sold and 51 per cent will be vested with the Government. In that case there is absolutely no danger as far as the ownership of the banks is concerned.

There is an apprehension being expressed that the priority sector lending will be diluted. In India today, banks whether they are private sector banks, nationalised banks or international banks, all these banks are guided by the guidelines of the Reserve Bank of India.

There are instances where these guidelines were flouted when the scam was analysed by the JPC and also when it was discussed in the Parliament. We have found to our surprise that many of the guidelines were not followed properly by the banks in this country. That does not mean that the law is not sufficient or the Act is not sufficient. It is the implementation agency, the supervising agency or the supervisory mechanism of the Reserve Bank of India, which has failed because it is their duty to see that the guidelines which they are issuing as far as the functioning of the banks is concerned that is being implemented and that is not being flouted.

Now we are saying that 49 per cent shares are being given to the private hands. So the banks control will go. Even if 100 per cent share holding is with the private sector, it will not be the case because the private sector banks in the country in their functioning are strictly following the guidelines of the Reserve Bank of India. No shareholder can take undue advantage of the ownership they are having in the bank shareholding. When these strict conditions or the guidelines from the Reserve Bank of India are there, when these are implemented, there is no room for any fear of this kind.

This priority sector lending is also according to the guidelines of the Reserve Bank of India. So the self-employment programmes, the lending for the farmers, the lending for the rural artisans, the lending for the small scale industry, the lending for the rural sector, this is all very specifically stipulated, very specifically mentioned in the existing guidelines which are being in force as far as all these banks are concerned. So there is absolutely no truth in the criticism that the priority sector lending will go down.

Banks can make profits, if they are allowed to work as they like. But that is not the situation in the country today. Banks are not allowed to lend the money as they like and in whichever area they want. They should be very specifically told that 40 per cent should go to the priority sector. So if any bank is violating or flouting any guidelines of the Reserve Bank of India regarding the priority sector lending, action should be taken against that. The Reserve Bank of India is empowered to take action against any existing bank.

Some of the major amendments being proposed in this Bill are welcomed by the Standing Committee which analysed the Bill in general. Of course, there was some difference of opinion. That is quite natural. We can understand that in a Standing Committee consisting of all the party members, there may be some amendments in the Bill moved by the Government. I am not saying it in a different angle, I am not criticising that also. But by and large there was an agreement on this proposed amendment. There were fears and there were anxieties, but that will be proved wrong subsequently when this Bill is being accepted and adopted.

I remember, as a Congress Party Member we were all very proud for recalling 1970 and 1980 amendments. It is not that we are going back from nationalisation but the situation has changed a lot. From 1970, from 1980 two major amendments have taken place and after that upto 1994, in these 14 years so many things have happened.

The economy of the country has undergone a sea change. We have to see what is good for the present day economy, for the economic development. This is a Bill which furthers the nationalisation which was announced in 1970 and also in 1980. When the last nationalisation was announced in 1980 a limit was fixed. After 1980 we did not continue with nationalisation. So the aim of the nationalisation to an extent was achieved by those two Acts which were passed in 1970 and 1980.

What is the intention today? We are attracting a higher growth rate in exports. For that money should be available with the banks. They should be in a position to open L.Cs when these exports are expected. For this the international banks in their meetings have decided that the capitalisation norm is a must. For that we should make the Indian banks capable of reaching that level. That is why this amendment is brought forth.

About the number of directors in the banks it was proposed that there should be 15 Directors and discussions also took place in the Committee on this. The Members expressed the opinion that there should be a clear majority of Government Directors and that it should be provided in the Bill. It is very clearly specified in the Bill that seven directors will be nominated by the Government

[Shri P.C. Chacko]

and the Reserve Bank and only six will come from the private shareholders. So, this 49 per cent shareholders will have only six directors on the Board and the majority will be with the Government. In view of this, no single party even after accepting this can bring in private shareholders.

There is an unfortunate misunderstanding that anybody who is a shareholder of a bank can take undue advantage of it. The fact of the matter is that a shareholder cannot take even a loan from the bank, even if it is a private bank. Then I do not understand why this apprehension should be there. Anybody who is associated with a bank in some capacity or other or a major shareholder is disqualified even from taking a loan from the bank. In such a situation, when such a guideline is there, when the number of directors provided is 13, which is a majority for the Government, this 49 per cent or whatever is the allocation or a total limit, there should be no apprehension. Even that 49 per cent, subsequently will be approved by the Board of Directors.

Special care is being taken to see that all the categories are represented on the Board. Small farmers, the farming community as a whole, small entrepreneurs and experts in different fields like Chartered Accountants and experts in the various aspects of banks, All are given sufficient representation in the Board of Directors. When there is a majority of 13 Directors in the Board of Directors where the Government is having absolute majority, they will all be protected.

There are certain amendments regarding capital also. The minimum limit

was Rs. 1500 crore and the maximum was Rs. 3000 crore. This kind of safeguards and practices have been taken care of when this amendment is brought forth. I think this is one of the Bills which should have been accepted by the House *in toto*. Therefore, from the political angle one can say that the ruling party is going back on nationalisation and all those things. We are very very conscious and we are very well aware of the intentions and the decision we have taken at the time of nationalisation. The people of this country have accepted it and now the Indian banks have to be modernised. After putting some money in a nationalised bank—I am saying generally—if one goes to the bank to know the balance one has to wait for half-an-hour. I am not blaming any political party, not even mine. The bank employees and officers should be more responsive. Still token strikes are going on. For unfounded reasons they are going on a general strike. Recently there was a token strike for one day. For one day if the banks go on strike how far is the economy paralysed? Now-a-days the unions are also acting like that. A continuous strike also is being announced. A token strike is also being undertaken again on another day. The people who were working, the workers and officers who are responsible for running the banks should also understand that these unfounded apprehensions should be given up and they should see that the Indian banking industry and the system improves. For that if we are not cooperating, it will be very unfortunate.

This is a very comprehensive Bill and I support these amendments.

MR. DEPUTY-SPEAKER: Now, I call Shri Nirmal Kanti Chatterjee to speak. The time allotted to CPI(M) is only seven minutes. Only one name has been given

by your party. This time has been fixed by the BAC after taking into account the opinion of the leaders of the various political parties and also many other business, which have to be transacted.

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): Sir, this is an unfortunate experience for me. As soon as I stand up to speak, I am reminded about the time allotted to my Party. In fact, this Bill is a very important Bill, for which only two hours have been provided by the BAC. I do not think its perception was a valid one.

Mr. Deputy-Speaker, I have heard the speech of my friend, Shri P.C. Chacko and we are all together in the Standing Committee on Finance also. Shri Chacko is also a member of that Committee. I am also a member of that Committee. Shri Chetan Chauhan is also a member of that Committee. Some of us—Shri Chetan Chauhan is not a party to that and in fact the BJP is not a party to that—have submitted a note of dissent. We have stated therein that the Bill should be withdrawn and in case it is not withdrawn, we will totally oppose the Bill. Let me state that.

Let us try to remind ourselves about the scene before the nationalisation of banks. What was the credit structure? On the one hand, there were banks which were controlled by the large business houses of the country. The Tatas had a bank, that is, Central Bank of India and the Birlas has their own bank, that is, United Commercial Bank of India. In the towns, the credit institutions were in the private sector and they were controlled by the big industrialists of those days. That was one part of the scene. And the other part of the scene in the country was that in the countryside,

the credit institution was that of money lending. The moneylenders were ruling the roost. They were charging high rates of interest. They were clogging the properties of the poor and they were devastating and because of them, Indian agriculture was unable to play its relevant role in the development of the economy. So, in the city, it was the big business houses which controlled the banks and in the countryside, it was the moneylenders, who controlled the banks. That was the scene when we had to intervene and nationalise. You will all agree to this. And at one stroke, it was felt that both the influence of the big houses on the urban credit institutions and the influence of the moneylenders in the countryside would be curbed via this Banking Nationalisation Act.

In order to serve the purpose of economic development, it was postulated from then onwards that public sector banks were charged with at least two kinds of responsibilities. One is the branch expansion in order to curb the moneylenders in the countryside. In popular or understandable term, we say that the feudal hold over the agriculture had to be broken, the feudal hold which was represented by the hold of the moneylenders had to be broken, and, therefore, the branch expansion had to take place.

The second leg of the instruction or the guideline was that lending would be to the priority sectors and the priorities would be in terms of needs of the society, needs of the economy and needs of the country. And it was stipulated that at least forty per cent of aggregate credit would be given, would be provided to this priority sector. There was an additional rider, that is, that very poor people should be offered various

[Shri Nirmal Kanti Chatterjee]

advances at very low rate of interest. This is known as DRI, Differential Rate of Interest.

At least one per cent of the credit was supposed to go to them. This was happening. In fact, it is to the credit partly of the Government and mostly of the employees of the banking sector against whom he said that they are very frequently going on strike. They did not mind it. They went to the rural sector from the comforts of the urban areas and they allowed themselves to be transferred to the rural sector and lived with them and spread bank branches throughout the country. Let us greet them. Instead of greeting them, we are complaining why they are indulging in strikes today when they were not doing that in the past. It is the twin policy that should be pursued with as much vigour as possible. And if there was any lack in that policy, the bank employees stood up to fight. After that the Indian economic picture changed somewhat. What was happening is that the big industrial groups fearing initially that they may not be able to control the credit structure in the urban areas as before went in for direct deposit taking bypassing the banking sector. They felt that the public sector banks might be too scrutinising for them and, therefore, they thought they should reach the public directly, offer them a higher rate of interest than was being offered by the banking sector and collect deposits. That was the initial scene. This was going on. After that so many things happened particularly in the 80s after the second round of nationalisation in 1980 and from mid-80 onwards the large houses began feeling that they need not fear as much because after all what was inserted in the Constitution as 'socialism' does not really mean or may not really

mean 'socialism'. Therefore, they were trying to impose their control over the public sector banks instead of the public sector banks imposing their control on the credit structure by so many dubious means. One such dubious means was to borrow and not to repay. It is known—I am sure Shri Chacko also knows—a very famous economist by name John Maynott Kins, who later became Lord Kins, once stated wonderfully well that if you borrow from a bank and if you are a small borrower, the banks control you and if you borrow from a bank and if you are a large borrower you control the bank. That was a very famous saying of Lord Kins, who is supposed to be the godfather of modern economy.

Sir, so many things are happening. FERA and MRTP Acts are being passed. Initially they were afraid how the public sector banks were growing. But, it is not the profession that matters. Shri Chacko will admit that it is the practice that matters. In the course of practice they discovered that despite there being strength of the MRTP Act, nothing prevented the large industrial houses to grow at a fantastic pace compared to the growth of national income and nothing prevented the foreigners from exploiting the foreign banks in this country. But even then they needed protection.

That protection the Indian big industrialists were offered via the amendment of the banking Act by inserting the clauses which say that banking secrecy would be kept such that no thief can be mentioned in public. That was after the realisation that after all socialism is in words, after all MRTP Act is in words, after all, the growth of the large industrial houses could not be prevented. Therefore, to protect their position, the secrecy clauses in the Banking Act were provided.

Today, we are told that the Reserve Bank of India would give publicity to the names of defaulters. When? It is very simple. They will give publicity when they have gone to the court. You cannot prevent the publicity in any case if it goes to the court. Therefore, you come back as if you are accepting this proposition as if you are championing against bad debts that the particulars of such debts would be given to the Parliament and to the public. Now, what did we discover in the JPC? We discovered that whom we wanted to control, in fact, were controlling the banks. The entire scandal was led by those who are supposed to be controlled by FERA, who are supposed to be controlled by the retained enthusiasm of 1947, when it struck freedom. The entire scandal was led by these foreign banks, and they were aided and abetted by the management of the public sector banks. They were led by their nose. By whom? We know of Harshad Mehta. We know of so many other players also in the share market. We know not only them, once again the industrialists were there. Mr. Chacko would justify it, the names of industrialists did emerge in the JPC report. This is what was happening from, say, 1984-85 up-till now, that is, for 9-10 years, and they became so powerful. My leader reminds me exactly as they did not care. One of the reports on banks mentioned that the retiring Chairmen would advance loans in such a manner that those need not be repaid. This was the report on frauds by one of the Deputy Governors of the Reserve Bank of India who himself was indicted by the JPC. He knew everything and he described that this is what is happening. That was the power of big money within the country even when banks remained nationalised, remained in the public sector. This is not what exactly they are saying. The power was such that it went beyond the

management of the public sector. It reached those who are expected to supervise the operations of the banking sector—the Reserve Bank of India, the Ministry of Finance and other Ministers of the Government. Since this is known, that is what delays the Action Taken Report on JPC which was promised to be done in ninety days' time, as mentioned in the Annual report of the Ministry of Finance. This is the background and this was the practice.

In the course of this practice he denied all that. I have quoted during my speech on Finance Bill the I.M.F. Memorandum on Nepal. I referred to the I.M.F. Memorandum on Russia. I had the papers. Exactly the same kind of thing is being done in India. I.M.F. is asking Nepal to do the same, I.M.F. is asking Russia to do the same that is to de-nationalise and privatise the financial sector. And he says we are unnecessarily seeing the signs of I.M.F. But it is there. Now, in this context, not satisfied with all the secrecy clauses in each of the banks, two Bills have been introduced. Let us see what has already been passed. The Banking Regulation Act has been passed. What did that provide for? He says it is not going back, history never goes back, exactly. As there is a saying—he knows it also—we do say history does not repeat itself. We do say it puts in spikes. It retains some of the similarities of the earlier situations. But, at the same time, the situation has been so changed that it reaches new peak.

In order to allow that new peak, the Banking Regulation Act permitted once again to get established private banks in the country with huge capital inviting the industrialists whose nexus with the banks was supposed to be broken by the nationalisation of the banks. And who were the first to add smile to their

[Shri Nirmal Kanti Chatterjee

faces—no less than a person like Hindujas whose names are still not cleared from Bofors. Once again the private sector, the large people with very large capital are being allowed to start their own banking sectors and banking companies as before, *via* that Act. Even then they are not satisfied. Not only that these private sector banks can be established by Hindujas and by Harshad Mehtas and we do not know by how many others, God fearing, we do not know much. They are not satisfied with that either—either the I.M.F. or the big business.

Therefore, they are bringing in fresh arguments. Therefore, they feel that the existence of the public sector banks itself must be challenged. They are not satisfied. Once you begin to taste blood you do not stop at one drop. Therefore, they are reaching their hands—octopus like—on the public sector banks. He says what is the worry, it is only 49 per cent. The argument, as has been stated, is capital adequacy. The argument is that the international acceptance is 8 per cent.

Now let us examine and analyse the provisions. We have given our note of dissent. We have listed out why is it that the problem of this capital adequacy has arisen. They say that the banks are losing.

SHRI SOMNATH CHATTERJEE (Bolpur): No Minister is reading the reports.

SHRI NIRMAL KANTI CHATTERJEE: Even one of the Members of our Committee initiated the dissent. It was said that it was all forgotten. What was the argument? Why have they themselves given the argument? Why are the banks losing?

Of course, one very important reason is, we are spreading our branches and are having priority sector lending though it must, again pointed out that the priority sector lending of 40 per cent, that target is, now-a-days, not reached. It was reached earlier and now it is coming down. It is coming down although the banks are nationalised and they are in the public sector. This is what is happening in the credit sector. Why are they losing? One reason, of course, is you cannot control that unless you say that no more expansion of bank branches. The other argument which the Government has stated—which is a very interesting argument—is that the difference between the lending rates and the borrowing rates of the banks are so narrowly spread that they cannot make a profit and therefore, the Government have decided that the deposit rate should be lowered compared to the lending rates. And the lending rates could be allowed to float as high as possible and the small scale sector which was getting its advances at a lower rate of interest would no longer be getting it at that level. If you borrow more than Rs. two crore, the rate of interest is the same as the minimum lending rate above a certain sum.

SHRI P.C. CHACKO: You should see the productivity in the public sector banks.

SHRI NIRMAL KANTI CHATTERJEE: I certainly agree with you.

SHRI SOMNATH CHATTERJEE: Productivity in the private sector banks is black money. But you do not object to that.

MR. DEPUTY-SPEAKER: Please conclude now. The time allotted to your Party was seven minutes. But you have already taken 20 minutes.

SHRI NIRMAL KANTI CHATTERJEE: Sir, I will take a few more minutes.

Another argument was that the Government, in order to cover their deficit, is forcing the banks to buy Government securities and banks are lending to the Government at a very low rate of interest which was 6-1/2 per cent. That has changed today. Government security papers are now sold at 13 per cent rate of interest. Therefore, the question of loss arising from buying the Government security papers no longer exists. Not only that; before the rates were increased, the Statutory Liquidity Ratio and the Cash Reserve Ratio were changed. They are rapidly being brought down and you propose to rapidly bring that down so that the banks are not forced to invest a lot of their cash in these areas.

So, these are the reasons why the banks are losing. Let me add the other important reason also. The other important reason is that large borrowers do not pay back and they are declared as bad debt. Rs. 1,500 crore, as has been mentioned a few days ago, has been treated as bad debt and unrecoverable. About Rs. 20,000 crore is not yet declared as bad debt and not yet considered to be defaulting. It is there as 100 per cent risk assets which they will not be able to collect. If you lose Rs. 3,000 crore every year in this manner, how can you make a profit? So, by their own statements the banks are losing and the reasons are obvious. Instead of attacking the reasons, their answer is, privatise the banks which has nothing to do with that. Bad debt is not because of privatisation.

15.00 hrs

In fact, those who will be allowed to start the banks are the people

responsible for these bad debts. SLR, CRR ratios are already changed. The arguments and the conclusions do not bear any relationship at all. We have repeatedly tried to tell them. He has very correctly mentioned about the capital ratio. In Standing Committee on Finance, we have made a comment that "Do not provide them this year Rs. 5600 crores, because you are running a deficit of Rs. 6000 crores."

15.01 hrs.

[SHRI TARA SINGH *in the Chair*]

Therefore, we have said, you defer payment of Rs. 6000 crores. You have balance of payment position with your budget. That was not listened to. In this case also, if this is true, you are losing, you are not making profit so far. What is happening? Eight per cent capital adequacy, firstly they have to tell us that with the Government backing—despite our surrender not on NPT but on missiles—the credit worthiness of the Government is what it matters. No international bank will say that despite Government backing, eight per cent capital adequacy is necessary. If you have no risks at all, on a portion of your advances, there is no difficulty. You do not have to provide it. More your advances are risky, it is 100 per cent risky, the entire amount has to be taken into account for calculating that eight per cent. If you can tone up your requirements of capital for even eight per cent capital adequacy, it will be much less. Look at the provisions in this Bill. We have said eight per cent capital adequacy is not necessary because they are Government banks. Secondly, the requirements of funds for eight per cent is much less, if the banks are allowed to function in a profitable way. Thirdly, what is the investment that

[Shri Nirmal Kanti Chatterjee

you are providing. Initially, the provision was for 13 Directors—six will be from the Government, six from the private sector and one Chartered Accountant. Whose Chartered Accountant is he? After that, I see the amendment. The Standing Committee recommended that there must be eight in the public sector or Government, and six from private sector plus one chartered accountant, that is seven will come on the other side. Let them be in the minority. But this is the argument they say. After 49 per cent is given to the private sector and 20 per cent to the foreign sector, why do you worry? Once again, it is not profession but it is the practice. How many years ago, was it 49 per cent in Maruti? When did it cease to become 49 per cent? This is the first step being taken like the GATT in which the first steps are being taken. What are the changes in FERA? Let Mr. Chacko answer it.

SHRI SOMNATH CHATTERJEE: All restrictions are being eliminated. You had got minority vote in this country. You were a minority here. How have you become majority? (*Interruptions*)*

MR. CHAIRMAN: These things will not go on record.

SHRI NIRMAL KANTI CHATTERJEE: There are two provisions. I will make a comment upon them and conclude.

There is one provision which says that no individual or organisation will be allowed to have more than one per cent out of 49 per cent. In the earlier Banking Regulation Act, that one per cent has gone up to 10 per cent. We have said that Tata & Sons control 49 companies.

Everyone of them gets one per cent share. It is only Tatas who control 49 per cent. We have suggested in our amendment that, we should at least say that not more than one per cent will be allowed to any group of companies. It is not accepted.

The second thing they say is only 20 per cent is given to the foreigners.

SHRI P.C. CHACKO: That is your suggestion.

SHRI NIRMAL KANTI CHATTERJEE: First you thought 24 per cent. Nobody knew whether it is the entire 49 per cent. Now the amendment is 20 per cent. He did not agree. As our leader was saying, there are ways and means of having a majority in different areas whether it is Parliament or the Board of Directors. With a 20 per cent control over funds, having two Directors because of the 20 per cent, don't you think that if the Government can be dictated by foreigner, the rest of 29 assuming to be 49 and four Directors will not be dictated by these two? (*Interruptions*) This is there. We therefore have said that (i) the arguments do not justify all the arguments of loss and capital adequacy. It is defective on the plain arguments themselves. (ii) The arguments on capital adequacy are irrelevant. It is weakening of the public sector, weakening the control and once again merging of industrial capital, the IMF and the World Bank capital, with the credit institutions.

MR. CHAIRMAN: Please wind up now.

SHRI NIRMAL KANTI CHATTERJEE: I am winding up. They are winding up the public sector. I will wind up my speech. There is no difficulty.

* Not recorded

As was pointed out towards the turn of the century, international capital has taken a turn. (*Interruptions*) There was a merger taking place of the industrial capital and the money capital. Towards the end of this century a very famous person who led the Russian Revolution noted that that is the mark of imperialism. Modern imperialism is characterised by the fact that industrial capital and finance capital merged with each other. We are witnessing exactly that kind of sickness by many independent private banks, by allowing such a big hold on the public sector banks by the foreigners and the private individuals. There I suggested that we are prepared to accommodate them. Please hand them over.

He has raised the question of efficiency of the employees of the nationalised banks. I have an answer. Today, the banking employees see before their own naked eyes all the doings of the top people, doing of the top people of the Government and their nexus with the interested people. The people at the top do not encourage the employees to provide their services in an efficient manner. What is the guarantee of efficiency today? At one stage, we told you to allow the participation of the employees in the management so that they can bring out the facts which you do not know; they will generate efficiency in all our public sector banks.

SHRI P.C. CHACKO: That is provided in the Bill.

SHRI NIRMAL KANTI CHATTERJEE: No. That is no about participation of employees. We have also said that in every branch there should be supervision by the locally-elected people, by the depositors and by the employees to see the quality of efficiency. We have

suggested these things. But they were not accepted.

MR. CHAIRMAN: You have already taken 40 minutes. Please conclude.

SHRI NIRMAL KANTI CHATTERJEE: I am concluding now. Therefore, on the basis of need, on the basis of argument, on the basis of sheer patriotism and integrity of the country and on the basis of refusal to surrender to the foreigners who are trying to control—with 20 per cent holding—the entire 100 per cent holding, we want the Bill either to be withdrawn or opposed tooth and nail.

With these words, I conclude.

[*Translation*]

SHRI BHAGWAN SHANKAR RAWAT (Agra): Sir, this Bill is a step towards privatisation of nationalised banks by adopting liberalised policies. But so far as their privatisation is concerned, we have observed the working of nationalised banks and it has not been good. The standard of efficiency and performance of nationalised banks has gone down and it resembles the working in Government offices where no work gets underway without greasing palms. The functioning of Banks is an indication to the fact that the Banks working under the Government, have not performed their duties with honesty and sincerity. I am apprehensive that the number of bunglings is going to multiply as a result of Privatisation. We have to take account of this fact. We will have to increase the efficiency in banks as it has nosa-dived.

Sir, I would like to point out the social obligations of the Banks towards the poor people. 40% is meant for the

[Shri Bhagwan Shankar Rawat]

priority sector but even in the priority sector, the targets announced by the Government are not achieved. I can cite the example of Uttar Pradesh. The address of His Excellency, the President had mentioned that general people would be provided loans under Nehru Rozgar Yojana but when I contacted the Bank officials in Uttar Pradesh I found that even 10 per cent of the target fixed for the last year had not been achieved and I don't think it will be achieved this year because the youths are harrassed on frivalous grounds and they are encouraged towards dishonesty. They are asked to earn money through unfair means but you can very well imagine the outcome of that money.

The assurance given by the Banks regarding priority sector is also being found to be difficult to achieve. That is why, I would like to say that so far as the question of the functioning of the priority sector is concerned, there should be some transparency and it is essential that the proper implementation is ensured.

My colleagues have raised the issue of Banking lease. I would like ot say that the functioning of nationalised Banks was not upto the mark. An amount to the tune of Rs. 1500 crore has been put in bad debt account and Rs. 2,000 crores are also at stake. Besides, thousands of crores of rupees are involved in litigations. It amounts to a loot of Government funds and property. Everybody is making hay while the sun shines. If we are able to curb this loot through privatisation, then, I will consider it a good step. But I would like to warn against an increase in such loot by big Industrial Houses because so far all the deals have been undertaken underhand due to non-transparency and now we will

have to be careful that such deals are not undertaken more brazenly. Due to nationalisation of banks even the Government opposed the idea of monitoring the functioning of the Banks and putting a check over it. The Government has been giving the plea that the banks under their control, the Governor of the Reserve Bank of India, and the finance Minister were also their own people, so they did not want an outsider. But I would like to say that now it should be brought under the control of CAG. Once it is brought under CAG, the functioning of the banks will definitely become transparent and their accountability will also increase. The increase in accountability will lead to more efficiency. It should be brought under the purview of CAG to scrutinize and evaluate its functioning and to ensure whether financial discipline has been maintained or not.

There are several financial committees. None of the financial committees have the right to scrutinize the functioning of the banks. The Government has said that it is a sacred institution, so, it should not be monitored. The Government Banks/nationalised banks are the result of how scam took place in Banks, how the Banks were used to get political popularity in the name of being sacred institutions. Despite having monopoly, they are in a very bad shape. The Banking Institutions which feed others are now being fed on the hard-earned public money by the Central Government by way of taxes for the last several years, irrespective of the fact that the provision made this year was for Rs. 56 hundred crore or Rs. 57 hundred crores last year. On the one hand, you are selling out the factories to make up the losses, on the other hand, the Budgetary provision has to be made for those Banks, which are supposed to

finance others in order to run those Banks and improve their financial position. That is why, we are not satisfied with the present functioning of Banks. If you want to experiment, you can go ahead. But I am only apprehensive about giving 20% share to foreign investors because we are adopting policies of liberalisation. Is it a step towards privatisation or internationalisation of nationalised banks? I see danger in internationalisation since I do not suffer from any mania or phobia. But I fear that in view of the intention of the multinational companies to break the spine of our industries, this internationalisation may lead to no check on them and they may influence and have control on our policy matters. As they have 20% share so they cannot be influential according to the democratic system and simple calculations, yet anything can happen here. So, I would like to warn that the Government should put a check on the foreigners so far as their share in the functioning of Banks is concerned. The Government should reconsider this provision.

First of all, this experiment should be made a success through the policy of liberalisation by involving the private sector people. We should not make it a cocktail. Let it be a simple system. We will not be able to successfully experiment it if we mix several points/things.

I would like to mention a couple of things. The liberalisation of Industries will lead to their smooth functioning. That is why, the workers should be involved at every stage of management. The Bhartiya Mazdoor Sangh is the nationalist organisation of workers and it has been constantly demanding participation of workers in the management. So, there should be a participation of workers and employees. The workers were cheated at the time of disinvestment of shares of

Public Undertakings. The workers were not given participation in that whereas it had been originally decided that they would be given participation. Neither they were given participation there nor any possibility of their involvement seems imminent. The participation of workers will quell many doubts. Today, the workers and Bank employees are worried. They fear exploitation. Their interests should be protected in order to save them from exploitation and provide them some relief. They should have a right to participate in the management.

What will be the shape of Rural Development Bank in the long run? The changed form of the privatised banks may not treat the rural banks as a neglected child. The rural economy is being given a new lease of life through Rural Banks. So, the base of Rural Banks should be strengthened, I feel that the Rural Bank employees should be treated at par, as Supreme Court have given its award also. They should be provided such facilities as are admissible to other Bank employees. The Central Government should strengthen the Rural Banks to finance the rural economy property. We have been giving emphasis on the export of agricultural products in our export policy. In such a case the role of Rural Developmental Banks becomes all the more important.

There should be no change in the lending ratio and the deposit ratio. Such a situation should not arise where the privatised banks forget to perform their social obligations or they should indulge in profiteering. They may reduce the deposit rate and increase the lending rate. They may cause a new wave of inflation in our economy. That is why the Government should be vigilant of all these points. Norms should be fixed and stringently adhered to avoid exploitation

[Shri Bhagwan Shankar Rawat]

of the public. Efforts should be made to encourage competition between Banks and an era of competition should be started among nationalised banks also. The changed circumstances will definitely lead to more efficiency in the functioning of Banks. This is my belief. So, the feeling of competition should be encouraged and stressed upon in the functioning of Banks to increase their efficiency.

With these words, I would like to conclude and thank you for allowing me to speak.

[English]

SHRI RAMESH CHENNITHALA (Kottayam): Mr. Chairman Sir, I rise to support the Bill introduced by our hon. Finance Minister. Today the banks play a very important and pivotal role in our economy. This amendment is brought because of the recommendations of the Narasimham Committee Report. This amendment is brought before this House for making our Indian banks more sound and to strengthen the financial base of our banks.

The present financial base of our Indian banks is not at all satisfactory. We have to make the Indian banks more sound and bring it in line with the current international practices. The banking activities have grown in size and have acquired more significance. So it should be in line with the current international practice. All banks should ensure that their total capital base has at least 8 per cent of the risk weighted assets by 31.3.1996. Those banks which have got international lending—overseas operations—have to achieve this goal by 31.3.1994. That is already over. This

step is a welcome one. By this definitely our banks will have more credibility. Internationally our credibility will increase as well as our banks will have a sound economic footing and our banks can serve the people more effectively. By this we can improve the financial health of our banks. The Central Government is contributing to the paid-up capital of these banks. Out of the budget a total Rs. 5700 crore was earmarked for this last year. From 1985-86 to 1992-93 Rs. 4000 crore was earmarked for this. You see that the Government has to attend other pressing problems and it has to find money for other social service sectors. Because of the financial crunch the Government cannot continue to finance as we have done earlier. So there is no other way before the Government. If we want capital and a financial base for the bank, the only way before us is to go for the public issue or approach the capital market. Government cannot continue to contribute like this. Already we have a lot of other issues to solve and a lot of other problems. So the only way before the Government is to allow the banks to approach the capital market. The outside capital so mobilised can be used by the banks to expand its lending. The objective is to enable the banks to raise money from the capital market and they can utilise it for their lending purposes. Ultimately it is going to benefit the people of our country. It is good that the capital base of the nationalised banks is going to be broadened.

In doing this, my request to the Government is that we should take more caution. When we are going for a public issue, we have to take more precaution and we have to take more care on this. I want to point out two things regarding this. The first point is that the actual value of the share has to be assessed

properly and the premium should be fixed accordingly. For example, in the case of SBI shares which have been allotted recently, if I remember rightly, the real value of the share, as per the Minister's statement, was more than Rs. 500; but the premium was fixed at Rs. 90 per share. When the real value of the share was more than Rs. 500, why should it be given at a premium of Rs. 90? There has to be a proper linkage between the price of the share and the actual value. Without this linkage, we cannot implement this properly. There are a lot of criticism about this. Therefore, my request to the Government is that there should be a proper linkage between the price of the share and its actual value. The second point is that regarding this SBI share issue, there have been many complaints about the mode of allotment. I was told that some people went to court and I do not know how this allotment was made. There are serious complaints about this. In fact, some aggrieved persons went to court and they are seeking other legal measures to redress their grievances.

My point is that there should be greater transparency in the allotment of shares. The norms should be fixed for its allotment. Since the other nationalised banks are allowed to enter into the capital market, it is very important to fix the norm so that public confidence will be created. There should be a public confidence; and without creating public confidence, we cannot approach the capital market. Since all other nationalised banks are going to approach the capital market, the norm should be strictly followed; there should not be any chance for flouting the norms; and there must be greater transparency in allotting the shares. Otherwise, there will be a lot of problems. We should avoid that type of problems; the Government should take care.

This Bill provides for nomination and election of directors. I have to point out two or three important issues in this regard. The first point is this. Section (6) of this Bill deals with the special knowledge required for election as well as for the nomination of directors. Among the areas of special knowledge, 'import and export' should be included because this is a very important subject today. 'Export' is a very specialised area and we are trying to boost our exports and trying to strengthen our economy. So, I think, at this juncture, we have to give more importance for export and import sector. This is a specialised area which is more important now than ever before. So, this subject should also be included in the areas of special knowledge. Banks are playing a very important role in exports and imports. So, my request to the hon. Minister is that it is only proper that the directors should have a special knowledge about this area. Definitely it will be going to help our banking system as well as it will boost our exports and it will strengthen our economy.

My second point is about the procedure. There is something said about the procedure for electing directors. Section (3B) says that if a director-elect has not fulfilled the requirements of specialised knowledge of specified in the Bill, he will be removed.

This is a very strange clause. Why should we allow such people, who do not have specialised knowledge about it, to contest the election? I think it would be proper to prescribe, based on the specialised knowledge prescribed in the law, certain qualifications for contesting the elections to the post of Board of Directors so that we can avoid this type of embarrassment. Once the result is declared if somebody is disqualified, it will be a great embarrassment for him.

[Shri Ramesh Chennithala]

This lacuna in the Bill should be plugged so that the elections can be conducted smoothly.

Banks have to play a vital role in our economy. Banks have to perform various social obligations. Banks are bound to implement the programmes and policies of the Government. So, their Directors should also have some social commitment. The Government should be careful in nominating people to the Board of Directors. I think the persons who are doing some social work and social commitment should be considered for this.

So far as corruption in banks is concerned, I would like to say that the poor and the needy persons are not getting the loans. To get a loan from the bank is a Herculean task for a common man. A lot of formalities have to be undergone before a loan is sanctioned to a common man. On the other hand, if you are a rich person, a man of influence, you can easily avail loan from any bank. If you can pay a percentage of the loan applied for to an officer of the bank you will immediately get the loan. My appeal to the Minister is that a proper scrutiny of the loans disbursed should be done and it should be ensured that the poor and the needy persons should get the loan.

My hon. colleague, Shri P.C. Chacko mentioned about the frequent strikes undertaken by the bank employees. I think, this type of activity should be condemned by all. If our banking system is paralysed, it will ultimately affect our economy. In the banking sector the trade union activities are on the increase. The regular strikes undertaken by the banking

staff harm the future prospects of our economy. Of course, genuine problems of the employees should be sorted out but regular strikes definitely harm the prospects of our country. Frequent strikes of this nature will not contribute to the prosperity and the economic stability of our country. No doubt the banking sector is a commercial sector, but at the same time we cannot forget the social commitments of our banks. They should help the rural masses to a great extent.

SHRI SYED SHAHABUDDIN
(Kishanganj): Thank you, Mr. Chairman.

Sir, I feel that my friends from Treasury Benches would not deny that when the banks were nationalised, it was a progressive step. Today, the banks are being privatised. They refuse to accept that it is an retrogressive step. If one was progressive, the other has to be retrogressive. Both cannot be called progressive. Sir, the fact is that, we are reversing the national control, the State control over the financial institutions which can definitely be defined as one of the commanding heights of the national economy. That was an accepted national consensus. Today, one-by-one, the State control over all the commanding heights of the economy, whether it is the infrastructure or whether it is the financial institutions, all these pillars are falling one-by-one. We know who is behind it. We know the pressures. I am sorry to say that the Government is succumbing to these pressures, from foreign capital, from foreign monopoly and from international financial institutions put together. I am not one of those who believe in monopoly. Monopoly has its vices. But at the same time I feel that in the banking sector, the banking institution should be controlled by the State. Today we are not only going to

allow or we are not only allowing infusion of private capital but also even infusion of foreign capital to an extent of 49 per cent which operationally will shift the control of the banks into private hands. So, the Government must maintain that they shall always have eight out of fifteen Directors. I know the Government shall nominate them. Even the workers' representatives shall be nominated by the Government. We know how the Directors function. I am not making any allegation, Sir, but there is a wide space between the acts of favouritism and acts of misappropriation. There are linkages which operate behind the scene. Therefore we shall not be far wrong to presume that in this manner, with the infusion of half of the Board of Directors coming from the private sector, virtually, the banks will be controlled by the private interests. They will not be controlled by the Government.

At this point, Sir, I am making just a humble suggestion. We know that the Government have kept many seats in the Board of Directors vacant for a long time. Some of them are filled in by a small group of officers holding posts of Joint Secretaries in the Department of Banking or at best in the Ministry of Finance. I would suggest for the consideration of the Government that in selecting the Members of the Board of Directors, they should widen the ambit. At least they should take persons from all the economic Ministries so that you have a wider experience, a wider rotation and you do not have to repeat the same individual as a Member of the Board of Directors in more than one bank. Perhaps I am suggesting this as a matter of caution because it may be somewhat difficult for the private interests to entangle in the web of a large number of Government Directors.

Sir, the Bill has been justified primarily on the ground of capital base. It is said that the total capital must be at least eight per cent of the risk-weighted assets. Frankly I am not a banker enough or I do not know enough of banking to understand the origin of this eight per cent. Whether it is a divine mandate or whether it is an IMF mandate, I do not know. Frankly I do not know whether it is a financial requirement. Assuming it to be so, the next argument of the Government is that each one of these Government banks must have a minimum capital base of Rs. 1500 crore.

It may go up or it must have a minimum base of Rs. 1500 crores. The Government has not explained to us why it must be kept at the minimum of Rs. 1500 crores? I have a suspicion that this figure has been quoted in order to create an artificial scarcity of capital; and on the basis of that inflated artificial scarcity justifying the infusion of private capital in terms of private interest. I would request the hon. Minister to kindly explain this point.

There were a number of suggestions made by several Members of the Standing Committee. The Government have not accepted those suggestions. They were explained at length on the floor of this House by our distinguished colleague from the CPI(M). As a party, we endorse those suggestions and would request the Government to kindly reconsider the Bill in the light of those five suggestions; and if they need time, they can withdraw this Bill and come back to the House with a modified Bill.

There are certain aspects of the banking system which, if properly handled, would perhaps generate larger profit and

[Shri Syed Shahabuddin]

therefore larger capital base for the banks as they are. I do not know why the Government have not paid any attention so far to the nationalisation of the banking system as it exists in the country. Why must every bank operate throughout country completely is beyond my comprehension? Why can there not be just one or two banks operating throughout the country and then each bank having a defined jurisdiction in terms of one State or a group of States having its headquarters located therein in order that the interest of the people of each region of the country is protected. Today, some of us, who come from deprived States, feel that the banking system is being used as a channel for the flow of scarce development resources, mopped up from our regions into either metropolitan cities or into more advanced States. Now, this is creating dissatisfaction and discontentment in the country. I, therefore, suggest that if the Government is to re-organise the nationalised banking system with one bank operating throughout the country and then having, say, ten different regional banks each having a local and defined jurisdiction, perhaps it may be able to do better than what it is doing today. I would also suggest that the banks are losing a lot of money every year; and some of the banks are indulging in unnecessary litigation at the expense of the bank. After all, if you enter into a litigation, you have to forego the money. But the bank can go on with a litigation without giving any opportunity for out-of-court settlement to save the assets to the last penny.

I have drawn the attention of the hon. Minister to one or two cases that I came across even in foreign countries where in order to recover 100,000 dollars we spent a million dollars in litigation.

There is absolutely an air of irresponsibility in running the public sector banks. I think if that is looked into, perhaps that might be able to stop this march of loss and, therefore, it may be a gain for the banking system.

Regarding bad debt, I welcome the statement made the other day by the hon. Minister that the Reserve Bank has now issued guidelines and they will monitor from that date the big debtors. I do not know why the Reserve Bank of India cannot collect the information and the RBI or the Government cannot publish the entire list of debtors on that date with whom all reconciliations have failed, all negotiations have failed, and in respect of whom it has been decided by the Government to go before the Tribunal. At least, a list should be made public. I think there is nothing like social control for bad debtors. If your neighbour knows that you are in this predicament, perhaps you may feel shy enough to return it.

I recall a precedence, in France where in order to collect the income tax dues, a list of income tax assesseees and their dues was put on the notice board of every Municipality in the country and that had an immediate impact. I feel that if the Reserve Bank of India, with the cooperation of all the banks, publishes a list of all the debtors, who have more than Rs. 10 lakhs, every year, I think it will have a drastic effect on the recovery pattern.

Sir, one more aspect that was highlighted by our dear colleague here is about the rural banking. I am afraid, even as it is, the rural banking is being eroded. The number of branches which are supposed to be making losses in the rural areas are going to be closed one by one.

Secondly, the area service approach has been abandoned. There are vast stretches which shall be without any banking facility in the countryside. The hon. Member, Shri Chacko, spoke about 12000 persons being served by one bank. But there are wide variations. That statistics, Mr. Chairman, conceals a very horrid reality. There are States in this country where that figure is not 12,000 but 30,000. There are vast stretches of rural areas in this country where perhaps the situation is even worse. Therefore, I would suggest that in order to service the demands for rural credit, in order to save our agriculture from the clutches of the money lenders, we must have a definite system and a guaranteed system of rural credit to cover the entire country.

I have suggested at one time to the hon. Minister that let every bank operate purely on commercial principle, so that it does not have a justification for making losses and let one bank in the country operate on social principle and let the losses of that bank be completely covered by the Government or by the profits of the other banks as desired by the Government. Let that bank be called the National Bank for Social Development and its purpose should be to fulfil the social purpose and the social function of the banking system. I would then release all the banks from the social obligations. They can go out and make as much profit as they wish and surely at least 50 per cent of that profit will come back to the coffers of the Government, I presume and I hope.

Sir, we have much to say about the nature of service provided by the banks. I am afraid, here I beg to disagree from my distinguished colleague from CPI(M), I consider that our banking system is

over-staffed. I think that the management is top heavy. I think that the atmosphere in every bank does not deserve the name of a bank, it is more than a fish market. There is so much noise, so much overcrowding, so much coming and going because there are just so many people floating around. Perhaps five men are doing work where one man would have done, compared to any bank, even the smallest bank, that I visited in a foreign country. I mean, I really lament the atmosphere or the environment of our banks. Therefore, I do not understand frankly the demand of the banking employees for more concessions, more privileges, more profits. In fact I would suggest that if the banks are to function on a commercial principle, let their bonus be related only to the profits and let the scales be so fixed that they do not have any element of deferred income, as it has been said. That the bonus clearly relates to the profits. If the bank makes profit, the employees get the bonus. If the bank does not make profit, the employees shall not get the bonus.

I would even go to the extent of suggesting, Mr. Chairman, that every employee of every bank should be given preference share in the bank in which he is employed so that he has got a certain heart in optimising the income of the bank in which he serves. Still I would suggest, let him not just make any demands upon the public sector banking because I am sure that one of the reasons why we have not been able to generate as much income from the banking system for national development is that the staff of the banking system has not been productive, has not been creative, has not been able to get its very best, that it should do.

[Shri Syed Shahabuddin]

Sir, I would make my last point, that I feel that there should be a statutory audit of every bank every year. On the floor of the House we discussed this matter. We were told that one-fourth of the branches are audited every year. I was also told that it is not necessary that another set of branches will be audited next year. It may be that over a period of four years you do not cover the audit of all the branches. In fact, we have been receiving most of the final bankers' statements and one of the reasons that contributed to the state of scam was that we did not have properly audited annual reports and reconciled accounts of the major banks. The audit was based on the information available. The audit was also not based on the actual state of affairs. I do not see why in this banking system which is going to be privatised, which is going to be commercialised, there can not be an annual commercial statutory audit of every branch every year,

As I said in the very beginning, I can live with a public sector banking system, I can live also with a private banking system, I would have felt that at least in this sector you would not allow the infusion of private foreign capital. Foreign banks operate in India. They operate on a reciprocal principle. If they operate in our country, we operate in their country, as branches. Let that be so. But why must they be permitted to buy in our banking system? Therefore, we could have two parallel systems for banking, or even three if the Government likes, one totally private, one mixed and the other total public sector. Let there be an open competition among the three. But I would like that in consonance with the original philosophy of development, that we had, evolved as a national

consensus, let the banking sector as a sector be dominated and controlled by the public sector which should be wholly public sector. In this there should be no dilution. I am agreeable to competition. I visualise a three-way competition—a competition between public sector banks, one hundred per cent Government controlled. Mixed banks in which the Government have the majority share and thirdly, totally private banks. I will allow that, and yet I would like that in the totality of the banking sector, let the Government and the State dominate because this is a key to our development. And I would plead once again, that whatever be the notion under which the Government is smarting, under which the Government is taking a decision, I request the Government to please give a retort that we shall not permit and we should not permit foreigners into our banking system.

With these words, since the Government has not accepted any recommendations made in the Note of Dissent appended to the report of the Standing Committee, I have no option but to oppose the Bill as it stands.

[*Translation*]

SHRI BHOGENDRA JHA (Madhubani): Mr. Chairman, Sir, the debate was held in the Standing Financial Committee of the Parliament on a Bill for an amendment in the Banking Act. We had discussed various aspects of the Bill but could not come to a unanimous decision. I would like to suggest that the Parliament should consider it. You should also consider it as to whether our Standing Committees are helpless in some respects that inspite of taking a unanimous decision we say, at the behest of some official, that we will give it up.

Mr. Chairman, Sir, I would like to read out a part of the Report which has been published:

[English]

"It was therefore suggested that the entire reserve fund of a bank should be converted into paid up capital before offering the shares to the public. The Committee was informed by the officers of the Banking Department that such advance conversion of the reserve fund into share capital would reduce the projected earning per share of the concerned bank and therefore impair the prospects of that bank to raise equity from the public."

16.00 hrs.

"Further the amount of Reserve Fund available with any bank will be *inter-alia* taken into consideration while fixing the premium on the face value of the share. After some discussion, it was decided that no change be suggested to the existing provisions in the Bill in this regard."

Since one officer had suggested, the entire Committee fell flat on that.

Again, I would like to quote one more sentences:

"The Committee also considered the amendment in regard to the transferability of shares. The members were of the view that there should be some restrictions on the free transferability of the shares to avoid a single person or a group of persons acquiring the controlling interest in the public sector banks. It was pointed out by

the Ministry Officials that this can be done only through an amendment in the Stock Exchange Act and the Companies Act. The Committee did not suggest any change in the Bill in this regard."

16.01 hrs.

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

[Translation]

This is a very sorry State of affair is that no matter how constrained our Standing Committees are in doing their work and whether the Parliament later accepts it or not, but if one official of the Committee, no matter he understands it correctly or not, wants the whole committee to drop their unanimous decision they do so. I am of the opinion that new system of the Standing Committees should not be subjected to infanticide. It is a serious issue to be discussed by the House and has come up before us after having kept in mind all its ramifications.

Mr. Chairman, Sir, it is quite ironical historically that the ruling party in 1969 nationalised banks and their subsidiaries after the demand in this regard was made by all the sides within and outside the House, and demonstrations were staged by the All India Bank Employees Association to demand nationalisation of banks. The then hon. Minister of Finance, who is fortunately alive, stated that till he is the Finance Minister, nationalisation of banks will not be done. At that time the then Prime Minister, Shrimati Indira Gandhi was expelled by the then ruling party—the Indian National Congress on this very issue. In addition privy purses of ex-rulers were also

[Shri Bhogendra Jha]

abolished. The present treasury benches are the offshoot of post nationalisation of banks scenario. Present Congress (I) is not the Indian National Congress. It is very ironical that at present an onslaught is being launched against nationalisation, by raising the bogey of its failure.

I would like to urge the hon. Minister of Finance to apprise the House and the country of the same because it does not behove me to say anything in this regard. At the time of nationalisation of 14 banks their capital was Rs. 3600 crore and it has at present gone up umpteen times. Is it any indicator of their failure? Bank branches have increased by hundred times or more. Earlier lakhs of rural folks were not even aware of anything called banks and their utility, but now at thousands of places bank branches have been opened. Do these facts indicate any of their utility has since diminished? I would like to request the hon. Minister of Finance to state in detail the extent of increase in the capital of banks since 1969 and the extent of their reach during the last 25 years.

Sir, I donot think that the extent of success is only 7 per cent. Earlier bank feared to go to the remote rural areas but they have reached remote and even forest areas after nationalisation. No doubt, meanwhile many mistakes have also been committed and towards these many times I have drawn attention of the House. One such example is of my district, Madhubani. In Madhubani district thumb impressions of 19 loan seekers were taken on papers, but loans were actually not released. While I was coming here these 19 persons alongwith the notice of inquiry whether loan was paid or not met me. They were urged to come to Patna. Sir, at least Rs. 150 to 200

will be required for going to Patna. These poor persons do not have this much money to go to Patna. These poor did not get loans and now will be further penalised too. This is the manner and magnitude of corruption and atrocities and injustice. There are many such examples.

Sir, through you, I would like to submit that a scheme of rewards should be introduced in banks, which in addition will also penalise the guilty. On the basis of success and failure rewards and punishment should be given. Scheme on such lines should be evolved as might these will reward the good and penalise the bad deeds to encourage the honest and efficient officers and employees of banks and to punish the black sheeps. Then banks will prove to be a success.

Sir, in the background in which this Banking Bill is being introduced a suggestion had been made to retain 8 per cent of the loan amount and I think it is wholly justified because of the risk involved out of compulsions. I personally think it to be correct. Some of my hon. Colleagues have submitted that it is necessary and I endorse their viewpoint. Banks must have lending capability because in the present day world risk of losing the capital cannot be overlooked. If 8 per cent is kept as reserve fund then more loans could be advanced for recovery of capital. There is nothing wrong in it and should be done.

No international organisation has recommended foreign capital borrowings. No such recommendation has been made and nor has been recommended that amount should be placed at the disposal of some big capitalist. No international institution has given recommendation against nationalisation.

Tilt towards the IMF or prostration before the World Bank is because of the pressure of USA. Under this sort of coercion, witness is more enthusiastic than the complainant. They pretend to be more loyal than the subjects. Under it nationalised banks are being handed over to them in praise of whom eulogic songs are being sung.

I would like to submit to the hon. Minister and my hon. colleagues sitting on the right, who probably have since forgotten the role of the opposition that no industrialist or wholesale trader runs his business with own capital. If any name could be cited of a person who runs business without resorting to bank loans then I will be very happy. There is no dearth of money. People have lot of black money. However, bank money is only invested in business. Banks are being made bankrupt. On this occasion I would like to submit that before this Bill is passed by the House the hon. Minister should give information regarding the number of loans cancelled/waived off of more than one lakh rupees during the last 4-5 years. Loans have been waived off because these were considered as bad debt. However, I would like to submit that many of these persons are multi-millionaires. In one assumed name banks were robbed and now in other names attempts are being made to swindle away bank money and pressurised by them. You are leading the banks towards nationalisation. It is wonderful that even mass media and newspapers are being controlled by these persons, who are trying to build the congenial environment to this effect. Though India failed yet major cheaters have come up with flying colours. Now the Government of India is going to hand over the reigns to the swindlers as if the society and the Government have been rendered incompetent to this scenario...

(Interruptions)... This is terrible and beyond imagination. It is quite ironical that the Government responsible for all this is itself indulging in the sort of propaganda. People in power are unfortunately against the nationalised banks and nationalised industries. People responsible for massive corruption and horse trading are going to be handed over the very reigns.

I would like to submit that the Government does not enjoy this sort of moral authority. It was not in the election manifesto that national property will be handed over to the foreign capitalists. Still two years are left for the general election. I would like to submit that views of all the hon. Members should be ascertained in this regard. We too have our national assets. Though the Government is claiming that these will facilitate inflow of capital to India yet the issue is from where such huge wealths have been amassed to become owners without profiteering and corrupt practices. However, we would like to submit that inflow of capital will weaken the country. The Government is presenting the economic policy to the country in a very distorted fashion and it is quite hazardous. It could be stated that the Government is facing the resource crunch and future might witness dictatorship where is the need for election process and to incur massive expensis?

I would like to submit that without caring for the diktats of the foreigners the future of the country should be our paramount concern. I would like to submit that the Government is not in a position to remedy the situation in view of our suggestions and criticisms. Ruling party is not understanding the gravity of the situation. No Indian national or foreigner can have more than one per cent share. Many persons are running hundreds of companies in different names. These

[Shri Bhogendra Jha]

companies are registered both in India as well as abroad. Public sector is letting us down and there is nobody to look after these enterprises. Private sector is getting the work done by corrupt practices. Quality coal is being supplied to the private capitalists by the same trains which are hauled by the locomotives using substandard coal, thereby eroding the life span the locomotives. There is the need to be strict in this regard, but instead of improving the situation the Government is making it worse. The Government is killing the patients instead of curing the disease. This is a dangerous path. This way things can't be improved.

Submission of the Government regarding 51 per cent and 49 per cent is totally hollow. In 51 per cent they can have their share but in 49 per cent no sharing will be allowed. The system going to be ushered in will increase control of the private capitalists... *(Interruptions)*... At this juncture the country is standing at the cross roads.

Provision has been made to offer loans at lower interest to the people of weaker sections, Harijans and tribals. I would like to know after the introduction of the system to make banks openly compete will this provision continue? If so, then profits will definitely decline.

In the system going to be introduced the traders through corrupt practices will earn five times more than the interest their breads will be buttered both sides. Any borrowers unable to repay the loans taken for self employment will be publicly fleeced and flocked by the traders. In a way the Government is encouraging the traders.

Craze for employment has been sweeping away all other desires. For employment people are prepared to go to any extent whether it be sycophancy or even to grease the palms. If any loans with soft repayment options are made available then people will go in self employment and won't be lured by employment. To obtain loans palms of bank officials need to be greased. Corruption in this field is rampant and there is the need to observe punctiliousness.

Rules have been framed to advance the loans to the States. There should be some proportionate link age between deposits and loans. We are in favour of such a thing to be done through this Bill, but no such provision has been made therein. Provision for productive utilisation of deposit money in the concerned areas should be made. Loans should be given for productive activities in the concerned areas so that jobs are generated and corruption declines. A Bill after extensive discussion regarding Regional Rural Banks was passed by the House. Though the performance of RRBs in this regard is name too good yet these have become bankrupt. Probably not a single rural branch of any Rural Bank is earning enough to meet salary bill of its employees. Right now I want to dwell into its reasons yet there is a need to revitalise these banks. Though the Supreme Court and the Tribunal, both gave verdicts to make payment of salary of Rs. 250 crore yet the hon. Minister of Finance expresses his inability in this regard. I would like to urge the Government as well as the employees, to accept this plea, to get the amount deposited in Fixed Deposit accounts so that depending on the need the money could be withdrawn on cost-profit basis. However, non-payment will tantamount to contempt of the Supreme Court and

Tribunal. If it happens then a dangerous situation of the Government losing its credibility will crop up.

Finally, I would like to submit that strikes are condemned. Atleast the present Government is the offspring or is made to work by the strikes of the Bank Employees Association: Bank employees on 8th April went on strike and again on 11th May will go on strike against the manner in which the banks are going to be handed over to the foreign capitalists and not to demand higher salary and allowances.

These strikes were resorted to not to demand more benefits as was stated by the hon. Members of this side. On 11th May employees will go on strike against allowing foreign multi-millionaries to play major role in the country. That strike will be patriotic and will be in protest against the sell out of the interests of the country to the foreign capitalists. I believe this House will welcome the strike instead of condemning it and this gesture will be construed as patriotic.

[English]

MR. CHAIRMAN: We have already exceeded the time by 23 minutes and three more Members are there to speak in this debate. So, I request the remaining Members who would be participating in this debate to be as brief as possible. We have an Half-an-Hour Discussion at 5.30 p.m. Before that we may pass this Bill.

16.23 hrs.

SHRI R. NAIDU RAMASAMY (Periakulam): Mr. Speaker, Sir, I rise to express my views on behalf of the All India Anna Dravida Munnetra Kazhagam

on the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Bill, 1993. This Bill seeks to empower the Board of Directors of Nationalised Banks to raise their authorised capital by public issue of shares. The Bill also provides for division of authorised capital of all nationalised banks into 150 crores fully paid up shares of Rs. 10/- each. Except the shares held by the Central Government, the shares of the nationalised banks are being made transferable.

Sir, this august House must recall with pride how the then Prime Minister more than two decades back, to secure the goals of the Constitution for establishing a just social order, brought in legislation for nationalising the banks. The exploitative atmosphere which was the order of the day in the banks in those days slowly gave way to service-mindedness. But today, the Government wants to take a U-turn and put the banks to a position as existed before 1971. The absolute control of the Central Government is being diluted in the Bill to only 51 per cent control. Banks will no more be the bedrock of socialism. This is all under the pressure of outside agencies. The Finance Minister owes an answer to the poor and the downtrodden of the country on this urgent need of reconverting Government banks into private banks.

Sir, the Constitutional objective of creating and sustaining a Socialist Republic is now sought to be abandoned by the Government through this Bill.

Financial assistance to the poor and the downtrodden has always been crucial to the planned development of our country. The moment, the Central Government authorises the banks to

[Shri R. Naidu Ramasamy]

raise capital through public issue of shares, varying interests would start controlling these lending institutions and under the laws of the country, the claim of the Central Government for absolute control of the banking institutions will automatically abate.

Sir, it is a matter of great regret that even after nationalisation, the banks have utterly failed to subserve the causes for which Madam Gandhi nationalised the banks. The banking sector has become a den of malpractices. The poor and the rural folk who are in need of financial assistance for their growth cannot walk in the corridors of banks. Especially, the Scheduled Castes and the Scheduled Tribes people are not able to enter the banks. The widows and the poor ladies belonging to Scheduled Castes and Scheduled Tribes, even to lead a life, are not able to get the loans, even after pledging their jewels. They are indeed untouchables for the banking sector. Giant schemes like reviving sick units even where their revival is remote possibility, will be taken up by the bank officials on priority to promote the vested interests. As on today, if you order a raid on the residential premises of the Executives of the banks, you see in almost all the cases, the assets would not be proportionate to the income that the Executive earn. This personal enrichment by the bank executives is at the cost of the growth of the country and at the cost of the poor and the downtrodden. Without plugging these loopholes, if the Government enacts laws like this, it would only aggravate the extent of malpractices prevalent in the banking sector.

The Government presently has a Revenue Intelligence to book smugglers

and other offenders of revenue laws. But the Government does not have a similar intelligence unit to check the malpractices in the banking sector. I want the Government to set up such a parallel vigilance institution.

Town and district level participatory bodies must be formed to which the branches of nationalised banks must be made accountable. There should be a statutory transparency in the matter of functioning by these banks. The loans given to each individual, institution etc., should be justifiable as per norms. This should be the main function of these bodies.

I also call upon the Minister to explore the possibilities of bringing the banking services under the Consumer Protection Act. The public funds and the deposits are being used for the purpose of lending by these banking institutions and lending against justifiable norms should be a matter of adjudication under the Consumer Protection Act. This should be actively considered. Otherwise, the Banking Tribunals may be formed for expeditiously disposing of complaints by loanees and other public.

Sir, presently there are separate statutory credit institutions like NABARD and RRBs which do not seem to have made such headway in providing financial assistance to the farming and rural sector. A Parliamentary Committee should be constituted to review their functioning. The desirability of expanding their functions should be specifically studied.

Sir, this Bill has given a stunning body blow to the very concept of socialism founded by Pandit Nehru and pursued by Madam Gandhi. The present generation leaders of the Congress Party are digging

graves to the principles and philosophies of their own Party under the pressure of international agencies.

With this Bill, an era is coming to an end. On the horizon of the poor and the neglected of the country, the Sun has started to set in. The economic independence of the nation will dawn on the country only and certainly, with the advent of the people's revolution against these laws for which the day is not far off.

[Translation]

SHRI MOHAN SINGH (Deoria): Mr. Chairman, Sir, when banks were nationalised, persons like Shri Kalpnath Rai had left us to join the congress party on the pretext that congress party had become progressive and now when the party is indulged in doing privatisation and internalisation of banks, he should leave the Congress party and come with us on moral grounds. I would like to submit this to him because this Bill has been introduced with the sole motive to privatise and multinationalise banks. Giving the reasons and the objectives, it has been stated in the very beginning:

[English]

"All the banks have to ensure that their total capital equal to at least 8 per cent of their risks weighted assets by 31st March, 1996. Banks having overseas operations will have to achieve this norm by 31st March, 1994."

"The Board of Directors of nationalised banks may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government,

raise their paid up capital by public issue of shares, subject to the condition that the Central Government shall at all times hold not less than 51 per cent of the paid up capital of the bank; the authorised capital of every nationalised bank shall be divided into 150 crores fully paid up shares of Rs. 10/- each."

[Translation]

Mr. Chairman, Sir, I am clear about two things that we are not likely to gain anything by giving relaxation to indigenous banks in opening their branches or carrying out their activities as compared to foreign banks. There are two reasons for it as per the system or advancing loans in foreign banks, the rate of interest charged is very low whereas that is being charged by the banks in India is three count more to it. The obvious result would be that foreign banks would try to maintain their hold in the Indian market, they would grab entire capital and take it to the countries of their own. Indian banks would not be in a position to operate in other countries because their loan system is quite expensive in comparison to that of foreign banks, as a result of which these banks would not be able to function properly and healthily there. Handing over the banks to private sector, share market etc. would raise the hazard of big industrial houses to have policy rights on them.

When banks were nationalised the Congress party and the then Prime Minister had reiterated inside and outside the Lok Sabha that banks had some social obligations which were not being fulfilled by the banks of private sector. Their only motive was to commercially benefit the big wigs and gain capital.

[Shri Mohan Singh]

Therefore the Government alone should control the working of banks in order to help the people of poor sections, unemployed and hoi polloi and also those living below poverty line. This was the motive behind the nationalisation of banks. But what is the situation at present? It is not that the condition of banks deteriorated after they were nationalised. Even after nationalisation our banks were in a good condition. Our banks at present are suffering as much loss as they had capital at the time of their nationalisation. The total capital at that time was Rs. 3600/- crores while the loss we are suffering at present is of the order of Rs. 3500/- crores. This is how much the capital we have added to after such a long duration. Therefore, the attitude of the Government under which they have been under-estimating the assistance provided by the nationalised banks to the poor for the social and economic upliftment of the country and finding lacunae and loopholes needs to be modified.

Sir, the Government have taken a decision to close about 10,000 branches of banks operating in rural areas. Earlier, there were landlords in rural areas who exploited the poor people. They used advance loan at 25% interest, as a result of which one generation after the other of a poor man was so much snarled in repaying the interest that the family was reduced a mere bonded labour of the land-lord. The public sector banks played a vital role in eradicating the ill practice of bonded labour. But keeping in view the current trend of loss in banks in the rural areas, the hon. Minister in a reply to a question in Rajya Sabha informed that 10,200 rural branches of banks were proposed to be closed. I condemn this proposal of the Government and I would

like to submit that instead of closing the branches of banks in rural areas, the working procedure should be improved. There is a wide scope for it, and the Government should focus their concentration on it.

Mr. Chairman, Sir, about 10 lakh people work in the banking sector in the country, and only the highly qualified candidates are employed in this sector. The employees of this sector have given a notice for 3 days strike in May and two days strike in June. Just now, the hon. Members of the ruling party while delivering their speeches demanded to impose restrictions on strikes in banks and condemned this act. But the Government should look at the motive behind the strike also. The bank employees and officials are going to observe strike not to get the increased Dearness Allowance but to emphasis that foreign banks in the country would ruin our own banking sector. Bank scam involving a loss of Rs. 12000 crore to Rs. 15000 crore has already taken place. This would become an every day matter with the coming of foreign banks. The capital of a single bank in America is double than that of the Bombay Stock Exchange and it has the capacity to purchase the entire Stock Exchange. The open invitation to the foreign banks would have evil consequences and it is from this point of view that the banks employees have objected that automation and computerisation would diminish the employment capacity of banks slowly and gradually. It is for the first time that the bank employees have come on roads to highlight the economic infrastructure of the country. Instead of condemning them for their act, the Government should think seriously in this regard.

Therefore, Mr. Chairman, Sir, instead of multinationalising and privatising

the banks the Government should concentrate as to how the functioning of banks is improved and corruption is eradicated, how the solution to the problems that bank employees and officials cause lot of inconvenience to the consumers and harass unemployed youth and poor people are found. The rate of interest should be reduced and measures should be taken to promote the partnership of banks in industrial development as much as possible. But instead of doing so, the Government is destroying the entire banking system through such amendments.

Therefore, I strongly condemn this Amendment Bill and express the desire on behalf of my party to oppose it.

SHRI RAJENDERA KUMAR SHARMA (Rampur): Mr. Chairman, Sir, while discussing the Banking Companies Amendment Bill, first of all, I would like to draw the attention of the Government to the several crisis being faced by the Regional Rural Banks. The hon. Minister has very aptly stated in this august House that a National Rural Bank of India will be set up. In order to resolve this problem meetings of the high officials of the Reserve Bank of India with the association of Regional Rural Banks were held from time to time and it was decided to give shape to National Rural Bank. The officers deputed by the Ministry of Finance were also of the same view. The hon. Members of all political parties also suggested that the only solution to it was to set up the National Rural Bank of India. Today the situation is that about ten thousand branches of the Regional Rural Banks are in operation all over the country. Hon. Shri Mohan Singh has expressed his concern over the points raised in the Rajya Sabha about the RRBs. Ours is an agricultural country. Therefore, the farmers are associated

with the branches of these banks. If these banks are liquidated, it will be detrimental to the agricultural produce in the time to come. Today these banks are causing loss of Rs. one crore to the country every day. I do not understand why the hon. Minister of Finance is reluctant to take a decision thereon. All hon. Members have brought this point to his notice. The Ministry of Finance has stated one more thing. It says that it will present the correct picture after restructuring 50 Banks. My submission is that the efforts should be directed towards a definite direction because Banks employees are resorting to frequent strikes and it is affecting other people adversely. Today a big question mark is being put on the Banking system. It is really a matter of great concern. When the Banks were nationalised, the very day we had taken decision to attain the objective, behind nationalisation. I do not say that we did not achieve any success after nationalisation. In the beginning the proper functioning of the banking system did certainly yield good results in agricultural and industrial sector. But with the passage of time corruption inflicted the Banking system and it became a practice that a person seeking loan for agricultural or industrial sector has to pay a certain percentage to the Field Officer or high official of the Bank, otherwise he has to face official hurdles for getting the loan and ultimately he may not get it at all. Yesterday, I visited my constituency Rampur. The farmers there informed me that unless they pay bribe they cannot encash the cheques issued by the Food Corporation of India against the wheat purchased buy it. I shudder to think about the hindrances which will be created in the Banking System. We are on the course of privatisation. Mainly the bureaucracy and the Ministry of Finance are responsible for this course, because we could not control them. There is a

[Shri Rajendra Kumar Sharma]

branch of the State Bank of Patiala in Rampur. The district industry centre refers the cases to this Bank and the officer of the leading Bank there—the Bank of Baroda—has personally told me that the Bank will not disburse loan to people. Thereafter the Chief Executive of the Bank wrote to the Reserve Bank of India to attach this particular area, with other Banks. Consequently the RBI issued instructions that no bank can be attached with any other Bank. This is the situation of the banking system. The Financial condition of the nationalised banks is so weak that after liberalisation their condition will further deteriorate. There is a word 'nexus' in the Banking System. As per the World Bank System the nexus should be between 5 to 10 per cent. However, it was 60 per cent in the case of New Bank of India. But today the Punjab National Bank is burdened after the merger of New Bank of India with it. There is every likelihood that in times to come such nationalised banks will have to be closed down and lakhs of its staff and officer will be on the roads. Thus, the problem will not be solved at all. Through you, therefore, I would like to urge the Government to pay attention to the deteriorating Banking System.

Mr. Chairman, Sir, I have spoken on the main points of the loan system. Today Bank debt worth Rs. 30 thousand crore is in bad debt. The hon. Minister of Finance had talked of setting up 10 tribunals but not a single tribunal has been set up so far. If this case continues to linger on, its far reaching repercussions will come before us in the form of fraud.

Mr. Chairman, Sir, today the condition of the Banks has deteriorated so much that a customer cannot encash his cheque in a Bank because the staff

and the officers of the Bank are not in a position to start their work before 11 a.m. A customer has to take rounds of the Bank for months for getting the entries done in his pass book. All these evil practices need to be stopped. So far as my information goes, the reconciliation of balancing in Banks has been pending for the last 10 years due to the faulty Banking System and no actions has been taken thereon. This has led to mega-scandals. This issue should be settled in a time bound programme otherwise the nationalised Banks will face closure. The biggest problem is as to why are we on the course of privatisation? The foreign Banks will come here merely for earning profits. They will not be committed to social service. This will hamper the pace of green revolution. If the Reserve Bank of India does not permit setting up of new branches of Regional Rural Banks in villages and these private banks fail to take action in this direction, it will hinder the overall development of agriculture.

Mr. Chairman, Sir, a few more words, and I will conclude. Today the Government is on the course of privatisation. We cannot check them. The Government owes its majority to those who are opposing it. Today, had they been firm on their stance, such kind of Bill could not have been passed today. I, therefore, request the Government to look into these issues seriously so that the multinational companies and private industrialists may not have complete control over the banks. I am afraid lest the vast structure of our nationalised Banks should shatter. I would like to add that the CBI is probing into the securities scam. The amount involved in this mega-scam is Rs. 8 thousand crore and the JPC has been able to uncover the scam worth Rs. 4400 crore only with evidence. But the Government is silent today and

no action has been taken against any erring officers. If the erring officers are not punished, whatever system we adopt, cannot succeed.

With these words, I conclude.

[English]

PROF. SUSANTA CHAKRABORTY (Howrah): Sir, the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Bill, 1993 is the result of a misguided, misdirected politics and mismanaged economics. The Bill seeks to open up the financial sector of our country towards the foreigners, towards the multinationals and I apprehend that a day will come when at the diktats of the people from outside our banking industry will run.

It has been said by so many speakers that in the Standing Committee on Finance there was a consensus or a near consensus. As one of the members of the Standing Committee, I should make it clear at the very outset that we gave an amendment to it. We first demanded the withdrawal of the Bill. When it was not agreed to, our second demand was that it should be sent to the people for a national debate because all of us, including those who opposed us, remember the days when in 1970 we passed an amending Bill in this august House, when the full bench discussed it and the entire House, cutting across party line, expected new days to come, expected that the banking sector after 1970 shall come out from the clutches of persons who controlled the industry, the trade and the finance of our companies. Very consciously we decided that in order that the banks may serve the purpose of the society, in order that the banks may cater to the development

of our economy, in order that banks may address to the needs of the priority sector of our country, these banks should be nationalised. Now, all of a sudden, as per the recommendation of the International Settlement Commission, we speak of profitability, we speak of the capital adequacy norms. I have very much doubt in my mind whether the object is to attain capital adequacy. If that was the object, could we do not it in another way? Could we not do it without going to the private sector and without selling the shares to the foreigners? Yes, we could do it. We could go to the employees, we could go to the financial institutions. But why are you going to the private persons in general?

[Translation]

SHRI MOHAN SINGH (Deoria): MR. Chairman, Sir, is it parliament or a sleeping chamber? An hon. Member is in sound sleep. This sort of thing must be discouraged.

[English]

MR. CHAIRMAN: Order, please.

SHRI SUSANTA CHAKRABORTY: They are not eager. They have no concern for our economy. Anyway, let them do what they are doing, though it is not the norm.

MR. CHAIRMAN: The Finance Minister is very keenly listening to you. Please continue.

SHRI NIRMAL KANTI CHATTERJEE: This is called sleeping away all the problems!

SHRI SUSANTA CHAKRABORTY:

The actual object of the Bill is to privatise the nationalised banks. With that purpose the Bill is before us.

In another debate, when the State Bank of India Bill was introduced, I raised a point whether it is true that the norm of capital adequacy shall be applicable to the banks of our country where the entire risk is shared by the Government of the country. The people have confidence in the Government. So when it is backed by the Central Government, surely the banking business does not suffer a bit in the absence of this capital adequacy norm. So what is applicable to the banks in the United States, in England or in Japan is not applicable for the banks of our country. Now suddenly the Government have decided the profit is the motive which should be behind the running of these banks. Why? Are these banks losing? At the very outset I have said it is a mismanaged economics that we run.

The banks were rather forced to undergo certain losses. The way the loan *melas* were arranged is only one example in this respect. The way the loans are given to the big people in our country, that is also an example. Now, you say why did you waive the loans given to the farmers? But why are you silent about the loans taken by the big people? There is so much of bad debts, so much of sticky advances. You also do not want the names of these people to come to light. I regret, Sir, that if Pakistan can publish the names of those people, why are you, under the guise of secrecy clause, trying not to make these names public? These are certain questions that come to our mind and the people who are with the banks and who served the country so neatly. In spite of so many reservations about the Narasimham

Committee, I would refer that they had admitted that the nationalised banks have done a lot in regard to branch expansion, in regard to credit to the farmers, to the self-employed, etc.

Have you forgotten the days when Gharwala Committee made its report, The All India Rural Credit Survey mentioned that the farmers are entirely dependent for the rural credit on the money lenders? Have you forgotten those days when other committees referred to the fact that it is the middlemen who controlled everything—the industry, the trade and finance? Have you forgotten those things? Do you like to go back to those days? That is the question which is there on the mind of the general people. That is the question which is there on the mind of the people who are engaged in banks. May be, by sheer majority, by the numerical majority, you can pass the Bill; but you cannot ignore the sentiments of the general people. You cannot ignore the opinion of the people, who are the workers in the banks and who are supposed to run the banks profitably. You have to rely on them; but you are not paying heed to all their protests.

I am concluding, Sir. I shall hope that good sense will prevail upon the Government. We are opposed to this Bill. Let this Bill be withdrawn; let the Government go to the people' let there be a national debate on this. One day in 1970 it was a full bench. But, now it is empty; before the empty bench, we are deciding the fate of the financial sector of our country. Many Members have their opinion. So, we should not pass this Bill in such a hurry. Please wait; please have the national opinion; please have the opinion of the workers. Let this Bill be withdrawn for the time being.

[*Translation*]

SHRI RAMASHRAY PRASAD (Jahanabad): Mr. Chairman, Sir, thank you very much for giving me an opportunity to speak. I oppose the Banking Companies Amendment Bill, which has been presented in the House for discussion through which the Banking Companies Act, 1970 and 1980 are going to be amended.

First of all I would like to remind the hon. Members of the ruling party that the Bill for the nationalisation of banks was passed after a long discussion. They might be knowing that our former Prime Minister, Shrimati Indira Gandhi came after securing thumping majority in 191 and the people took her to be the Masiah of the poor. Today the same ruling party has brought this Bill after introducing the new economic policy and it is claimed that they are going to strengthen the economy of the country. The facility of aids, given by these banks to the poor will be withdrawn to strengthen the private sector and multinational firms. We would like to know as to what they are going to do by giving strength to the private and multinational firms. Your policy is to denationalise all the banks gradually.

The hon. Finance Minister in his budgetary speech had said that since recovery of loans by rural banks is almost nil, therefore, the loans have not been provided through these banks to rural sector. I would like to submit that these banks were set up in rural areas for the upliftment of the poor and the farmers who are living below poverty line and no enquiry has ever been conducted by the Government so far regarding non-recovery of the loans and under utilisation or misuse of implements.

If the loan is taken from the money lender for the economic stability, then there is none who will not repay him the amount. My submission is that I have submitted before the house time and again that the implements provided by the Banks to assist the rural poor were of sub-standard quality. Whether that was a loud speaker or any other item, all that was of very poor quality therefore, the beneficiaries were unable to repay the loan. Now you are saying that no loan would be sanctioned for them. Now your intentions are quite clear as you do not want to help the poor. You are going to link yourself with the big industrialists and thus want to hunt the souls of Indiraji and Nehruji. Whatever you may claim but one thing is sure that your works are not patriotic.

Sir, I would like to submit that by privatising the banks you are going to hand over them to the foreigners. It is also to be taken into consideration that after the dominance of the foreign banks, what will be the future of the employees of the nationalised banks. Today they are not on strike but they are giving us warning of the coming perils. We must ponder over all these things. Therefore, my submission is that this Bill should not be passed.

Mr. Chairman, Sir, I would like to submit that this Bill should be passed after a detailed discussion. Multinationalism and privatisation means one more thing. If the Government want to hand over it to the big businessmen then you will get money for your party, if not the majority. And majority will be attained by purchasing members of Parliament with the help of that money. Does the democracy mean the freedom of horse trading only. A new law should be enacted by the Parliament which

[Shri Ramashray Prasad]

provide that if any Member of Parliament after getting elected from a constituency defects even after one third Members of Parliament belonging to his party he should resign alongwith fellow defectors from his seat/seats after defection. Then we will see how the ruling party attains majority. We do not consider it good to run the country in such a way. You claim that the condition of the farmers have improved after nationalisation. We do not have any doubt that the farmers have taken much benefit from the nationalised banks. If it is abrogated then it will affected agricultural produce. Do not destroy them. If it is done then the people will not spare you in future. With these words I conclude.

[English]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY): Mr. Chairman, Sir, I am thankful to all those hon. Members who have participated in the discussion and for their valuable suggestions for better functioning of the banking system in the country.

Sir, we are all aware that the Narasimham Committee was set up to look into the income recognition and to provide for capital adequacy in relation to risk-weighted assets in respect of the public sector banks. He had submitted the Report and suggested that all the banks will have to ensure their capital equal to at least 8 per cent of their risk-weighted assets of 31.3.96. This is one of the reasons why we have come before this House with this Bill.

Many hon. Members were apprehensive and they have criticised

that the purpose of nationalising banks by the then Government in 1969 is going to defeated by this Bill. It is not true. The character of the public sector banks will remain, the functions of the public sector banks will remain and the purpose for which the banks were nationalised, that is, for fulfillment of the social objectives of this country will continue, lending of priority sector will continue, lending of rural sector will continue but for all these things, the public sector banks require more capital adequacy.

Sir, we are all aware that during the period 1985-86 up to 1993-94, the Government has contributed nearly Rs. 9700 crore and also in this year's Budget, a sum of Rs. 5600 crore has been provided to the paid-up capital of these banks. Even the resources of the Government are very limited. hence it would not be possible for the Government to give substantial amount now required by the nationalised banks for meeting all these developmental activities. In view of this the Government had decided to allow banks to approach Capital Market. As I have already stated, we have sufficient protection.

The Bill provides that the Central Government at all times would hold not less than 51 per cent of the paid up capital of these banks. It also proposes that the authorised capital of every nationalised bank shall be divided into 150 crores fully paid up of Rs. 10 per share. No shareholder other than the Central Government shall be entitled to exercise voting rights in respect of any share held in excess of one per cent of the total voting rights of all the shareholders of the bank.

As I have already stated, this was referred to the Standing Committee. All

these issues were discussed in detail and they had agreed unanimously except in one case.

SHRI BASUDEB ACHARIA (Bankura): They have submitted a dissenting note.

SHRI M.V. CHANDRASHEKHARA MURTHY: Only in one case. I will come to that. Many of the hon. Members have criticised about 20 per cent of foreign investment in the capital issue of these banks. We are all aware that not only in these nationalised public sector banks but even in other areas like manufacturing activities, public limited companies, we have allowed this. Out of 49 per cent, we are allowing only 20 per cent; that is the maximum limit for the foreign investment in the public sector banks.

Many Members are afraid that they will register in different names and try to get hold of the administration of the entire banking system in the country. It is not correct. These foreign investors have to register in the Reserve Bank of India; and under the existing guidelines and FERA, it is not that easy to invest in different names to get control of these banks.

Many Members have discussed about the Directors of the Banks. As per the Report of the Standing Committee, there are only six non-official Directors as against nine Directors of the Government; thus the Government will have full control over these banks. Some of the Members are under the apprehension that some of the Directors will take over the administration of the bank. It is not correct because out of 15 Directors, we have nine Directors from the Government side. So, they can retain effective control over these banks.

Regarding Shri Basudeb Acharia's (*interruptions*), that is not unanimously recommended, I agree with you. But these five recommendations have been accepted.

Some Members have expressed their doubts about the private sector lending. Once again, I assure you that these things will continue with more vigour.

SHRI BASUDEB ACHARIA: Even after privatisation.

SHRI M.V. CHANDRASHEKHARA MURTHY: We will see, Mr. Acharia. Why do you worry?

Sir, several points were raised by the hon. Members including the senior Member of the House Shri Chatterjee. But all these points were considered by the Standing Committee of which he was a Member. The report of the Committee has also been submitted and the Government has already accepted the report.

My colleague and young friend Shri Ramesh Chennithala has raised a doubt that the normal price of the share will be below the reserved price and that it should not be there. This is not correct, Sir. Share price will be fixed by the banks in consultation with the merchant bankers as well as the SEBI guidelines.

Shri Mohan Singh has pointed out that several rural branches are going to be closed down. That is not correct. The Reserve Bank in its study has identified nearly 10,000 loss making branches and they have suggested closer of only 100 branches but no decision has been taken so far in this regard.

The Congress Government says that since the nationalisation of banks was done by our late leader Shrimati Indira Gandhi, we are committed to it; we are committed to the poor; we are committed to the needy; and we are committed to the deserving lot. Even with this Bill, our nationalised banks will continue with all the social objectives which they have, like priority sector lending will continue and the rural sector will get all the benefits. Whatever objectives the nationalised banks are having, these will be continued with more vigour and more effectiveness. With these words, I request the hon. Members to

support this Bill for the better functioning of the banks.

MR. CHAIRMAN : The Question is:

"That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, be taken into consideration."

The Lok Sabha divided:

Division No. 14]

[17.26 hrs.

AYES

Ahirwar, Shri Anand	Chandrasekhar, Shrimati Margatham
Akber Pasha, Shri B.	Charles, Shri A.
Anbarasu Shri R.	Chaudhri, Shri Narain Singh
Arunachalam, Shri M.	*Chauhan, Shri Chetan P.S.
Ayub Khan, Shri	Chavan, Shri Prithviraj D.
Banerjee, Kumari Mamata	Chavda, Shri Ishwarbhai Khodabhai
Bhagat, Shri Vishweshwar	Chennithala, Shri Ramesh
Bhakta, Shri Manoranjan	Chowdary, Dr. K.V.R.
Bhatia, Shri Raghurandan Lal	Chowdhary, Shrimati Santosh
Bhoi, Dr. Krupasindhu	Dadahoor, Shri Gurcharan Singh
Bhonsle, Shri Prataprao B.	Dalbir Singh, Shri
Bhonsle, Shri Tejsingh Rao	Das, Shri Anadi Charan
Bhuria, Shri Dileep Singh	Delkar, Shri Mohan S.
Birbal, Shri	Dennis, Shri N.
Brohmo Chaudhury, Shri Satyendra Nath	Dev. Shri Sontosh Mohan
Buta Singh, Shri	Faleiro, Shri Eduardo
Chaliha, Shri Kirip	Farook, Shri M.O.H.
	Gajapathi, Shri Gopi Nath

* Wrongly voted for Ayes.

Galib, Shri Gurcharan Singh	Panwar, Shri Harpal
Gamit, Shri Chhitubhai	Patel, Shri Shravan Kumar
Gavit, Shri Manikrao Hodlya	Patel, Shri Uttambhai Harjibhai
Gehlot, Shri Ashok	Patil, Shri Anwari Basavaraj
Ghatowar, Shri Paban Singh	Pattanayak, Shri Sarat
Giriappa, Shri C.P. Mudala	Pawar, Dr. Vasant Niwrutti
Gogoi, Shri Tarun	Pilot, Shri Rajesh
Gomango, Shri Giridhar	Potdukhe, Shri Shantaram
Gudadinni, Shri B.K.	Prabhu Zantye, Shri Harish Narayan
Handique, Shri Bijoy Krishna	Pradhani, Shri K.
Hooda, Shri Bhupinder Singh	Rai, Shri Kalp Nath
Islam, Shri Nurul	Rai, Shri Ram Nihor
Jakhar, Shri Balram	Rajeswari, Shrimati Basava
Kanithi, Dr. Viswanatham	Ramchandran, Shri Mullappally
Kaul, Shrimati Sheila	Rawat, Shri Prabhu Lal
Khan, Shri Aslam Sher	Reddy, Shri A. Venkata
Konathala, Shri Rama Krishna	Reddy, Shri G. Ganga
Lakshmanan, Prof. Savithri	Reddy, Shri Y.S. Rajasekhar
Malik, Shri Dharampal Singh	Roshan Lal, Shri
Mallikarjun, Shri	Sai, Shri A. Prathap
Mallu, Dr. R.	Sajjan Kumar, Shri
Mathur, Shri Shiv Charan	Sawant, Shri Sudhir
Meena, Shri Bheru Lal	Sayeed, Shri P.M.
Meghe, Shri Datta	Selja, Kumari
Mujahid, Shri B.M.	Sharma, Shri Chiranji Lal
Muniyappa, Shri K.H.	Shukla, Shri Vidyacharan
Murthy, Shri M.V. Chandrashekara	Silvera, Dr. C.
Nayak, Shri Subash Chandra	Singh, Shri Khelsai
Nyamagouda, Shri S.B.	Singh, Shri Motilal
Padma, Dr. (Shrimati)	Singh Deo, Shri K.P.
Panigrahi, Shri Sriballav	Singla, Shri Sant Ram
Panja, Shri Ajit	Sodi, Shri Manku Ram

Solanki, Shri Surajbhanu

Thomas, Shri P.C.

Sukhbuns Kaur, Shrimati

Thungon, Shri P.K.

Sultanpuri, Shri Krishan Dutt

Topno, Kumari Frida

Sundararaj, Shri N.

Tytler, Shri Jagdish

Suresh, Shri Kodikkunil

Verma, Shri Bhawani Lal

Tara Singh, Shri

Verma, Kumari Vimla

Thangka Balu, Shri K.V.

Williams, Major Gen. R.G.

NOES

Acharia, Shri Basudeb

Mukherjee, Shrimati Geeta

Advani, Shri Lal K.

Mukhopadyay, Shri Ajoy

Anjalose, Shri Thayil John

Murmu, Shri Rup Chand

Ansari, Dr Mumtaz

Paswan, Shri Chhedi

Barman, Shri Uddhab

Patel, Dr. Amrit Lal Kalidas

Chakraborty, Prof. Susanta

Prasad, Shri Hari Kewal

Chatterjee, Shri Nirmal Kanti

Raje, Shrimati Vasundhara

Choudhury, Shri Saifuddin,

Rajesh Kumar, Shri

Fernandes, Shri George

Ram, Shri Prem Chand

Ghangare, Shri Ramchandra Marotrao

Ray, Dr. Sudhir

Gopalan, Shrimati Suseela

Roy, Shri Haradhan

Jha, Shri Bhogendra

*Sahi, Shrimati Krishna

Khan, Shri Sukhendu

Singh, Shri Hari Kishore

*Kuli, Shri Balin

Singh, Shri Mohan

Laljan Basha, Shri S.M.

Singh, Shri Ramashray Prasad

Madhukar, Shri Kamla Mishra

Sivaraman, Shri S.

Mahato, Shri Bir Singh

Swami, Shri Sureshanand

Malik, Shri Puma Chandra

*Thakur, Shri Mahendra Kumar Singh

Mandal, Shri Brahmanand

*Umbrey, Shri Laeta

Manjay Lal, Shri

Yadav, Shri Chandra Jeet

Mehta, Shri Bhubaneswar Prasad

Yadav, Shri Devendra Prasad

Misra, Shri Satyagopal

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

Ayes : 113

Noes : 43

The motion was adopted.

MR. CHAIRMAN: The House will now take up Clause by Clause consideration of the Bill.

The question is:

"Clauses 2 and 3 stand part of the Bill"

The motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 4 : Amendment of Section 3

MR. CHAIRMAN: There is a Government amendment to Clause 4. Shri M.V. Chandrashekhra Murthy.

Amendment made:

Page 3, after line 16, insert, —

"Provided that no individual or company resident outside India or any company incorporated under any law not in force of India or any

branch of such company whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital, as may be specified by the Central Government by notification in the Official Gazette."

Explanation. — For the purpose of this clause "company" means any body corporate and includes a firm or other association of individuals;" (3)

(Shri M.V. Chandrashekhara Murthy)

MR. CHAIRMAN: The question is:

"Clause 4, as amended, stand part of the Bill."

The motion was adopted.

Clause 4, as amended, was added to the Bill.

MR. CHAIRMAN: The question is:

"Clause 5, stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

* The following members also recorded their votes:

AYES: Smt. Krishna Sahi, S/Shri P.V. Rangayya Naidu, Salman Khurseed, Laeta Umbrey Jangbir Singh, Smt. Bibu Kumari Devi, S/Shri Probin Deka, Gurudas Kamat, Mahendra Kumar Singh Thakur, M. Krishna Swamy, Balin Kuli, P.P. Kallaperumal.

NOES: S/Shri Dharmabhiksham, Santosh Kumar Gangwar, Chetan P.S. Chauhan, Jagat Vil Singh Drona, Naresh Kumar Ballyan, G.L. Kanaujia, Brijbhushan Sharan Singh, Rajveer Singh, Deu Deyal Joshi, Ram Tahal Chowdhary, Kabindra Purkayastha, Bandan Dattatrya, Maj. D.D. Khanoria, Shyambhari Mishra, Shamlal Kamal, Parikaj Chowdhary

Clause 6 : Amendment of Section 9

MR. CHAIRMAN: There are Government amendments to Clause 6. Shri M.V. Chandrashekhara Murthy.

Amendments made:

Page 4, after line 14, insert, —

“Provided that no such director shall be a director of any other corresponding new bank.”

Explanation.—For the purposes of this clause, the expression “corresponding new bank” shall include a corresponding new bank within the meaning of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980;” (40 of 1980) (4)

Page 4, after line 22, insert, —

“(cc) not more than two directors to be nominated by the Central Government from amongst the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (16 of 1981), public financial institutions as specified in sub-section (1), or notified from time to time under sub-section (2), of section 4A of the Companies Act, 1956 (1 of 1956) and other institutions established or constituted by or under any Central Act or incorporated under the Companies Act, 1956 (1 of 1956) and having not less than fifty-one per cent, of the paid-up share capital held or controlled by the Central Government;” (5)

Page 4, line 33, for “is a Chartered Accountant”, substitute “has been a Chartered Accountant for not less than fifteen years”. (6)

Page 5, for lines 30 to 32, —

substitute “and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section (3A) as a director in place of the person so removed till a director is duly elected by the shareholders of the corresponding new bank in the next annual general meeting and the person so co-opted shall be deemed to have been duly elected”, (7)

(Shri M.V. Chandrashekhara Murthy)

MR. CHAIRMAN: The question is:

“That Clause 6, as amended, stand part of the Bill.”

The motion was adopted.

Clause 6, as amended, was added to the Bill.

MR. CHAIRMAN: The question is:

“Clauses 7 to 11 stand part of the Bill.”

The motion was adopted.

Clauses 7 to 11 were added to the Bill.

Clause 12 : Amendment of Section 3

MR. CHAIRMAN: There is a Government amendment to Clause 12.

Amendment made:

Clause 14 : Amendment of Section 9

Page 8, after line 6, insert, —

"Provided that no individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital, as may be specified by the Central Government by notification in the Official Gazette.

Explanation.— For the purpose of this clause "company" means any body corporate and includes a firm or other association of individuals;" (8)

(Shri M.V. Chandrashekhara Murthy)

MR. CHAIRMAN: The question is:

"That Clause 12, as amended, stand part of the Bill."

The motion was adopted.

Clause 12, as amended, was added to the Bill.

MR. CHAIRMAN: The question is:

"Clause 13 stand part of the Bill."

The motion was adopted.

Clause 13 was added to the Bill.

Amendment made:

Page 9, after line 20, insert,—

"Provided that no such director shall be a director of any other corresponding new bank."

Explanation.— For the purposes of this clause, the expression "corresponding new bank" shall include a corresponding new bank within the meaning of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970);" (9)

Page 9, after line 28, insert,—

"(cc) not more than two directors to be nominated by the Central Government from amongst the Securities Exchange Board of Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, (15 of 1992) the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981, (16 of 1981) public financial institutions as specified in sub-section (1), or notified from time to time under sub-section (2), of section 4A of the Companies Act, 1956 (1 of 1956) and other institutions established or constituted by or under any Central Act or incorporated under the Companies Act, 1956 (1 of 1956) and having not less than fifty-one per cent of the paid-up share capital held or controlled by the Central Government;" (10)

Page 9, *line 39, for*

"is a Chartered Accountant",
substitute "has been a Chartered
Accountant for not less than
fifteen years". (11)

Page 10, *for line 41 to 43, substitute*

"Such director and on such
removal, the Board of Directors
shall co-opt any other person
fulfilling the requirements of sub-
section (3A) as a director in
place of the person so removed
till a director is duly elected by
the shareholders of the
corresponding new bank in the
next annual general meeting and
the person so co-opted shall be
deemed to have been duly
elected." (12)

(Shri M.V. Chandrashekhara Murthy)

SHRI BASUDEB ACHARIA
(Bankura): Sir, I am on a point of order.
In the list of business.....

MR. CHAIRMAN: Mr. Acharia,
please resume your seat.

SHRI BASUDEB ACHARIA: Sir,
there is a Half-an-hour discussion. This
should be taken up at 5.30 P.M.
(*Interruptions*)

MR. CHAIRMAN: At this time there
is no point of order. The House is in the
process of passing the Bill. So, we can
wait. There is nothing out of order.

(*Interruptions*)

SHRI GEORGE FERNANDES
(Muzaffarpur): Sir, Half-an-hour

discussions is the time of the Private
Members.

SHRI BASUDEB ACHARIA: Please
take the sense of the House first.

SHRI BHOGENDRA JHA
(Madhubani): Sir,...

MR. CHAIRMAN: As usual, you
have started speaking. No need of more
Members speaking now.

(*Interruptions*)

MR. CHAIRMAN: Let me give my
Ruling. You please sit down. The point
is brought to the notice of the House.
While the House is in the process of
passing the Bill, we can definitely wait
for that. But still I think what Shri George
Fernandes has pointed out is right. This
is Private Members time and I would
have to have the sense of the House.

SHRI BUTA SINGH (Jalore): Please
see the Agenda paper. It is written and
I quote:

"To be taken up to 5.30 P.M. or
as soon as the preceding items of
Business are disposed of whichever
is earlier".

This cannot be taken up unless the
Bill is passed. (*Interruptions*)

SHRI BASUDEB ACHARIA: What
does it mean? (*Interruptions*)

MR. CHAIRMAN: I am thankful to
Shri Buta Singh for pointing out a very
subtle difference. But still, this being an
item already mentioned in the Agenda
today, I would like to have the sense of
the House because the House is in the

process of passing the Bill. I think we will pass the Bill and then we will take up Half-an-hour Discussion.

SEVERAL HON. MEMBERS: Yes.

MR. CHAIRMAN: Since it is the sense of the House we shall continue with the Bill.

SHRI NIRMAL KANTI CHATTERJEE: The sense of the House is decided on the basis of consensus.

MR. CHAIRMAN: I know that. By continuing the disturbance we are encroaching into the Private Member's time. So, the sense of the House is taken and we are continuing with the passing of the Bill.

SHRI BASUDEB ACHARIA: You have not taken the sense of the House. You take the vote.

MR. CHAIRMAN: Please understand that we have taken the sense of the House. The sense of the House is not decided by vote.

SHRI BASUDEB ACHARIA: There is no consensus. We do not agree to this proposal.

MR. CHAIRMAN: Mr. Acharia, you try to understand the consensus of the House. As the sense of the House is for continuing with the passing of the Bill, let us continue with the passing of the Bill.

MR. CHAIRMAN: 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.

MR. CHAIRMAN: The question is:

"Clause 15 to 17 stand part of the Bill,"

The motion was adopted.

Clauses 15 to 17 were added to the Bill.

Clause 1 : Short Title and Commencement

Amendment made:

Page 1, line 6, —

for "1993", substitute "1994" (1)

(Shri M.V. Chandrashekhara Murthy)

MR. CHAIRMAN: The question is:

"That Clause 1, as amended, stand part of the Bill."

The motion was adopted

Clause 1, as amended, was added to the Bill.

Enacting Formula

Amendment made:

Page 1, line, —

for "Forty-fourth", substitute "Forty-fifth" (1)

(Shri M.V. Chandrashekhara Murthy)

MR. CHAIRMAN: The question is:

"That the Enacting Formula, as amended, stand part of the Bill"

The motion was adopted

The Enacting Formula, as amended, was added to the Bill.

MR. CHAIRMAN: The question is:

"The Long Title stand part of the Bill"

The motion was adopted.

The long title was added to the Bill.

MR. CHAIRMAN: The Minister may now move that the Bill, as amended, be passed.

SHRI M.V. CHANDRASHEKHARA MURTHY: Sir, I beg to move:

"That the Bill, as amended, be passed"

MR. CHAIRMAN: Motion moved:

"That the Bill, as amended, be passed"

MR. CHAIRMAN: Achariaji, do you want to speak?

SHRI BASUDEB ACHARIA: Why not, Sir?

MR. CHAIRMAN: Please be very very brief.

SHRI BASUDEB ACHARIA: I shall try to be brief, Sir.

SHRI NIRMAL KANTI CHATTERJEE: Sir, in that case you kindly define all the three terms – what is brief, what is very brief and what is very very brief.

SHRI BASUDEB ACHARIA: Mr. Chairman, Sir, this is the most obnoxious and black Bill which the Government wants to be passed today. Why we call it obnoxious and black is... (*Interruptions*)

MR. CHAIRMAN: All this has already been said. You speak only on those points which were not mentioned earlier. At this stage, general discussion is not permitted. I am afraid, you are going into a general discussion. That is not what is called for now.

SHRI BASUDEB ACHARIA: I am not going into the general discussion, Sir, I have got certain specific points.

Sir, why I call it as an obnoxious and black Bill is because the banks were nationalised in 1969. Now, why the banks were nationalised? They were nationalised because under private management, the purpose of the banks was not fulfilled. After nationalisation of banks, thousands of bank branches were opened in rural areas. Before nationalisation, there was hardly any branch in the rural areas.

After the nationalisation of the banks, 14 banks were nationalised. And after that six more banks have been nationalised. (*Interruptions*) He supported it at that time. You are now opposing it.

MR. CHAIRMAN: Shri Acharia, at this point, you may ask some clarifications and not make any speech. Please, you put your questions briefly.

SHRI BASUDEB ACHARIA: I am asking the clarifications. I am coming to those points.

Today, by passing this Bill the Government is now trying to de-nationalise the banks. This apprehension was expressed by us a number of times on the floor of the House. What was the reply of the Government? The reply was that the nationalised banks would not be de-nationalised or privatised. If this is not privatisation, then what is privatisation?

In reply to the points raised by us, the apprehensions expressed by the Members that the Government would not have any control or have very little control, they said differently. My friend Shri Jena and myself are of the same opinion.

MR. CHAIRMAN: Shri Acharia, please put the question direct to the Minister. He will reply. No speeches are to be made now. Please ask the question.

SHRI BASUDEB ACHARIA: What their own leader, Shrimati Indira Gandhi did in 1969, they are undoing it now. At this stage also I would request them to re-think what they are going to do by this legislation. It is not their own decision. It is being done...

MR. CHAIRMAN: Shri Acharia, you are speaking at the cost of the Private Member's time. Please understand. Please put your question.

SHRI BASUDEB ACHARIA: You did not listen to our advice. We wanted to adjourn this discussion at 5.30 p.m. because of the Private Members' business. You did not agree to our point. *(Interruptions)*

SHRI SONTOSH KUMAR GANGWAR (Bareilly): Sir, I have a point of order. My Half-an-hour question is a very important question.

MR. CHAIRMAN: We will take it up immediately after this.

(Interruptions)

MR. CHAIRMAN: Shri Acharia, please resume your seat.

SHRI BASUDEB ACHARIA: How can I resume the seat? I have not yet finished speaking. I cannot resume the seat. You allow me to raise my point.

MR. CHAIRMAN: I will give you the time. Please resume the seat.

Shri Acharia, you are a very senior Member of this House. Please do not force the Chair to take unpleasant decision. At this stage of the Bill, you are not expected to make a speech at all.

SHRI BASUDEB ACHARIA: I am not making a speech.

MR. CHAIRMAN: Yes, you are. Please put the questions or clarifications only either in support of the Bill or rejecting the Bill. You can put your arguments briefly and not make speech. This is the only thing expected.

SHRI BASUDEB ACHARIA: I am putting the question.

We cannot support the Bill. How can we support this Bill? What I was saying is...

MR. CHAIRMAN: Please finish it in two minutes.

SHRI BASUDEB ACHARIA: In reply to the debate, the Minister has said that after the enactment of this legislation the Government will have full control over the banks. How will they have it? How will the Government have full control over the nationalised banks?

MR. CHAIRMAN: Yes, what is the next question?

SHRI BASUDEB ACHARIA: He should tell us the reply. How will the poor farmers, the poor artisans get benefits from the loans from these banks after the privatisation and de-nationalisation of the banks? What about the priority sector? It will be reduced from 40 per cent lending to 10 per cent lending, according to the dictates of the I.M.F.

Now they are implementing the GATT Agreement and the people will not support this step. The entire banking industry will come to a standstill on the 11th of May on which they have called for a strike against this obnoxious and black Bill. So, at this stage also I request the Minister to rethink and withdraw this obnoxious and black Bill.

MR. CHAIRMAN: Now Shri George Fernandes will ask his questions. The Minister may reply to the questions together.

[Translation]

SHRI GEORGE FERNANDES (Muzaffarpur): Mr. Chariman, Sir, I rise to oppose this Bill. At the time when this Bill was presented before the Standing Committee, the Government officials had given their statements before the Committee. Some misunderstandings were spread throughout the country regarding this Bill and it was said that

there is no scope of privatisation in it, since 51 per cent of the total capital would be in the hands of the Government and only 49 per cent will come from foreign investors. It was said that fear of privatisation is baseless and it was also said that there is no fear of going our public sector banks into foreign hands.

But our thinking was right about it. The concerned officers and the Finance Secretary gave the clue about it. They had said that 49 per cent shares will go into the private hands, these will be registered in the share market and once these are listed, anyone can levy these. Not only a person from our country but any foreigner or any foreign institution can buy these. This has been the version of the Government before the committee.

Secondly, it was also told that there is no fear of going the majority into foreign hands since we would have 51 per cent shares. But when it was asked whether this 51 will not be 91 or 100 tomorrow? Then the Finance Secretary told that the Government can do anything. Today, I would like to say something to this House and this country, since I remember that day of 1969, when I was a Member of this House of the Fourth Lok Sabha. The session of Congress was going on in Bangalore and at that time our Prime Minister was Shrimati Indira Gandhi. While she was boarding the aircraft to attend the session, these thoughts came into her mind. These were, in her own words, "some stray thoughts." I would not like to comment in detail on this statement.

[English]

MR. CHAIRMAN: Fernandesji, in your absence all these points were raised already.

SHRI NIRMAL KANTI CHATTERJEE: I am not a point of Order. Let me quote the relevant rules. Rule 94 says:

"The discussion on a motion that the Bill or the Bill, as amended, as the case may be, be passed shall be confined to the submission of arguments either in support of the Bill or for the rejection of the Bill. In making his speech, a member shall not refer to the details of the Bill further than is necessary for the purpose of his arguments which shall be of a general character."

So, putting question is not at all relevant at this stage.

MR. CHAIRMAN: It is relevant to the context. At times, the Chair has to decide in its discretion.

SHRI NIRMAL KANTI CHATTERJEE: So, you suspend this rule. Then, it is all right. The rule says that the questions need not be put. It is in general support or opposition that has to be expressed. The details of the Bill need not be referred to unless as a support to the general discussion.

So, it is the general comments which are relevant and not otherwise. This is what I am drawing your attention to.

[Translation]

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, I am not referring to Shrimati Indira Gandhi and the decision taken at that time for any discussion but I remember that the faces are visible once again who opposed the nationalisation at that time when Shrimati Indira Gandhi put that Bill in A.I.C.C. and

later on when it was presented in the House... (Interruptions)... Yes from both sides, these faces are visible once again.

We have always been opposing Shrimati Indira Gandhi and the Congress Government but on the issue of nationalisation of banks we have been among those who supported and made publicity in its favour. Today it is visible that the ruling party has shaken hands with those who had opposed it at that time. Even then they do not hesitate to associate Pandit Jawahar Lal Nehru and Indira Gandhi with Socialism. I am to make it clear today that the people of Swatantra Parties, the Kings and all orthodox people not only opposed it but when this Bill was passed they even tried to stop its implementation by challenging it in the Supreme Court and today these persons have become their heir. Today those powers have become the heir of Swatantra Parties and the orthodox people, who had opposed the progress of the country at every step. Today they are sitting here at their heir. I am annoyed at it and I have made a mention of the name of Shrimati Indira Gandhi in this context only.

I do not want to deliver a long speech here but I would like to say one more thing in this regard. 51 per cent shares will be owned by the Government while 49 per cent will be in the hands of the public, this is the last opportunity before any further step is taken after it the Government will not only go for the privatisation of banks but the capital of our country will be handed over to the foreigners.

[English]

MR. CHAIRMAN: You were absent during the discussion. Most of these

points were raised. You are making right points. I am not disputing that but all these points have been raised and they were replied to.

[Translation]

SHRI GEORGE FERNANDES: At last I would like to say that both those things annoys me. Yesterday only, both in the Times of India and the Hindustan Times an advertisement was given by the Financial Services of General Electric Corporation of America and it says that this company is strong enough with the capital of 6 crore ruppees. If anyone wants to buy anything like steel, refrigerator and car, in our country then this company, the General Electric Company, which is at sixth position in the world is ready to give loan. It is ready to give loan for anything ranging from lamp to cloth. (Interruptions)

SHRI BHOGENDRA JHA (Madhubani): It can buy even the Government. (Interruptions)

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, the foreign banks will come to our country and our banks will

go in foreign hands in this way the Government will go upto this extent in slavery and I feel like giving a warning to the country. With these words I oppose this Bill and fully condemn the ruling party.

[English]

MR. CHAIRMAN: Two or three points are raised which you have not referred to and to which you may reply briefly now.

SHRI M.V. CHANDRASHEKHARA MURTHY: I have replied almost all the points raised by the hon. Members. Once again, I want to assure this august House and the hon. Members of this House through you that the character and functions of these banks will continue to stay. Beyond that, I have nothing to add.

MR. CHAIRMAN: The question is:

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

18.00 hrs.

The Lok Sabha divided:

Division No. 15]

[18.00 hrs.

AYES

Ahirwar, Shri Anand

Akber Pasha, Shri B.

Anbarasu, Shri R.

Arunachalam, Shri M.

Ayub Khan, Shri

Banerjee, Kumari Mamata

Bansal, Shri Pawan Kuman

Bhagat, Shri Vishweshwar

Bhakta, Shri Manoranjan

Bhoi, Dr. Krupasindhu

Bhonsle, Shri Prataprao B.	Gajapathi, Shri Gopi Nath
Bhonsle, Shri Tejsinghrao	Galib, Shri Gurcharan Singh
Bhuria, Shri Dileep Singh	Garnit, Shri Chhitubhai
Birbal, Shri	Gavit, Shri Manikrao Hodlya
Buta Singh, Shri	Gehlot, Shri Ashok
Chaliha, Shri Kirip	Ghatowar, Shri Paban Singh
Chandrasekhar, Shrimati Margatham	Giriappa, Shri. C.P. Mudala
Charles, Shri A.	Gogoi, Shri Tarun
Chaudhri, Shri Narain Singh	Gomango, Shri Giridhar
Chavan, Shri Prithviraj D.	Gudadinni, Shri B.K.
Chavda, Shri Ishwarbhai Khodabhai	Handique, Shri Bijoy Krishna
Chennithala, Shri Ramesh	Hooda, Shri Bhupinder Singh
Chowdary, Dr. K.V.R.	Islam, Shri Nurul
Chowdhary, Shrimati Santosh	Jakhar, Shri Balam
Dadahoor, Shri Gurcharan Singh	Kaliaperumal, Shri P.P.
Dalbir Singh, Shri	Kamat, Shri Gurudas
Das, Shri Anadi Charan	Kanithi, Dr. Viswanatham
Deka, Shri Probin	Kaul, Shrimati Sheila
Delkar, Shri Mohan S.	Khan, Shri Aslam Sher
Dennis, Shri N.	Khursheed, Shri Salman
Dev, Shri Sontosh Mohan	Konathala, Shri Rama Krishna
Faleiro, Shri Eduardo	Krishnaswamy, Shri M.
Farook, Shri M.O.H.	Kuli, Shri Balin

Kurién, Prof. P.J.

Pawar, Dr. Vasant Niwrucci

Lakshmanan, Prof. Savithri

Pilot, Shri Rajesh

Malik, Shri Dharampal Singh

Potdhuke, Shri Shantaram

Malikarjun, Shri

Prabhu Zantye, Shri Harish Narayan

Mallu, Dr. R.

Pradhani, Shri K.

Marbaniang, Shri Peter G.

Rai, Shri Kalp Nath

Mathur, Shri Shiv Charan

Rai, Shri Ram Nilhor

Meena, Shri Bheru Lal

Rajeswari, Shrimati Basava

Meghe, Shri Datta

Ram Babu, Shri A.G.S.

Mujahid, Shri B.M.

Ramchandran, Shri Mullapally

Muniyappa, Shri K.H.

Rao, Ram Singh Col.

Muralee Dharan, Shri K.

Rawat, Shri Prabhu Lal

Murthy, Shri M.V. Chandrashekhara

Reddy, Shri A. Venkata

Nayak, Shri Subash Chandra

Reddy, Shri G. Ganga

Nyamagouda, Shri S.B.

Reddy, Shri Magunta Subbarama

Padma, Dr. (Shrimati)

Reddy, Shri Y.S. Rajasekhar

Palacholla, Shri V.R. Naidu

Sai, Shri A. Prathap

Panigrahi, Shri Sriballav

Saijan Kumar, Shri

Panja, Shri Ajit

Sawant, Shri Sudhir

Patel, Shri Shravan Kumar

Sayeed, Shri P.M.

Patel, Shri Uttambhai Harjibhai

Selja, Kumari

Patil, Shri Anwari Basavaraj

Sharma, Shri Chiranji Lal

Patil, Shri Uttamrao Deorao

Shukla, Shri Vidyacharan

Silvera, Dr. C.

Suresh, Shri Kodikkunil

Singh, Shri Khelsai

Tara Singh, Shri

Singh, Shri Motilal

Thakur, Shri Mahendra Kumar Singh

Singh Deo, Shri K.P.

Thangka Balu, Shri K.V.

Singla, Shri Sant Ram

Thomas, Shri P.C.

Sodi, Shri Manku Ram

Thungon, Shri P.K.

Solanki, Shri Surajbhanu

Topno, Kumari Frida

Sukh Ram, Shri

Umbrey, Shri Laeta

Sukhbuns Kaur, Shrimati

Verma, Kumari Vimla

Sundararaj, Shri N.

Williams, Major Gen. R.G.

Yadav, Shri Surya Narayan

NOES

Acharia, Shri Basudeb

Khan, Shri Sukhendu

Anjalose, Shri Thayil John

Laljan Basha, Shri S.M.

Ansari, Dr. Mumtaz

Mahato, Shri Bir Singh

Barman, Shri Uddhab

Malik, Shri Purna Chandra

Chakraborty, Prof. Susanta

Mandal, Shri Brahmanand

Chatterjee, Shri Nirmal Kanti

Manjay Lal, Shri

Chowdhary, Shrimati Santosh

Misra, Shri Satyagopal

Fernandes, Shri George

Mukherjee, Shrimati Geeta

Ghangare, Shri Ramchandra Marotrao

Mukhopadyay, Shri Ajoy

Gopalan, Shrimati Suseela

Murmu, Shri Rup Chand

Jena, Shri Srikanta

Paswan, Shri Chhedi

Jha, Shri Bhogendra

Prasad, Shri Hari Kewal

Rajesh Kumar, Shri

Singh, Shri Hari Kishore

Ram, Shri Prem Chand

Singh, Shri Ram Prasad

Ray, Dr.Sudhir

Singh, Shri Ramashray Prasad

Roy, Shri Haradhan

Sivaraman, Shri S.

Yadav, Shri Devendra Prasad

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

18.05 hrs.

Ayes : 123

Noes : 33

HALF-AN-HOUR DISCUSSION

**Cost Escalation of
Project**

The motion was adopted.

[Translation]

(Interruptions)

18.04 hrs.

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

SHRI SANTOSH KUMAR
GANGWAR (Bareilly) : Mr. Chairman Sir,
the concerned question was very
important. The starred question No. 107,
raised by Lodhaji was discussed for a
long time and it was felt that the concerned
Ministry was set up to formulate schemes
only. This Ministry was responsible for
swift implementation of the projects which
are costing more than Rs. 20 crore. But
the Ministry has not worked properly.

[English]

MR. CHAIRMAN: The House will
now take up the half-an-hour discussion.
Shri Santosh Kumar Gangwar to speak.

Mr. Chairman, Sir, the discussion
of that day reveals that this Ministry was
really worthless. It is felt that the Ministry
has worked just like a postman. Hon.
Minister himself repeated 2-3 times that:-

*The following members also recorded their votes:-

AYES: S/Shri R.L. Bhatia, Jangbir Singh, Smt. Bibu Kumari Devi, S/Shri A.R. Antulay, Sarat Patanayak, Roshan Lal and K. Thulasiah Vandayar.

NOES: S/Shri Dharamabiksham and Shashi Prakash.