

[Shri D. C. Sharma.]

one thing from a business organisation, one thing from a financial organisation and a third thing from a municipal organisation and put them together and say "Here we have brought these together and this is a proper structure." I say this matter requires very serious consideration and I think this kind of difficulty should be obviated in other Bills also.

I am glad that the hon. Minister has taken away some of the powers of the Nazim. But I must say that he has been very hard on the Khadims. We go to places of pilgrimage and we meet these pandas. Do you mean to say that these pandas should take a licence? These pandas are not a nuisance.

An Hon. Member: They are a nuisance.

Shri D. C. Sharma: They are a nuisance because you have other considerations in view. I say the pandas act as your hosts, as your guides and as your friends. They do all these things and I think it is an abuse of language to say that these pandas and Khadims are a nuisance. (*Interruption*) I would say that these persons should have been shown some tender mercy. I know our Home Minister is a very gentle-hearted person and has been very good to the Nazim. I would expect some small mercies for these Khadims also because to take these Khadims away from their temporary spiritual category and bring them into the category as in the Bill is not a very desirable thing from my point of view. It hurts my sentiment. I think tomorrow there may be a Bill for some Hindu religious endowment and something like this would be proposed to be put down there. That would hurt me. Therefore, I say the Khadim should have been given—if I can put it like that—a better deal than he has been given here.

The Sajjadanashin is being given an allowance of Rs. 200 a month. He

is a descendant of that great saint. I should say that I welcome this Bill and support it in the main but I would request the Government to bring into being a simple kind of structure which can make for the proper governance and administration of these bodies. With these remarks I support this.

Pandit G. B. Pant: This Bill is based on the recommendations of the high power committee which was presided over by a judge of the High Court. So, if there is any grievance, then it should not be laid at the door of the Government but of those who had better opportunities of studying the problem. So far as I am concerned, I have accepted almost every suggestion that has been made on the floor of this House.

Mr. Deputy-Speaker: The question is:

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

The motion was adopted.

STATE BANK OF INDIA (AMENDMENT) BILL

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): I beg to move:

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

This Bill is intended to convert the ordinance issued some time back into an Act of Parliament. I think it would be proper to state here the reasons for promulgating the ordinance. The other day I laid on the Table of the House a statement showing the objects and reasons for promulgating the ordinance and also the reasons for the emergency felt by Government.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

Under the State Bank of India Act, a date was fixed, to be notified by the Government later on, called the 'appointed day', on which the Imperial Bank would cease to exist and its place would be taken by the State Bank, and all the assets and liabilities of the Imperial Bank would be automatically transferred to the State Bank. In fact, the Imperial Bank would convert itself into the State Bank of India on the appointed day and the State Bank would set into possession of all the properties and the Government notified later on that the 1st July should be the appointed day.

As far as the assets and liabilities of the State Bank, situated in India, are concerned, this Act of Parliament was quite enough to take care of those things, but there are certain assets and liabilities of the Imperial Bank situated outside the country. It has even now some branches outside—I think eight in Pakistan, one in the U. K., one in Ceylon and one in Burma. The assets and liabilities of those branches could not automatically be transferred to the new State Bank, started on the 1st July. There must be a legal entity, a corporate body, to make this transfer from the Imperial Bank to the State Bank. But if the Imperial Bank ceases to function as State Bank on the 1st July and the State Bank comes into existence on 1st July, then the legal entity to transfer the assets and liabilities of the Imperial Bank's foreign branches would not be there. So, it has been found necessary to continue a notional existence of the Imperial Bank as far as India is concerned, and also to allow it to continue as a legal entity in the foreign countries to effect this transfer. It was solely for this purpose that the ordinance was promulgated.

The House will remember that any Indian bank to open its branches in a foreign country will have to take a

licence and permission from the foreign country, just as a foreign bank to open a branch in India will also require a licence and permission from the Government of India. That also would take some time and the actual transfer of these properties could not be automatically done according to the Acts passed in India. That is why it was felt necessary that the Imperial Bank should be allowed to continue. Then certain legal documents also are to be enacted and that cannot be done unless the Imperial Bank continues in those foreign countries. Some formalities are to be undergone, some stamp duties and other taxes are also to be paid, and these are legal technicalities. Naturally, it was not possible to do them on the 1st July. It would take some time, and for these purposes also, it was necessary to continue the Imperial Bank in foreign countries. We cannot continue the Imperial Bank in foreign countries without having some sort of existence also here, and it has been found necessary to have a sort of a notional existence of the Imperial Bank here. The shareholders have ceased to exist, the Directors have ceased to exist, and the entire functions of the Imperial Bank now vest in the Chairman. The Chairman, the Vice-Chairman and two Managing Directors of the State Bank of India will from the body corporate of the Imperial Bank.

Shri A. M. Thomas (Ernakulam): Who will act on behalf of the notional body?

Shri A. C. Guha: The Chairman of the State Bank. The entire functions of the Imperial Bank now vest in the Chairman—of course he has the right to delegate his powers.

Shri M. S. Gurupadaswamy (Mysore): Will he be a notional Chairman?

Shri A. C. Guha: Notional shareholders?

Shri M. S. Gurupadaswamy: Notional Chairman.

Shri A. C. Guha: The Chairman will be the sole repository of the authority of the Imperial Bank for the purpose of transferring the assets of the foreign branches to the State Bank. Regarding the necessary structure and the administrative set-up of the notional bank, I have stated that the shareholders do not exist and the body corporate of the Imperial Bank is continued by the chairman, the vice-chairman and the two managing directors of the State Bank. Then naturally would come the question of the capital of the Imperial Bank as it cannot function without a share capital. So, the Reserve Bank will advance Rs. 10,00,000 to the Imperial Bank as its capital.

There are certain difficulties with regard to the employees. Under the Act passed by this House—the State Bank of India Act—all the employees of the Imperial Bank are transferred to the State Bank and that position remains. As regards the conditions of service, emoluments, etc., everything remains the same as put in the State Bank of India Act. But in regard to the employees in the foreign branches, though they belong to the State Bank, they would be eligible to do certain services for the Imperial Bank branches there. Though employees of the State Bank, they will have to carry on the work of the Imperial Bank branches in foreign countries.

The Imperial Bank Act is so amended as to preserve a skeleton organisation till such time as the Bank is dissolved by a further notification of the Government. By this Bill we are making certain amendments to the Imperial Bank Act also, because to keep in existence the Imperial Bank, that Act will also be operated. But under the changed conditions, certain amendments are required to be effected in the Imperial Bank Act and that is also done in certain clauses of the Bill.

In the State Bank of India Act, under section 48, we took certain powers to meet some sort of unforeseen difficulties and contingencies, but

that provision was not enough to meet the difficulties that we later on found. As regards the foreign branches of the Imperial Bank, we consulted our lawyers and our legal advice is that there is no way but to effect changes in the State Bank of India Act, in the first instance by the issue of an Ordinance and later on by converting it into an Act of Parliament. I can give this assurance that this will be only for a short time. As soon as the assets and liabilities of the branches in foreign countries are transferred to the State Bank, the Imperial Bank will cease to exist and that will only require a further notification of the Government of India. No new principle is involved and this action is taken only in pursuance of the implementation of what the Parliament wished and enacted. It was only a question of getting over some technical unforeseen difficulty. The present Bill purports to transform the ordinance into a permanent Act and I hope there is nothing contentious in this Bill and that the House will readily pass this Bill. At the second reading stage, I shall move a short verbal amendment to one of the clauses.

Mr. Chairman: Motion moved:

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

Shri N. B. Chowdhury (Ghatal): While supporting the Bill I would like to make a few observations on this occasion. The necessity of bringing this amendment has arisen as a result of certain legal difficulties which, the authorities feared, they might have to face in foreign countries with regard to the branches of the Imperial Bank. While in India we have a State Bank from the 1st of July, in other countries some 11 or 12 branches of the Imperial Bank will continue to live because of such difficulties.

Shri A. C. Guha: I think there is some misconception; in these countries also by this time the State Bank

has started functioning. At the same time the Imperial Bank branches also continue and they will continue as long as the properties are not transferred to the branches of the State Bank.

Shri N. B. Chowdhury: I am glad that the position has been further clarified by the hon. Minister. Such difficulties might appear when new institutions of this magnitude are brought into existence. There may be unforeseen difficulties which may have to be overcome, but the point to be considered is whether this is one of the difficulties which could not have been foreseen by the Government. You are aware that recently in the course of a week we have come across some three or four instances of carelessness on the part of the Government. There was one Bill with regard to which the Speaker had to say something: he said that it had to be held up and could not be transmitted for sometime because the period of 14 days would be expiring if it was sent immediately. There was another Bill brought by the Home Minister in which case the amendments could not be supplied in time. Here is another instance.

The Imperial Bank of India Act was enacted in 1920 and these branches were functioning in those foreign countries for a long time. Could they not have anticipated these difficulties with regard to the transfer of the assets of the branches of the Imperial Bank and could not they have included these provisions in the original Bill itself?

Mr. Chairman: The Minister had already explained that opinion was divided; they took counsels from different lawyers and their opinion was divided.

Shri N. B. Chowdhury: The expert advice was taken after the Bill was enacted and the Ordinance was promulgated on 23rd June; it appears that they found out these difficulties after the State Bank Act came into existence and so they sought expert legal advice and on such advice they

promulgated an ordinance. That advice should have been taken earlier; I am sure they had not ascertained the opinion of the experts before they asked for the drafting of the Bill. Had they been careful enough, they would have certainly consulted the banking laws of the countries in which the branches of the Imperial Bank existed. This is certainly an instance where we can say that the necessity for this ordinance on the score of the difficulties of foreign banking laws could have been avoided.

The hon. Minister mentioned the existence of some 11 branches. I wanted this information from the Reference Branch and they had supplied me a list according to which I find that there are as many as 12 branches.

Shri A. C. Guha: Eleven branches.

Shri N. B. Chowdhury: They are at Rangoon, Colombo, London and nine in Pakistan.

Shri A. C. Guha: Eight in Pakistan.

Shri N. B. Chowdhury: Except for one branch—that is the Rangoo branch—all the other branches are situated in Commonwealth countries. The Hon. Minister had already explained that in some of these places at least, the State Bank had already started functioning while the branches of the Imperial Bank also continue to function. There are other difficulties also because they will have to get licences or other kinds of authorisations; there may be some documents which may have to be executed; the difficulties about stamp and others are also there. So, we would like to know all these things—namely, whether Government is experiencing any difficulty with regard to the transfer of liabilities and assets by these branches to the proposed branches of the State Bank in those countries. That position has to be made clear because here certain countries are mentioned with regard to the branches of which we do not for a long time know what is happening. What is the transaction; has

[Shri N. B. Chowdhury]

it gone down or up? Particularly with regard to the branches in Pakistan what is the position? What is the position with regard to the London Branch. We would like to know all these things and also whether it would be possible for the Government to expedite this change-over by negotiations.

I would like to know the position of the employees. The hon. Minister had also referred to these cases. We should be informed whether as a result of this changeover there is going to be any difficulty to the staff. We want that there should be a categorical assurance on the floor of this House that because of such transfer and the change in the name and other difficulties that the Government may have to face, the staff of the State Bank or the Imperial Bank would not be made to suffer in any way. It is a very peculiar position. We have heard about the notional existence of the Imperial Bank here and also the existence simultaneously of the branches of the Imperial Bank and the State Bank in other countries. We do not, therefore, know very clearly what exactly the legal position is. We all wished at the time of passing the State Bank of India Bill that we were going to have a full fledged State Bank from 1st July. Now, we find that there is some difficulty and the Imperial Bank has not in fact been terminated. We all wished that the Government should take proper steps so that the State Bank of India would be the only bank. There should not be any prolongation of the life of the Imperial Bank more than is absolutely necessary to effect the changes that are necessary in view of the laws of other countries over which we have no control.

Shri M. S. Gurupadaswamy: Sir, in psychology we come across various complexes like oedipus-complex, electro-complex and the like.

An Hon. Member: And inferiority complex.

Shri M. S. Gurupadaswamy: and the Government of India and Shri A. C. Guha are now developing an Ordinance-complex.

Shri S. S. More (Sholapur): He is not using any of the complex.

Shri M. S. Gurupadaswamy: It is not meant for Shri S. S. More.

Shri A. C. Guha: Anyhow I am glad he has not suggested oedipus complex for the Government.

Shri M. S. Gurupadaswamy: This measure has been brought to regularise the step that has been taken by the Government in issuing an ordinance. Shri A. C. Guha said in his preliminary remarks that no principle is involved in this Bill. Certainly, no principle is involved. What we see here is only that the Government resort to the extraordinary powers given in the Constitution meant for extraordinary circumstances to rectify ordinary wrongs. Here is a case where the emergency power given by the Constitution is used to fill up the lapses of vision and foresight on the part of the Government. It is very unfortunate and it is really inexcusable.

Shri A. C. Guha pointed out that he had to continue notional existence of the Imperial Bank of India. That means we have to endure the shadow of the Imperial Bank for some more time to come till all the assets and liabilities of the various branches abroad are transferred to the State Bank. Sir, I want to know, what was the department doing at that time when it was drafting this measure? It may be said that this was not foreseen. They ought to have foreseen this when they brought a very important and vital measure of this kind. When they brought this measure they should have taken all care to see that nothing wrong or incorrect was done on their part in regard to the question. Now, there is not only loss of time of the House but also waste of time to the Government. I fear that by this delay the assets of

Bill

the Imperial Bank may be frittered away. Suppose he wants to maintain a notional staff, a notional Chairman, a notional Vice-Chairman, notional employers, notional shareholders, notional officers—though everything is notional, even for this he has to spend some money. I want moreover to know what will be the expenditure which will be involved in taking over all the assets and liabilities from the Imperial Bank to the State Bank. It is said that some documents have to be transferred in foreign countries. I am afraid that foreign personnel are still working in these banks in foreign countries. I am sure the Government have not started branches of State Bank in those areas and only the Imperial Bank and its branches are functioning today.

We nationalised the Imperial Bank of India at the time giving very short notice to the board of directors and the shareholders thinking that if we give more time then there may be more wastage of money and the board of directors—the people who were managing the affairs of the Imperial Bank—may mismanage or mispend the money. I think, Sir, the purpose for which we nationalised the Imperial Bank so suddenly without giving sufficiently long notice, is now sabotaged and is not being realised because we have still to maintain branches and staff of the old bank in foreign countries.

Lastly, I may say, though the Bill does not deal with any question of principle it is concerned with the question of efficiency and competence of the administration of the Government. I am very sorry that such inexcusable lapses are growing and the Government is just sleeping like Rip Van Winkle.

Shri A. M. Thomas: My friend Shri M. S. Gurupadaswamy raised the question that in such a case it was inexcusable on the part of the Government to advise the President to issue an ordinance. I beg to differ from him. If this was not an occasion for

the issue of an ordinance what else could have been an occasion for the issue of an ordinance. I fail to understand?

Whatever it may be, I agree with the criticism that has been levelled by the first speaker, that in a matter like this the Government ought to have anticipated the difficulties and incorporated the necessary provisions in the previous Act itself. Perhaps the Government might have been under the impression that being a successor institution it would have been competent to deal in the foreign countries also, but, I think, legal advice, if it was necessary from foreign countries, ought to have been taken long ago especially in view of the fact that the Government was determined to have the Imperial Bank of India taken over on the 1st of July, 1955.

Sir, you remember the urgency with which this Bill was passed. The Government was not prepared to have the Bill examined even by a select committee of the House. Although there were some Members who wanted the Bill to be examined by a Select Committee, the House ultimately acceded to the plea raised by the hon. Minister that it was an urgent measure in view of the fact that the Government intended to take over the Imperial Bank on the 1st of July, 1955. But, in that case, they ought to have bestowed more attention with regard to the legal position. Whatever it may be, I must congratulate the Government since it has been able to find out the legal flaw before 1st July, 1955; that is before it was too late. In that respect I should congratulate the Finance Ministry.

Though my little legal learning does not assist me much in solving the difficulty that is now facing us, I have my own doubts and when I put the question: "Who will act on behalf of the Imperial Bank?" to the hon. Minister, he said: "The Chairman, Vice-Chairman and the Board of Directors of the State Bank of India will act". If the State Bank of India,

[Shri A. M. Thomas.]

which has come in the place of the Imperial Bank of India which has been registered in India, will not be able to deal with the situation, I find great difficulty in accepting the position and I hope the hon. Minister will explain whether a fictitious person will be of any use for legal purposes in foreign countries. A question can very well be asked as to whether the courts in foreign countries will accept this fictitious person or this notional person.

Mr. Chairman: How is it fictitious? The hon. Minister says it still exists.

Shri A. M. Thomas: But, Sir, the same personnel of the State Bank acts on behalf of the notional person also. So, in the case of transfers of the assets of the State Bank, will it not be one and the same person acting on behalf of both? If the previous legislation will not be of help in the foreign countries, I respectfully ask whether the legislation constituting this fictitious person, this notional person who is none other than the State Bank of India which is constituted under this Act, will be efficient in foreign countries? The hon. Minister will explain the position in his reply.

I wish to raise one more question and that is with regard to the work of the State Bank which is going on in foreign countries. I wish to know whether the volume of work has suffered. The report that was seen published in the press with regard to the working of the Imperial Bank after it was taken over on the 1st July, 1955, has not given us a very encouraging picture. Of course, the period covered is one month only and it is a short period. You would have noted that the deposits are increasing but the advances are gradually coming down. According to the figures published in regard to the working of the bank, after it was taken over on the 1st July, 1955, the advances have come down. I wish to know from the hon. Minister why this phenomenon has occurred. It is a serious matter.

The Government must move every nerve and take every step to see that the efficiency of the institution is not impaired in any way after it has been taken over by the Government. I am sure that the Finance Ministry will be very zealous in guarding the efficiency of the Imperial Bank which has now taken the shape of the State Bank of India. From the very beginning, the Government must keep a watch over the work: I say that the Reserve Bank also must keep a watch over that work before it is too late, and if any difficulty is found it must be rectified. We must not wait for a long time as we have waited in the case of the Industrial Finance Corporation where we tried to remedy matters years afterwards. I hope the Government will bear that aspect in mind and that from the very start of the working of the bank, the Government or the Reserve Bank, as the case may be, will keep a vigilant watch over the working of the bank.

It has been the convention in this House just to touch the working of the previous Act also when we deal with the amending Bills, although it may not come within the scope of the present Bill. I raise another point
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Apart from the shortage in advances to which I have already referred, I should like to refer to another question, and that is, whether the State Bank which has come into existence on the 1st July, 1955, has taken any steps in opening branches. We have adumbrated a scheme for opening as many as 400 branches. I wish to know whether the State Bank has made any attempt in that direction and whether any branch has been opened.

Shri A. C. Guha: The hon. Member may please refer to one of the Unstarred Questions today for this.

Shri A. M. Thomas: Anyhow, it is better that the House is enlightened, when we are discussing this Bill, what attempt has been made by the Government in that respect. I was not

Bill

able to find out from the newspapers the fact of the opening of any branches anywhere. So, I would like to know the development in that direction and how far the State Bank has succeeded in opening branches. With these words, I welcome the Bill.

Shri A. C. Guha: I am glad that the Members have all approved of the necessity of this Bill and I am sure there cannot be any two opinions in this matter. Two Members have accused the Government for lack of foresight. I think I can only say that we could not surely foresee all these things. This Bill was debated in this House for 20 hours, and there were so many lawyer Members and legal experts including yourself Sir,—at the Chair—but none of them even mentioned that there might be some difficulty about this property of foreign branches.

Shri S. S. More: Is this meant as a censure?

Shri A. C. Guha: None has mentioned that there may be any difficulties about the foreign branches. Anyhow, that was a lapse on the part of the Government surely.

Shri A. M. Thomas: The House is a sovereign body; it is not an expert body.

Shri A. C. Guha: There are so many experts here and Members of Parliament are supposed to be experts on any subject, from the Durgah Khawaja Sahab Bill to the State Bank of India (Amendment) Bill the next moment.

Mr. Chairman: So, the Government has not got any duty to discharge in this matter?

Shri A. C. Guha: Sir, I admit that there has been a lapse on the part of the Government, but anyhow, as Shri A. M. Thomas has said, it is good that we could detect this lacuna in time.

Shri M. S. Gurupadaswamy and Shri N. B. Chowdhury have asked for some assurances as to the safety of the assets in foreign branches. I

think there is no risk of those assets being anyway frittered away or wasted or going out of the control of the State Bank of India. They will all come to the State Bank of India in due time and I can give some figures. On 1st July, 1955, on the Property and Assets side, the business amounted to Rs. 13,62,00,000. On 8th July, it came down to Rs. 10,53,00,000. On the 15th July, it was Rs. 9 crores and on the 22nd July, it came down to Rs. 7,36,00,000. So the Members will see that the transfer is being effected rather quickly and in an orderly manner.

Shri N. B. Chowdhury has said something about the employees. I have already mentioned that the terms of the emoluments and the service conditions will remain the same as mentioned in the State Bank of India Act and the employees will remain as the servants of the State Bank of India. But in foreign countries, they will have to do also the work of the Imperial Bank. That is the only provision here. There is no risk of any of their privileges being impaired in any manner.

Shri N. B. Chowdhury: May I know whether there would be any additional work for them because of this provision?

Shri A. C. Guha: There may not be any additional work. This work would have to be done by them in any case.

Shri M. S. Gurupadaswamy: Will there not be any notional work?

Shri S. S. More: There will be some emotional work!

Shri A. C. Guha: Shri A. M. Thomas has expressed a fear about the legal competency of the Chairman and the Vice-Chairman and others of the State Bank to effect this transfer of the assets of the Imperial Bank in foreign countries to the State Bank. We have consulted the highest legal authorities in India and also in the United Kingdom and we feel that the arrangements that we are making

[Shri A. C. Guha]

here are correct and that those officers will be quite competent to make this transfer. There would not be any difficulty in making this transfer.

Shri S. S. More: May I know whether this legal consultation was made after the original State Bank of India Bill was passed into an Act or before that?

5 P.M.

Mr. Chairman: He wants to know when this decision was taken and whether any legal advice was sought?

Shri A. C. Guha: Obviously, the advice was sought after the State Bank of India Bill was passed; otherwise we would have put this in the original Bill itself.

Shri Thomas has said that the deposits of the State Bank are increasing, but the advances are decreasing. On 1st July the advances were Rs. 116 crores and on 22nd July they were Rs. 109 crores. But he should also remember that this is the slack season and in this season the deposits of every bank generally go down.

Shri A. M. Thomas: What was the figure in the corresponding month last year?

Shri A. C. Guha: I have not got it now. Anyhow, he has suggested that the Reserve Bank should keep a close watch over the working of this Bank. Surely, we shall do that. He has also asked if the State Bank has been taking any steps regarding the opening of new branches. Up to some time in July, three new branches have been opened, one in Gandhidham in Kutch, another in Nowgong in Assam and the third in Hoshangabad in Madhya Pradesh. Of course he would realise also that because this is the change-over period, it would take some time to settle down and start the actual work for which the State Bank has been set up. Considering that position, I hope you would admit that the State Bank has been taking some action in the direction of starting new branches, I think within two or three minutes, we can pass the second reading of the Bill also.

Mr. Chairman: The question is:

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

The motion was adopted.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, the 5th August, 1955.