

Clauses 2 to 10, clause 1, the Enacting Formula and the Title were added to the Bill.

Dr. B. Gopala Reddi: I beg to move:

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

Mr. Deputy-Speaker: The question is:

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

The motion was adopted.

15.01 hrs.

STATE BANK OF INDIA (SUBSIDIARY BANKS) BILL

The Minister of Revenue and Civil Expenditure (Dr. B. Gopala Reddi): I beg to move:

"That the Bill to provide for the formation of certain Government or Government-associated banks as subsidiaries of the State Bank of India and for the constitution, management and control of the subsidiary banks so formed, and for matters connected therewith, or incidental thereto, as reported by the Joint Committee, be taken into consideration".

While moving the aforesaid Bill as reported by the Joint Committee of both Houses of Parliament, I think I will not be expected to make a long speech on this Bill at this stage. The Committee has given very careful and detailed consideration to the various clauses of the Bill and also heard the evidence tendered by the All-India Bank Employees' Association, putting forward its point of view. After hearing this evidence and examining the five representations received by it, the Committee has not found it necessary to recommend any major changes in the scheme of this legislation.

The modifications which the Committee has made are mostly in the nature of drafting improvements. But I would like to refer to one or two alterations which are of some interest.

As I indicated in the course of my speech in the House on the motion for reference to the Joint Committee, we have included a provision enabling the Central Government to nominate an additional member on the board of directors of any subsidiary bank after its reconstitution. I notice, Sir, that the wisdom of this amendment has been questioned by one of the members of the Joint Committee, and I will, therefore, say a word or two in justification of this provision.

As hon. Members are aware, with the passage of this Bill, the sector in banking with which the Central Government will be directly associated, will command something like 25 to 30 per cent of the normal deposits (after excluding P.L. 480 funds) and the normal advances of the commercial banking system. The Central Government's overall responsibility for the administration of the Banking Companies Act and the formulation and enforcement of appropriate policies in relation to the banking system as a whole, will also continue, and these responsibilities will, in future, become even more important and onerous. We feel that it will be an advantage in these circumstances for the Central Government, through its representatives, to become somewhat more closely acquainted with the commercial banking system than it is today, and the amendment which the Joint Committee has included in clause 25 of this Bill will, to some extent, help in achieving this purpose.

It is also obvious that if the Central Government has a residuary and optional power to depute a nominee to the board of any State-associated bank, it will be able to ensure that the expansion of banking facilities and the provision of certain basic services, in accordance with the

{Dr. B. Gopala Reddi}

objectives which we have in view, will be adequate and satisfactory. The addition which has been proposed is innocuous and I do not see why anyone should object to it.

The House will notice that the Joint Committee has liberalised the provisions of the Bill in certain directions, from the point of view of non-officials, who are or may be interested in the banks. The requirements for the reference to the tribunal of any dispute regarding the compensation which may be offered on reconstitution have, for example, been relaxed. The shareholders of the existing banks are now being enabled, as a special case, to obtain shares in the reconstituted banks, to the full extent of 45 per cent of their existing individual holdings of shares, without being restricted to any further independent ceiling. The duration of office of the members of the first nominated boards has also been curtailed to one year, so as to provide for an earlier reconstitution of these boards in accordance with the normal provisions of the Act. I am sure the House will welcome these changes.

The Committee has been criticised by some Members for not having supported a straight scheme of amalgamation, as recommended by the Rural Credit Survey. This criticism seems to be based on an inadequate appreciation of the facts, and also on certain misapprehensions. We considered it necessary, after very careful thought, to depart from this recommendation, as there was no justification for conferring adventitious and unjustified benefits on the employees, merely because we happen to be reconstituting these banks for certain other desirable ends.

It has been argued that the cost of extending the State Bank's scales of pay and conditions of service to all the employees of its proposed subsidiaries will not be great, and that this extra cost may also be offset by the

economies resulting from amalgamation. This assumption is entirely unwarranted. The total number of persons employed by all the subsidiary banks is, I think, in the neighbourhood of 7,000. The additional burden of increasing the emoluments of this staff will be such as to render a number of the existing branches unremunerative, and it will also affect very seriously the ability of these institutions to undertake the new tasks which we want to entrust to them.

There has been some criticism in one of the minutes of dissent of the drafting of this Bill. I must confess that I was somewhat surprised to read it. I can only say that the Bill, so far as I can see, is clear and lucid, and it is based on a model which has served us very well in the past. I am sure that the view expressed in the minute of dissent is not widely shared.

I would like to conclude by saying that as far as they are able to judge, Government are satisfied that the Bill has received fairly wide support. I may, perhaps, quote one instance in support of this claim. Our attention was drawn some time ago to the reports of certain misgivings on the part of some of the shareholders and directors of the Bank of Mysore, which is one of the affected banks. It appeared that these shareholders and directors were, perhaps, not very fully acquainted with the implications of the scheme of reconstitution, and these implications were, therefore, explained to them. The result has been that at an extraordinary general meeting, which was called in July, 1959, to reconsider the acceptance by the Bank of Mysore of the scheme of reconstitution embodied in this Bill, no support was found for a departure from the present scheme. I think that we may regard this as a reasonably satisfactory test of the merits of this measure.

It is our intention to undertake the proposed reconstitution of these banks as early as possible and very soon thereafter we hope that we will be able to convince this House, and all others who may be interested, that the progress of these institutions has abundantly justified the change I would commend the Bill, as modified, for the consideration of the House.

Sir, I move.

Mr. Deputy-Speaker: Motion moved

"That the Bill to provide for the formation of certain Government or Government-associated banks as subsidiaries of the State Bank of India and for the constitution, management and control of the subsidiary banks so formed, and for matters connected therewith, or incidental thereto, as reported by the Joint Committee, be taken into consideration "

Shri Prabhat Kar (Hooghly) Mr. Deputy-Speaker, Sir, the hon Minister has tried to explain why the Government has thought it fit not to straightaway amalgamate the State-associated banks as recommended by the Committee of Direction on All-India Rural Credit Survey. As per the suggestion of that committee, the State Bank was formed and at that time, it was suggested that the State Bank of India should be formed with the amalgamation of the Imperial Bank of India and 10 State-associated banks. This was recommended with a view to see that all the banks which were under the patronage of the Government of India and the erstwhile princely States are amalgamated and they function in an integrated way under the control of the Government of India.

The Imperial Bank was taken over and the State Bank was formed, but it took about four years for the Government of India to consider what steps they will take in respect of the other State-associated banks. After considering the matter thoroughly, they

decided that it was not necessary to amalgamate them straightaway, as recommended by the All-India Rural Credit Survey Committee. The reasons for this have not been given properly up till now. I would rather say that the way the Bill has been brought before Parliament clearly leaves room to doubt whether the purpose for which the recommendation was made and accepted by the Government will be served.

The Bill was sent to the Joint Committee where the Members were confronted with a peculiar situation, because this Bill was brought before Parliament as a result of an understanding arrived at with the shareholders and the directors of the banks which are now being integrated. The Government made it clear that it was not possible for them to change anything so far as the terms of the agreements were concerned, excepting certain minor alterations here and there. Naturally, the Members of the Joint Committee could not properly deal with the subject as the scope was very limited.

The Minister stated that the Government did not want to impose by statute conditions on every bank and an attempt was made to persuade them to agree to the suggestion of the Government. Also, in order to see that all the banks agreed, certain concessions asked for by those banks were given. As a result of that, this Bill has come today and we find that out of 10 banks recommended, only 6 banks have been brought in. The others could not be brought in because their management did not agree with the suggestions of Government or the terms offered by the Government and the State Bank of India.

The first purpose of taking over all the banks as subsidiaries would be to rationalise the operation cost. But what do we find today? Although the banks will be run as subsidiaries of the State Bank of India, they will be run with all the paraphernalia and with all the operating cost and this taking over by the State Bank of India will

[Shri Prabhat Kar]

not in any way decrease the operating cost of these banks. There would be separate Boards of Directors, separate managing directors, if necessary, and separate general managers with high salaries. Although the State Bank of India will have control over the working of these banks the top-heavy organisation of these banks will continue. I do not know why, when these banks are being taken over as subsidiary banks of the State Bank of India, the top-heavy organisation could not be curtailed and at least why the general manager or the managing directors of these banks could not be removed when the State Bank of India will be controlling the working of these banks.

So far as the employees are concerned, the hon. Minister said that it is an unreasonable demand that they should get the same emoluments on a par with the employees of the State Bank of India. He promised that at least one guarantee could be given that the existing emoluments of the employees will not be curtailed and the employees will not be at a disadvantage. I would draw attention in this connection to clauses 62 and 63 of the Bill. Under clause 63, the State Bank will have the power to make regulations providing for the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service and the establishment and maintenance of super-annuation, pension, provident or other funds. The employees of these banks are today governed by awards. They are governed by the clauses of the Industrial Disputes Act. After these employees become employees of the subsidiary Bank, immediately the State Bank of India decides what will power to provide regulations which will govern the service conditions of the employees. That means that if the State Bank of India decides what will be the service conditions, they will be final and the employees will not have the same right as they are enjoying

today to raise an industrial dispute. Sub-clauses (m), (n) and (o) of clause 63(2) take away some of the rights of the employees which they have been enjoying today. When it was brought to the notice of the hon. Minister that these provisions really work against the interests of the employees, he said that the employees will not be justified in claiming any advantage, though they will not be placed in a disadvantageous position because of their banks being taken by the State Bank as a subsidiary.

Here I will draw your attention to clauses 15 and 16. Clause 15 gives the Central Government the right to appoint a tribunal. Clause 16 defines the power of the tribunal. Clause 16(2) says

"No.withstanding anything contained in sub-section (1) or in any other law for the time being in force the Tribunal shall not compel the Reserve Bank, the State Bank or any subsidiary bank—

(a) to produce any books or account or other documents which the Reserve Bank, the State Bank or the subsidiary bank claims to be of a confidential nature;

(b) to make any such books or documents part of the record of the proceedings before the Tribunal, or

(c) to give inspection of any such books or documents to any party before it or to any other person."

A tribunal will be appointed to adjudicate the disputes. Yet the tribunal will not be given the right to call for the books which the subsidiary banks claim as privileged. Then how will the tribunal be in a position to give a fair judgment? I can understand that certain documents should be kept confidential. But nothing should be kept secret from the judiciary. It may not be published but the power of the tribunal to call for the books should

not be curtailed. Otherwise, it will not be possible for the tribunal to give proper judgments in the matters that will be referred to it.

Then these banks have a number of branches all over the Part B States. In about 1953, they had more number of branches and pay offices than the Imperial Bank of India had. A network of branches in the Part B States will enable the banking system to play a proper role which the State Bank of India is expected to play. With the help of the State Bank of India, with the status of the State Bank of India behind these banks, there is enough scope for these banks to improve. We would ask the Government to consider this aspect.

Today there will be many places where these banks have branches along with the State Bank of India. In such places what will be the position? Will the branches of the subsidiary banks be asked to close down? Or will the State Bank of India branches be shifted to some other places? Because, these banks generally operate in a particular area where perhaps there will be no other banks or only less number of branches of other banks. I would like to know from the hon. Minister that after the banks are taken over as subsidiary banks what steps they will take regarding the branches of the State Bank of India and the subsidiary banks of the same area. I have particularly in view one bank which handles the Government treasuries and which has not accepted the Government's proposal—the Bank of Rajasthan. What will be its future, particularly in relation to the treasury of the Government of India?

15.29 hrs.

[SRI BARMAN in the Chair]

I would request the hon. Minister to clarify that also.

It was stated that the Bank of Baroda having managed to go out of the control of the State the question of

considering the case of the Bank of Baroda does not arise. In that case, I would like to point out that if any of these banks in the mean time attempt to go out then the recommendations of the Rural Credit Survey Committee, which were accepted by the Government, could not be implemented, because in such a long time the bank magnates could really go out in the same manner as the Bank of Baroda has done. This delay—I do not know the reason for it—has frustrated the purpose for which the All India Rural Credit Survey Committee has made certain recommendations to the State Bank of India.

I know that today it would be useless to discuss whether straightaway amalgamation would have been correct because the Government, having committed already with the shareholders and the directors of the other Branch however we may argue over here, will not accept it. So, I do not want unnecessarily to waste the time of the House by arguing that amalgamation would have been the best way. But one thing that I would like to stress again is rationalisation at the top which is most important after these banks have been taken over and are run as subsidiaries. That particular question the Government must consider. There is no necessity of each having these managing directors or general managers or a set of managing directors and general managers because henceforward the State Bank will control them. It can control with lower grade officers. Then it will not be necessary to control these banks with the help of these highly paid officers and rationalisation at the top will be possible. In that respect at least the purpose, for which amalgamation would have been stressed for, to a certain extent could be served.

With these words I welcome this Bill. I welcome this Bill because I know that once these banks are taken over as subsidiary banks, if not today, tomorrow or the day after they will automatically be amalgamated with the State Bank of India. It is

[Shri Prabhat Kar]

step in the right direction. We would have been glad if these had been amalgamated straightaway. But although it is a late step, it is a step in the right direction for which I welcome this Bill I would request the hon. Minister to consider some of the suggestions or to clarify some of the points which I have stated

श्री. राज कृष्ण गुप्त (महेन्द्रगढ़) श्रीम. म. साहब, मौजूदा बिल जो सिलेक्ट कमेटी से इमर्ज हुआ है, बहुत ज्यादा अहमियत रखता है और गवर्नमेंट ने बैंक्स को नेशनलाइज करने की तरफ यह बहुत बड़ा और मजबूत कदम उठाया है। मेरा अपना ख्याल तो यह है कि सबसे अच्छी तजवीज यह थी कि इन बैंक्स को स्टेट बैंक ऑफ इंडिया के साथ अमलगेमेट कर दिया जाता और जैसा कि अभी मेरे दोस्त ने कहा रूरल क्रेडिट सर्वे कमेटी जो मुकरंर की गई थी उस की भी यही सिफारिश थी। लेकिन इस के बावजूद भी मैं इस बिल को बेलकम करता हूँ क्योंकि इस को पास करने से हिन्दुस्तान के अन्दर, देहातों के अन्दर खास तौर पर एग्रिकल्चर के लिये इस से बहुत मदद मिलेगी। अब तक बैंकों का तमाम रुपया ज्यादातर कमर्शियल परपोजेज के लिये यूटिलाइज होता था, वह अब इस तरफ इस्तेमाल हो सकेगा क्योंकि इन बैंक्स के ऊपर स्टेट बैंक ऑफ इंडिया का इंडाइरेक्टली काफी कंट्रोल हो जायेगा। इसीलिये इस बिल की सबसे ज्यादा जरूरत इसलिये थी कि अब तक जो हमारे बैंक हैं उन को अगर कमर्शियल बैंक कहा जाय तो ठीक है क्योंकि उन से ज्यादातर हिन्दुस्तान की कामर्स की फायदा पहुंचा, इन्स्ट्रु की तरफ थोड़ा बहुत ध्यान जरूर था, लेकिन रूरल क्रेडिट की तरफ, देहातों की तरफ उनका बहुत कम ध्यान था, वह अब नहीं हो सकेगा। इस मकसद के लिये गवर्नमेंट ऑफ इंडिया ने एक रूरल क्रेडिट सर्वे कमेटी भी मुकरंर की थी। उसने भी अपनी रिपोर्ट में

यह कहा था। उस कमेटी ने हिन्दुस्तान में ७५ जिलों का सर्वे किया। उसने अपनी रिपोर्ट में कहा है कि इन ७५ जिलों में से ४४ जिलों की हालत यह है कि वहाँ एक पाई भी रूरल क्रेडिट के लिये कास्तकारी को नहीं दिया गया। तमाम रुपया कमर्शियल परपोजेज के लिये इस्तेमाल किया गया। इस चीज को देखते हुए उस कमेटी ने दो बातों की सबसे ज्यादा सिफारिश की थी। उस की सबसे पहली सिफारिश यह थी कि इम्पीरियल बैंक ऑफ इंडिया को नेशनलाइज किया जाय। उसकी दूसरी तजवीज यह थी कि स्टेट्स के अन्दर जो बैंक हैं उनको स्टेट बैंक ऑफ इंडिया में मुकम्मिल तौर पर अमलगेमेट किया जाय। जहाँ तक इम्पीरियल बैंक को नेशनलाइज करने का मसाला है उसे नेशनलाइज कर दिया गया है। इसके लिये मैं गवर्नमेंट को मुबारकबाद देता हूँ। लेकिन जो उस कमेटी ने दूसरी सिफारिश की थी कि उनको अमलगेमेट किया जाये, यह नहीं किया गया मैं नहीं समझता कि उससे क्या फायदा होगा। अगर वास्तव में देखा जाय, प्रैक्टिकल तौर पर उन बैंक्स पर स्टेट बैंक ऑफ इंडिया का मुकम्मिल तौर पर कंट्रोल हो गया लेकिन उसमें नुकसान इतना जरूर हो गया कि हमें खर्च ज्यादा करना पड़ेगा, अलग एजेंन्सी कायम करनी पड़ेगी, अलग उस के लिये मैनेज मुकरंर करने होंगे। अगर इन्डिरेक्टली उन को अमलगेमेट किया जाना तो बहुत खर्च बच जाता।

इसके अलावा जहाँ तक बैंक ऑफ पटियाला का मसाला है, मैंने पहले भी इस हाउस का ध्यान इस तरफ दिलाया था, इस बैंक के बारे में बाड़ा था आज भी कहना चाहता हूँ। बैंक ऑफ पटियाला जो पहले पटियाला स्टेट का था, उस वक्त मुकम्मिल तौर पर एक डिपार्टमेंट था। उसके बाद जब पटियाला को दूसरी स्टेट्स के साथ मिला कर पेप्सु के नाम से एक यूनिट बनाई

नहीं, तो उस वक़्त कोई समझौता नहीं हुआ था जिस की वृत्ति से यह तय होता कि इस बैंक का रूपवा और उस के अर्मेन्ट्स किस के होंगे। कांस्टिट्यूशन में जो २६५ धाटिकल हैं उसमें साफ तौर पर लिखा है, मैंने उन रोज भी हाउस में इस बात का इशारा किया था कि यह जरूरी था कि पहले कोई एंघ्रीमेंट होता। उस एंघ्रीमेंट के न होने से मेरी समझ में यह बात नहीं आती कि इस बैंक का क्यों नहीं मज किया गया। यह तो आलरेडी ही गवर्नमेंट आफ इंडिया की प्रापर्टी थी, उनको सम्पत्तीधरारी बैंक बनाने का तो सवाल ही पैदा नहीं होता।

दूसरी चीज मैंने उस रोज भी कही थी और आज भी मैं उस बात पर भी खास तौर पर जोर दूंगा कि जहां तक अमलमेंशन का सवाल है, कम से कम हमें ऐसा जरूर करना चाहिये था कि जो उन बैंक के मुलाजमीन हैं, एम्प्लायीज हैं, उन को वही फंसिलिटीज मिलती, उन के साथ वही सहाय्यते होतीं, उन की कंठिवांस वही होनी जो स्टेट बैंक आफ इंडिया के मुलाजमीन के लिये हैं। जब एक तरफ आप उन के ऊपर अपना पूरा कण्ट्रोल कर रहे हैं, ५५ फी सदी स्टेट बैंक आफ इंडिया के अग्रिम प्रोगे, इसके अलावा बोर्ड आफ डायरेक्टर्स जो बनेगा, उसके अन्दर भी गवर्नमेंट आफ इंडिया की प्रावाज सब से ज्यादा होगी, तो मैं नहीं समझता कि जहां तक मुलाजमीन का सवाल है, उन के साथ दूसरा मूलक क्यों किया जा रहा है। इसलिये इस बिल को जरूर मान लेना चाहिये, और इस के लिये मेरी अपील है कि कम से कम इस बात को जरूर मान लिया जाय। इसके लिये मैंने एक अर्मेन्टमेंट भी पेश किया है। अगर क्लॉज ११ के अन्दर उसको तस्लीम कर लिया जाय तो मेरा अकसद पूरा हो जायेगा। मैं माननीय उपमन्त्री जी से भी अपील करूंगा कि वह इस को मान लें। ताकि इन बैंक को अमलमेंट करने से जो कई हजार की ताबाद में मुलाजमीन हैं

वह भी यह महसूस करें कि यह बड़ा शानदार कदम उठाया गया है और यह उली कदम का नतीजा है जिससे उन की भी कुछ ज्यादा फायदा हुआ।

इसके अलावा जहां तक दूसरी तजवीजों का सवाल है, जैसा कि मैंने पहले भी कहा था, मैं दो तीन बातों की ओर भी मिनिस्टर साहब का ध्यान दिलाना चाहता हूं। इस बिल के अन्दर क्लॉज २५ है, वह बहुत ज्यादा अग्रह है कि इस क्लॉज में

"State Bank may with the approval of the Reserve Bank, acquire the business including the assets and liabilities of any other banking institution or any subsidiary bank."

और लगा दिया जाये।

अमल जो क्लॉज है उस का मतलब यह है कि अग्रिम डीधरारी बैंक किसी भी बैंक के बिजिनेस को कंट्रोल करने के लिये नेगो-शिएशन स्टार्ट कर सकता है।

इस के लिये मैंने यह अर्मेन्टमेंट तजवीज किया है कि अगर इस के क्लॉज को इस तरीके से रख दिया जाय तो ज्यादा अच्छा होगा कि स्टेट बैंक को भी यह हक दिया जाय कि अगर वह भी चाहे तो किसी भी सबसिडिएरी बैंक को अपने अन्दर एमलमेंट कर सकता है।

जैसाकि अभी क हा गया मूनर और लैटर इन बैंको को स्टेट बैंक आफ इंडिया में एमलमेंट करना पड़ेगा। उस वक़्त कोई खास कानूनी या कांस्टीट्यूशनल दिक्कत पेश नहीं आयेगी अगर यह तजवीज मान ली जाय और उस हाल में इन बैंकों को एमलमेंट करने में आसानी हो जायेगी।

इस के अलावा मेरी यह भी तजवीज है कि इस बिल के क्लॉज २७ के अन्दर इस बात की तरफ इशारा किया गया है कि अगर कोई डाइरेक्टर कोई ऐसा किमिनिश ऑफिस करेगा जोकि स्टेट गवर्नमेंट की राय

[श्री राम रुष्ण दूब]]

वें मीरेल टरपीयूड होगा तो उस को विस-
क्वालिफाई कर दिया जायगा । मुझे इस
बात से ऐतराज है । मैं चाहता हूँ कि इस के
अन्दर जो यह अलफाज डाले गये कि सेंट्रल
गवर्नमेंट की राय में अगल ऐसा होगा तो
उस को मीरेल टरपीयूड समझा जायगा
और वह विसक्वालिफाई कर दिया जायगा ।
मेरे खयाल में यह अलफाज नहीं होने चाहिये
क्योंकि ऐसा करने के हमारे जो हाई कोर्ट्स
या दूसरे कोर्ट्स फैसला देते हैं, हम उस फैसले
पर शुबहा करते हैं ।

इस के अलावा मेरी यह भी तजवीज है
कि इस क्लॉज के अन्दर ऐसे अलफाज भी
शाने चाहिये थे कि जो डाइरेक्टर फारेन
एक्सचेंज या कम्पनीज ऐक्ट के प्राविजस
को बाएलेट करता है उस को डाइरेक्टर
बनने से विसक्वालिफाई कर दिया जाय ।

बिस उचमंत्रा (श्री ब० रा० भगत) :
ऐसी बात बैंकिंग कम्पनीज ऐक्ट में है ।

श्री राम रुष्ण दूब : यह चीज बैंकिंग
कम्पनीज ऐक्ट में है सो ठीक बात है । यह
बहुत अच्छी तजवीज है लेकिन अगल यह
तजवीज इस क्लॉज के अन्दर भी होनी तो
ज्यादा अच्छा होता ? मैं इस बात पर इस-
लिये ज्यादा जोर दे रहा हूँ कि यह जो बैंक्स
सबसिडिएरी बैंक्स बनाये जा रहे हैं, अगल
पिछले दो, चार सालों के अन्दर जो मामलात
वहाँ हुए हैं जो बहा का काम हुआ है, उन
को एक छोटी सी इनक्वायरी की जाय तो
खान को मालूम होगा कि बहा बहुत सी ऐसी
चीजें, इररेगुलरटीज वगैरह हुई हैं, उन इर-
रैगुलरटीज की भीजूदगी में डाइरेक्टर वगैरह
को ग्रहण पोस्ट नहीं दी जा सकती । इसलिये
मैं ने इस बात के लिये खास तौर पर जोर
दिया था और यह बड़ी खुशी की बात है कि
उस ऐक्ट में इस किस्म का क्लॉज है और उन
की जरूरत भी बहुत ज्यादा थी ।

अभी पिछले दिनों की बात है इस बात
का कि इस इराज के अन्दर भी धाया था

कि भी खाति प्रस्ताव जैन जोकि पंजाब नेशनल
बैंक के चेयरमैन थे उन के सम्बन्ध में बहुत
से मेम्बरों ने यह सवाल उठाया कि उन को
विसक्वालिफाई क्यों नहीं किया जा रहा है ?
उस के रास्ते में मुश्किल यह थी कि हमारे
पास सींगली कौन सी पावर्स हैं, किस कानून
के तहत उन के खिलाफ इस किस्म का हम
एक्शन ले सकते हैं । इसलिये मेरी यह धीर
है कि यह जो दोनो बिलों को धमेज किया जा
रहा है, इस किस्म के क्लॉज भी
दोनों बिलों में हो ताकि धाबन्दा
जो इस किस्म का काम करे उन के खिलाफ
धासानी से कानूनी कार्यवाही की जा सके और
गवर्नमेंट को कोई दिक्कत पेश न धाये । इन
चद शब्दों के साथ मैं कि इस बिल का स्वागल
करता हूँ जैसाकि मैं ने कहा यह ठीक है कि
मुकम्मिल तौर पर इन बैंकों को एमलगेमेट
नहीं किया जा रहा है । लेकिन इस तरफ
यह पहला कदम है और यह हालत ज्यादा
असं तक कायम नहीं रह सकती । जब हिन्दु-
स्तान आजाद हुआ, पहले राजाओं से
एग्जीमेंट किया गया, यूनिवर्स बनाई गई लेकिन
वे ज्यादा धर्म तक कायम नहीं रही और बाद
में उन का प्राविजस में एमलगेमेट करना
पडा । इसलिये इन बैंकों को भी एमलगेमेट
करना पडेगा । यह इस तरफ एक पहला
कदम है और इस के लिये मेरी यही धीर है
कि जितनी जल्दी इस कदम को उठाया जायगा
उतना ही खर्चा कम होगा और उस खर्चे
को हम मेगन के दूसरे कामों में और देश की
तरक्की के लिये इन्वेस्ट कर सकेंगे । इस
चन्द शब्दों के साथ मैं फिर इस बिल का
स्वागल करता हूँ ।

Shri T. Subramanyam (Bellary)
Mr. Chairman, Sir, I welcome this Bill
Some friends had expressed the feeling
that in pursuance of the recommenda-
tions of the Rural Credit Survey Com-
mittee, these banks should have been
amalgamated and integrated with the
State Bank of India. But this Bill
rightly contemplates the creation of

subsidiary banks, because it does not follow either of these extreme courses. One course was complete amalgamation with the State Bank of India. The other course was that there should be no amalgamation, there should be an independent working of these bodies as before, that is maintenance of the status quo. Instead of these, this middle course has been chosen. This is a sort of a golden mean.

Only recently the shareholders of the Mysore Bank met in Bangalore. They were under some misapprehension that this subsidiary bank will not work well or properly for the benefit of the people of Mysore State. But I am glad that after considering all these factors they felt that the present arrangement as contemplated and proposed by this Bill would be proper and that they should accord their support to it.

In this, the directorate also will be chosen from the local people. Two directors will be elected by the shareholders. Though it will have an independent directorate, some hon. friends said that it will involve extra expenditure, establishment, staff and all that. But instead of that, there is a sort of decentralisation in this arrangement by which the local sentiment will be satisfied, local apprehensions will be removed. People have expressed in many places that if in the directorate some people are there who have the experience of local conditions, who have a knowledge of the local problems, they will bring to bear all their experience and they can see that local business, commerce, trade and industry, all these things can be developed, particularly small-scale industries. Therefore, I welcome this Bill.

The banking business has all these years been confined mostly to urban areas, encouraging big business, trade, commerce, and all that. Now, the idea is also to serve the rural sector and render all service to the agricultural sector also. I hope that these sub-

diary banks which are going to be created will spread themselves throughout the various States and render all this service.

With regard to the authorised capital, the proposed State Bank, Mysore will have a share capital of two crores of rupees, Travancore also two crores, and the other banks will have one crore each. With regard to the shares, they are freely transferable and no person can have more than two hundred shares. But there is an exception in the case of the present shareholders of these banks, and they can continue to have their shares. The only condition is that the State Bank must have fifty-five per cent of the shares and the others can have only forty-five per cent.

The hon. Minister just now expressed his confidence that the development of these banks will take place to the satisfaction of the people concerned and that these subsidiary banks will render every assistance and service to the people, and particularly to the development of the areas. I share his confidence with regard to the future of these banks, and I am sure that all the apprehensions, fears and suspicions that have been expressed will be belied by their future working, as the hon. Minister said, and that the actual working of these subsidiary banks in future will fully justify the confidence that has been reposed in these institutions and that they will work in the same spirit in which the Bill has been contemplated and brought forward. Sir, I support the Bill.

Shri Ajit Singh Sarkadi (Ludhiana): Mr. Chairman, Sir, I support the Bill in the form in which it has emerged from the Joint Committee, for two reasons. firstly, because it follows in principle the recommendations of the Committee on Rural Credit Survey, inasmuch as it avails of the services of the State associate banks in order to extend the rural credit; and secondly, for the reason that it maintains the entity, individuality and independence.

[Shri Ajit Singh Sarhadi]

of those banks in order to afford them an opportunity of having contact with the people to whose interest they would cater, in order to extend credit, at the same time maintaining the supervision and superintendence of the State Bank

I quite see that there is a substantial opinion that there should have been amalgamation and merger of these banks in the State Bank. But we have got to see this in view of the objective we have got. The objective is extension of rural credit. The rural areas, so far, as you are aware, and the House is also aware, have been starved of all credit. The figures that we have got show—of course, this is subject to correction—that the main credit is to commerce and it extends to the extent, if I am right, of 78 per cent., industry takes nearly 20 per cent and agriculture or the rural areas take only 2 per cent. I congratulate the Government on having taken these steps in enlarging the machinery for the purpose of providing rural credit to the rural population. I believe this was one of the steps which have been taken. But, I would submit that had these banks been absolutely merged in the State Bank, I am afraid, such attention would not have been possible to give to rural credit as now it would be possible for these banks to do

I will take the case of the Bank of Patiala as an illustration. The State Bank of Patiala has rendered signal and yeoman service in the matter of developing industries so far in the erstwhile States of the P.E.P.S.U. is concerned. It has got a tradition; it has got a history. If the direction of the State Bank and the Government is that henceforth it should limit or confine its activities to the extension or affording of rural credit, I expect and I hope it would be able to give greater service to the rural population of the Punjab. I submit that I quite see the justification of the demand that they should have been absolutely amalgamated. But, I also see that we have

to take into account the exigencies of the times and the circumstances independently. If the State Bank of Patiala as it is, if entrusted with the duties and function of affording rural credit and enlarging its ambit, and given independence for the purpose and individuality, it would be able to serve better that objective than if it had been merged entirely into the State Bank. We would have a separate Board of directorate. I would discuss the provision in clause 25, as it is regarding the Board of Directorate; I feel it is not very happy. I will be discussing that presently. At present, I would say that amalgamation would not have been in the interests of the objective which we have got in view. The individuality, entity and independence that has been maintained in this Bill would afford greater scope of achieving the objective which the Government has got.

Besides, we might also see the recommendations of the Committee on Rural Credit which was appointed for the purpose of Rural Credit Survey. The main emphasis in the recommendations of the Committee was that there should be extension of co-operative credit and that conditions and climate should be created where it would be successful. For that purpose, they not only recommended co-ordination, Government partnership and efficient personnel, but other things also for that purpose. Of course, I concede that so far as this Bill is concerned, they did say that there should be amalgamation. But, the circumstances have changed. I would only draw the attention of the House to one recommendation on which they laid emphasis on page 214. In para 8, while discussing co-ordination, they said:

"We recommend that while the state co-operative bank and the central land mortgage bank should continue to remain separate entities for legal and financial purposes, direction and management should be common to the

farthest extent possible and the same administrative staff operate under two types of institutions. Thus, the state co-operative bank and the central land mortgage bank should have a common board of directors, a common administrative machinery and a common building to house them. If it is not practicable to have a common board of directors, at least some of the directors should be common to both. This recommendation applies in particular to States where either state co-operative banks or central land mortgage banks have to be newly established. Other States should, as far as possible, attempt to modify existing arrangements in approximation to this model."

You will see that they have supplied and advised to maintain separate entity in order to have contact with the rural population directly. I therefore submit, if we look at the substance of their recommendation and where they lay emphasis, they did say that separate entity should be maintained because they will have greater scope for contact with the rural population and greater opportunity to afford them what they need. Therefore, I submit that it is wrong to say that amalgamation would have been better. I believe this balance which has been kept is very well, because whereas the supervision and superintendence of the State Bank is there, there is at the same time this separate entity.

As I submitted, I take exception to the provision in clause 25 which postulates that the Board of directors of a subsidiary bank shall consist of the following

- (a) the chairman for the time being of the State Bank *ex officio*.
- (b) an officer of the Reserve Bank to be nominated by that bank;
- (c) not more than five directors to be nominated by the State

Bank of whom not more than three shall be officers of that bank;

- (d) two directors to be elected in the prescribed manner by the shareholders other than the State Bank "

You will find that 45 per cent of the shareholders are being only given a representation of two. You will have to make provision for that. I need not say that. Leaving that aside, you are having a certain percentage—5 directors to be nominated by the State Bank of whom three shall be—the maximum is three—officers of that bank. The Government would have been well advised if there had been provision for representation of agriculturists. The main objective is to extend rural credit. There should have been statutory representation for the agriculturists. I would plead humbly with the hon. Minister that a direction should be issued that, in these Boards, with the objective as I have envisaged there should be representation to the rural population, strong and efficient representation so that they should be able to voice their views in the working of these banks. It would have been very much better if this had been made. Even now, I would submit that the non-official element should be substantial. I submit the Government control is there; there should be sufficient representation for rural population.

An hon. Member from the Punjab pleaded that amalgamation would have been much better. At the same time he pleaded the case of the employees that different pay scale has been fixed for them. The hon. Minister said that it would raise the expenditure. I would certainly submit, when you have an integrated structure of the type and you call these banks to be subsidiary banks of the main bank, the State Bank to keep this discrimination between the pay of the employees of the main bank and the subsidiary banks looks unfair. This is my second point before this August House. That we have got to

[Shri Ajit Singh Sarhad]

see logically. When you have called them subsidiary banks under the control of the State Bank, when you have a sort of an integrated structure of the kind, you make a discrimination—unhappy—in the pay of the employees of the main bank and that of the employees of the subsidiary banks. I submit, that does not look logical, nor reasonable, nor fair, nor just. I would say, something should be done. It may be done by the subsidiary bank itself by raising the pay level to some extent commensurate with its own capacity. I would respectfully submit that something is called for.

With these words, I support the Bill

16 hrs

Shri P. K. Deo (Kalahandi) By passing this legislation, we are supposed to put our seal of approval on the terms of the agreements that have been arrived at between the Ministry of Finance of the Government of India and certain banks which are going to be subsidiary banks when this Bill is enacted and brought into force. Though this will be a step in the right direction, I think the ideal thing would have been that these banks should all have been amalgamated with the State Bank of India.

The Committee of Direction on All India Rural Credit Survey had strongly recommended the amalgamation of the then Imperial Bank of India and certain State-associated banks and the formation of the State Bank of India. Even though we had thought that in course of time this amalgamation would take place after the State Bank of India had been formed, still nothing has been done in that right direction so far.

Taking into consideration the amount of control that is being exercised by the State Bank over these subsidiary banks, I think for all practical purposes they should be considered as branches of the State Bank of India. Even though for legal and technical purposes, they are separate entities, I personally feel that for administrative

convenience and for the benefit of the employees, and in the long run, for the benefit of the country, it would have been much wiser if all of them could have been amalgamated to form one strong United State Bank of India.

If there had been difficulty in arriving at that conclusion by negotiation with the various banks, I do not think there was any obstacle in the way of making the Patia a Bank a branch of the State Bank of India, as there was no private interest involved in that, and it was for all purposes a part of the State Department of the then Patiala Government and later, of the PEPSU Government.

The main argument that has been advanced by the Ministry for not making these banks as branches of the State Bank is that much saving would be effected in the shape of pay bills and establishment charges, and so, in the long run it would be effecting a big saving in the shape of expenditure. But I cannot appreciate that argument especially when just an hour ago we have passed a legislation which empowers the State Bank to offer different terms and conditions of service to the employees of those banks whose business would be acquired by the State Bank. So there would be no difficulty if even at a later stage there would be the acquisition of the business of certain banks by the State Bank of India and separate terms and conditions of service different from those enjoyed by the employees of the State Bank, are offered to the employees of that bank whose business is going to be acquired. Secondly, by making these banks branches of the State Bank, we would be saving a lot in this direction. Now in a particular town, there may be an existing branch of the State Bank of India, and at the same time, even after the passing of this Bill, there would be the branch of the subsidiary bank. So, there may be two establishments. Instead of there being two establishments, there could be one establishment, that would be a branch of the

State Bank of India. Further, as has been rightly pointed out by my hon friend Shri Prabhat Kar, there will be a saving to a great extent in the top-heavy administration, because if we were to have separate entities, even though they may be subsidiary banks of the State Bank of India, still in the shape of managing directors and other big posts, the subsidiary banks have to maintain a big paraphernalia, and consequently, the expected big saving could not be anticipated

Now, coming to the various clauses of this Bill, my hon friend Shri Ram Krishan Gupta pointed out that under clause 27, which deals with disqualifications for directorship, the question of deciding whether an offence amounts to moral turpitude or not would be decided by the State Bank of India. But I would like to make this correction that due consideration was given to this matter and it was rightly changed by the Joint Committee, and it was provided that the decision would finally rest with the Central Government, and the Central Government would be the proper authority to decide that matter

Regarding this disqualification clause which debar certain persons from being directors of the subsidiary banks, I would like to draw the attention of the House to an amplification that has been made by the Joint Committee. The disqualification has been further amplified to include persons who have been dismissed or removed from the service of Government or a local authority or a corporation or a company in which not less than fifty-one per cent of the paid-up share capital is held by Government. So far as removal or dismissal from the service of Government is concerned, I have nothing to say. But to extend the scope of it to the local authority, I think, is too much, because local authority in this country means gram panchayats and municipalities also. From the growth of our gram panchayats and municipalities, we have

seen that unfortunately there has not been a proper growth in the democratic way. And there are various instances in which removal or dismissal from service has been made in a vindictive way, many party questions and political questions etc. crop up, and, therefore, the terms and conditions of service and security of tenure have not been well defined and developed in the case of the local authorities. So, if for any vindictive reason a person has been removed from the service of a municipality or a gram panchayat, he should not be debarred from becoming a director on the board of directors of the subsidiary bank

Coming to clause 38 this clause has been provided to simplify the procedure of acquisition. In my today's speech, on the previous Bill, I pointed out that delegation of full authority to Government to expedite matters by saying that statutory provisions inconsistent with governmental directions would cease to apply was hardly any simplification of procedure. Suppose there is a conflict between the statutory provisions and the governmental direction. Then according to this law, the governmental direction would prevail. I think the whole intention is that as soon as these banks become subsidiary banks, the employees of those banks should be deprived of the benefit of the various statutory provisions like the Industrial Disputes Act. If you consider the interest of the employees, this legislation has put them in jeopardy. I feel that even though we are not going to pay them the same emolument, and offer them the same terms and conditions of service as have been enjoyed by the employees of the State Bank of India, we deprive them of certain of their inherent rights which they have been enjoying so far under the Industrial Disputes Act.

As regards sub-clause (8) of clause 38 I would like to draw attention to

[Shri P K Deo]

one thing, viz., that at least the terms and conditions of service offered to the employees of the subsidiary banks should not be inferior to those enjoyed by them previously. Provision has been made in this Bill to the effect that if they accept the terms and conditions offered by the subsidiary banks, there would be no case for them under any previous agreement for compensation or in respect of retrenchment or gratuity. Those things won't apply. I feel that as these persons would be discharging the same duties as those of the employees of the State Bank, they should have the same benefits and same terms and conditions of employment as those enjoyed by the State Bank employees.

Secondly, they will not have any bargaining power. This is a specialised job. The duty of a bank employee is something specialised and technical, and employment opportunities are also very much limited in this field in this country. At the fag-end of their career if they are out of job, where can they go? Even if they are offered inferior terms and conditions, they are bound to accept them. So in all fairness I suggest that this august House as the guardian for the protection of the various rights of individuals should see that some provision is made to the effect that at least inferior conditions of service should not be offered to them.

Regarding continuity of their service for the purpose of calculation of pensions, provident fund and gratuity, their past service should be taken into account.

Coming to clause 45, I do not think it is an adequate safeguard against action by persons who would be impeding the full and effective transfer of the existing banks. Some strict and penal provision should have been provided there to punish those who would be acting in a manner prejudicial to the interest of transfer or who would be putting some impediment in the

process of transfer, because there might be interested parties and big interests who may not be liking this transfer taking place. Such persons should be properly dealt with, for which strict penal provisions should be made in the Bill.

Shri Easwara Iyer (Trivandrum)
Sir, some general comments on this Bill have been made by many hon. Members and I do not wish to repeat them. It makes me rather unhappy to read through the provisions of the Bill, as it has emerged from the Joint Committee. I am not going into the drafting mistakes that have been committed. But I would respectfully submit to this House that more anxious consideration should have been bestowed upon the various provisions of this Bill by the Minister in charge of the Bill.

Regarding the general principle of amalgamation of the various banks that have been scheduled here, my hon. friend the Minister in charge, would say that it is impossible to accept, that it is contrary to the treaty or agreement with the various banks and, therefore, we need not press that point of view. I fail to understand how banks which were public limited companies under the Companies Act have become statutory banks under this enactment, where provision has been made for payment of compensation to the shareholders in money value thereof and in case they do not accept the money, they would have to be allotted shares in lieu thereof. I fail to understand how Government are debarred from merging or amalgamating all these banks with the State Bank. They say the agreement or treaty would stand in the way. Of course, they might have tried to persuade these various banks to come to an arrangement and the persuasion has failed. But I would submit that where compensation is payable in money value, why not we go a step forward and say 'we pay compensation absorbing all the shares; the

entire group of banks, whether it is the Bank of Patiala or the Travancore Bank, shall merge in the State Bank of India?

The title of this Bill is rather misleading. Of course, it is a very good looking title, in the sense that it has raised the status of the various banks to that of the State Bank of India. But the title is "State Bank of India (Subsidiary Banks) Bill." If the hon. Minister says that they cannot be absorbed or merged in the State Bank of India, you call it the "Statutory Banks Bill, 1959." Of course with the State Bank paying compensation its control over these banks is there. That is one thing that I would like to submit.

Regarding the various provisions in this legislation, I am led to believe that so far as the employees of these banks who might be absorbed are concerned, they are given an inferior position inferior position in the sense that they will not become State Bank of India employees but will continue to be subject to the control of the State Bank of India getting the same terms and conditions of service according to the hon. Minister, which will not be less advantageous. If the employees of the banks absorbed by the State Bank of India under the State Bank of India (Subsidiary Banks) Bill cannot get the same conditions of service as those of the State Bank of India employees it makes one rather unhappy.

Why is it that such a provision cannot be made? These employees who were working with these banks are nevertheless subject to the control of the State Bank of India with regard to their terms and conditions of service, according to clause 63. It has been referred to by my hon. friend Shri Prabhat Kar. If these employees will be subject to the control of the State Bank and still will not get the status of the employees of the State Bank, then, it seems to me that it is just like—if I may be allowed to use the expression in common parlance—a

marriage taking place and a wife going to the family of the husband and not getting the status or becoming a member of the family. We will just marry the banks into the family of the State Bank but we won't confer the status of a member of that family.

Dr. B. Gopala Reddi: That is so in Nair families.

Shri Easwara Iyer: I am sorry he has not read Hindu law. You will find that under the Hindu law the wife goes into the *gotra* of the husband's family. So, please let him not contradict me on any question of law. It would be useful for him to learn Hindu law. I am only saying that it is restricted. Even if it is the *Marumakkatayam* law he will have to read the Nair Act. It is not so in a Nair family that the wives will not become members of the family. I will tell you that.

I am only using the expression of common parlance. So I would say it is only the legal consequence of such an enactment whereby you make these banks statutory ones under the control and supervision of the State Bank to give them the benefit of all the terms and conditions of the employees of the State Bank of India. It will prevent disharmony between the employees. I am not saying that there will be disharmony. But I would say that the State Bank employee would always consider himself superior though both are doing the same category of work or functions. They may be equal; but there will be some heart-burning on the part of the employees of these subsidiary banks that they are in a sort of inferior position. Why that distinction should be maintained by this enactment is a matter which the hon. Minister may explain.

I would like to invite the attention of the hon. Minister to certain provisions of the enactment. It is provided that a Tribunal should be appointed for determining the compensation and that the Tribunal shall consist of such high officials like retired Judges of the

[Shri: Easwara Iyer]

Supreme Court and the High Court That Tribunal is to decide in cases of dispute as to the value of the compensation payable to any contesting party And that Tribunal is debarred by clause 16 from looking into the account books of the bank—leave alone the question of allowing the parties to inspect these accounts If the Tribunal itself is debarred from looking into the account books how is it possible to arrive at the compensation that is payable? When the question to be determined by the Tribunal is the compensation in money value thereof, is it not necessary or is it not a condition precedent that the Tribunal should also be invested with the knowledge and information necessary for arriving at a correct conclusion by looking into the accounts of the bank? It is a matter for the hon Minister to consider

Of course the hon Minister may stand up and say, it may not be desirable in banking practice for one party to know the condition of accounts of another party and, naturally, the banks should always maintain a sort of secrecy regarding the accounts of its customers Certainly, it is a very desirable thing But when we come to the extraordinary question of determining the compensation that is payable with respect to the liquid assets available in respect of a bank and the Tribunal has to decide it, what is it that prevents the Tribunal from looking into the accounts—leave alone the question of inspection to be allowed to parties?

If you look to section 123 of the Evidence Act, you will find that documents relating to the affairs of State cannot be produced in court That is what is stated in the Evidence Act But the court must decide the question whether any particular document relates to the affairs of Government, and, for that purpose, the court, being a limb of the Administration of Justice, can inspect the document and find out whether it is detrimental to the inter-

ests of the public to disclose it If it is detrimental to the interests of the public the court will not disclose it If persons of the high calibre of Supreme Court Judges and High Court Judges who have been appointed as members of this Tribunal are to be prevented from looking into the books of account for the purpose of evaluating the compensation that is payable to a particular person or to a group of persons on the plea that the books of account are matters of a confidential nature, then, it is a thing which is jarring to one's sense of fairness

It may be a confidential document but it will not in any way be detrimental to the interests of the public My respectful submission is that suitable amendments may be introduced to enable the Tribunal to inspect and to compel production of the books of account for its own inspection to arrive at a correct valuation of the compensation that is payable, if it finds necessary to do so Of course I do not say that in every case the Tribunal should call for the books of account It will be rather a hardship on the banks to call for books of account necessary for the day to day business of the banks But the Tribunal may be invested with the power, in cases where valuation is not possible without the books of account, to have those books produced and to see them An oath of secrecy may be taken before the Tribunal so that nothing could be divulged outside and if the proceedings of the Tribunal in such cases is taken in camera with respect to the parties therein I do not think it will become public anyway

The other provision in the Bill to which I would invite the attention of the hon Members of this House is clause 63, which confers powers on the State Bank officials to determine the conditions of service of the employees Sub-clause (m) reads:

"the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix

their remuneration and other terms and conditions of service;"

This leaves blanket power and unguided power in the hands of the State Bank of India to fix the conditions of service of the employees.

Of course, my friend expressed the doubt here whether it would not hit the provisions of the Industrial Disputes Act where the terms and conditions of the employees are governed by the Industrial Disputes Act, and whether this clause is not inconsistent with the Industrial Disputes Act.

Curiously enough, I looked into the Schedule also. Generally, we slip over the schedules. I looked into the Schedule because it is provided in clause 64 that—

"The enactments specified in Parts I to VII of the Third Schedule shall be amended in the manner directed in the first column thereof and such amendments shall take effect on the dates specified in the second column thereof."

Certain enactments are amended by clause 64 and the Third Schedule is put in. This is a very curious way of making amendments to other enactments. Part II of the Third Schedule deals with the definition of a banking company. It says:

"banking company" means a banking company as defined in section 5 of the Banking Companies Act, 1949, having branches or other establishments in more than one State, and includes the Reserve Bank of India, the State Bank of India and any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959."

Let us read together the definition in the Industrial Disputes Act and this together. Let us read section 63 along with the so-called amendment of the Industrial Disputes Act which becomes part and parcel of this enactment. Both are inconsistent with each

other. Of course, it needs a big lawyer to find whether one over-rules the other or has to be harmoniously interpreted. I think my hon. friend over there, Shri Pattabhi Raman, will help me in respect of this matter, to end all these difficulties. Why not say in the very body of section 63 itself: "Notwithstanding or without prejudice to the provisions contained in the Industrial Disputes Act of 1949....."? Why all these inconsistencies? Why cannot all these amendments proposed be contained in the body of the enactment so that the hon. Members may go through them? It is all put in very small print and it takes quite a lot of time to even read it and it is much more difficult to understand it with reference to the various enactments. Of course, it is our business to learn all these things but the time is very short. Honestly confessing before you, I have to say that I have not been able to correlate it with respect to the various enactments when we find a number of enactments are sought to be amended in the Schedule. This is not a desirable way to amend enactments unless the provisions are contained in the body of the enactment itself. I am not concerned with the general aspects. It is certainly a desirable Bill. As my hon. friend Shri Prabhat Kar has said, it is a step in the right direction but I would certainly plead that we could have gone a step further and have said that these banks have become part and parcel of the State Bank of India. Where is the difficulty? What agreement would prevent you when you are the masters here to legislate? You may say: we have got a sort of convention and agreement and it would be rather undesirable for us to commit breach of the agreement that we have entered into with the various banks. But then why enter into such agreements which prevent the amalgamation as recommended by the Rural Credit Survey Committee? Such an agreement is very dangerous and very explosive. We must be careful about such agreements at least in future and the hon. Minister may soon come

[Shri Easwara Iyer]

forward with a Bill which will make these subsidiary banks also non-existent so that they may become part and parcel of the State Bank of India

Shri Morarka (Jhunjhunu): One criticism made both in the minutes of dissent as well as in the speech here is that instead of forming subsidiaries all these banks could have been straightaway amalgamated or merged with the State Bank of India and in support of their argument, they quote the Rural Credit Survey Committee report. It is true that it recommended so but for a very good reason, the Government decided to keep the separate entities of these banks. There was a strong representation made to the Government against the nationalisation or taking over of these banks and the main argument of the persons who represented this view was that these banks serve the special needs of each individual locality and that if these banks were straightaway merged into the State Bank then those local needs would be neglected by this big institution. Therefore, a strong plea was made that these individual banks should not be touched by the Government but should be allowed to exist as they were. At the same time, Government felt the necessity of exercising some more control over these banks because they were acting as the agents of the States managing the treasury business etc. The only way that the Government could find in order to meet the criticism of the people in order to allow the banks to be useful to these localities was to create these subsidiary banks. So far as the creation of these subsidiary banks is concerned, I think the Government has taken a very wise step and that will serve the purpose or meet the criticism of these people. But what I cannot understand is this cumbersome method of creating subsidiary banks. Why were the majority of shares in those banks not acquired by the State Bank of India and why were the names of these Banks not changed

as the State Bank of Jaipur or the State Bank of Bikaner or Patiala and so on?

That procedure, in my humble opinion, would have been far simpler and it would have dispensed with the necessity of passing this Bill. What I feel is, in those banks you are following a principle of public co-operation. You are allowing the public to hold shares to the extent of 45 per cent. You are also giving a representation to those 45 per cent shareholders on the Board of Directors to the extent of two directors. If you do that, then it is necessary that all other things and other rights which belong to the shareholders in a corporate body should also automatically flow.

Now, for example, here what is sought to be done is that the auditors would be appointed by the State Bank in consultation with the Reserve Bank, but those auditors would make a report not to the company, namely the subsidiary bank, but to the State Bank. They would not make a report, they would not be responsible to the shareholders even though there may be as many as 45 per cent shareholders who are outsiders, who are not on the State Bank, the Reserve Bank or the Central Government. In such a case, I think the sound principle is that any bank or any company could be made a subsidiary of the State Bank and then allow that subsidiary to function as an ordinary banking institution, as a commercial bank or as any other corporate body. I think that procedure could have been far simpler and that would have created a lot of initiative even in the Board of Directors of those subsidiary banks.

What happens here is this. At every stage you will find that there is interference by the State Bank. And, more than the State Bank, there is the approval required of the Reserve Bank and also, in certain cases, the approval required of the

Government. Sir, the State Bank itself is a special type of institution, and if for the State Bank you require a certain type of detailed control both by the Reserve Bank and the Government I can understand it; but for the subsidiary of the State Bank to prescribe a degree of control more detailed than what you have for the State Bank itself is something which I cannot understand.

The Reserve Bank, as you know, after all is a banker's bank. It has to exercise a certain moral influence on all the banking institution of the country. It has to apply its brakes against undue expansion of credit. It has to give advice from time to time, and it has also to act in many matters as a judge over the activities of banking in this country. But if the Reserve Bank itself is made a party to many of the decisions which the subsidiary banks would be taking from time to time, then the Reserve Bank is put in a very compromising position. So the Reserve Bank should have been kept aloof from the detailed working of the subsidiary banks and the entire management of the subsidiary banks should have been left, in the first instance, to the Board of Directors. If you want to provide some safeguard in some rare cases, you could have said "in consultation with the State Bank"; but there is no justification at all for bringing the Reserve Bank in so far as the management, capital structure, issue of shares etc. are concerned. The Reserve Bank should have been kept completely away. Now, here, for everything the approval of the Reserve Bank shall have to be taken so much so even for the appointment of a General Manager the Board of Directors of a subsidiary bank can do nothing, they are not in the picture at all. The State Bank can make an appointment in consultation and with the approval of the Reserve Bank. That is a thing which, apart from anything else, would not leave any initiative in the hands of the Board of

Directors. After all, what is the Board of Directors? Even on the Board of Directors you have the nominees of the State Bank of India and the Reserve Bank. Now the Joint Committee in its wisdom has thought it proper to put one representative of the Central Government also. After all, the representatives of the outside shareholders are only two and so the State Bank or the Reserve Bank or the Central Government could always convey their wishes and always have their wishes carried out through the board of directors. Then, why put so much of weightage on the State Bank and why circumscribe the initiative of those directors in so many other ways?

I therefore feel that the Joint Committee has not paid due attention to this aspect, namely, whether there would be enough initiative left or whether the main purpose for which the identity or the individuality of the subsidiary banks has been maintained would be served or not; that is to say, whether these banks would be able to function as hitherto. Would they be able to carry on their business, would they be able to carry on their policy which they have been following till now? If that purpose is not served, then the main thing for which the subsidiaries are created would be defeated. The whole management of these banks will be tied in the red tape and everything will be subject to the sanction or the approval of the Government or the Reserve Bank.

Then I feel that in a few places the drafting of this Bill also requires some close scrutiny and there again my complaint and my grievance are against the Joint Committee. It is true that many of the provisions in this Bill have been copied from the State Bank Act. But even there I think that if that Bill was passed somewhat in a hurry and we could not look into certain things at that time, yet, at this time those mistakes should have been corrected. I shall give you

[Shri Morarka]

one or two examples. Take, for example, clause 24(2). This clause deals with management. Sub-clause (2) says:

"(2) Subject to any such directions and instructions, the general superintendence and conduct of the affairs and business of a subsidiary bank shall, as from the appointed day, vest in a Board of Directors who may, with the assistance of the general manager, exercise all powers and do all such acts and things as may be exercised or done by that bank."

Now, the first two lines say "general superintendence and conduct of the affairs of the business of these banks". When you go a little later, the clause says that with the assistance of the general manager it can exercise all powers and do all acts. The real position is that subject to the control and supervision of the board of directors, the officers and the general managers, etc., carry on their business. The Board of Directors always exercises a general superintendence and control over the affairs of the bank. I do not find fault with the substance but I think that there is some room for improvement of this drafting. If the Joint Committee had applied its mind more carefully perhaps it could have made the drafting a little more elegant.

Then I come to another clause—clause 34(4). If you see this clause you will find that here almost a veto power is given to one director. If, in the opinion of that director, the interests of the State Bank are likely to suffer or are not likely to be protected at a particular meeting, he may give notice. Remember this. As I said a little earlier, the constitution of the board itself is such that except two persons who represent the members of the public, all other persons are nominees either of the State Bank or the Reserve Bank or the Central Government. But even so, under clause 34(4), if any of the directors feel that

at a particular meeting the interests of the State Bank are not likely to be looked after or are likely to suffer, then, the director can give a notice in writing and all the proceedings will have to be postponed. They do not care for the interest of the subsidiary company at all. This Board of Directors is for the subsidiary bank, in which as much as 45 per cent of the shares can be held by outsiders. What about the interest of that company? That is the paramount interest which the Board of Directors have to safeguard. Without talking of that interest, they say, "if the interest of the State Bank is likely to suffer"—almost a veto power is given to one director who can give notice in writing, and, if he does that, the meeting will have to be postponed or the proceedings of the meeting will have to be cancelled.

Then, kindly read clause 38(3) and see what wide powers are given. Clause 38 deals with the acquisition of business of other banks. That is, if the subsidiary bank wants to acquire that banking business, if the State Bank thinks it desirable or if the Reserve Bank directs that that business may also be acquired, the subsidiary bank will be bound to take over that business. Sub-clause (3) says

"(3) Notwithstanding anything contained in this Act or any other law for the time being in force, any instrument regulating the constitution of the banking institution concerned, the terms and conditions as sanctioned by the Central Government shall come into effect on the date specified by the Central Government in this behalf in the order of sanction and be binding upon the subsidiary bank and the banking institution concerned as well as upon the shareholders (or, as the case may be, proprietors) and creditors of that banking institution."

That means, whatever law we may pass under this Bill or any other Act for the time being in force, if the

executive order sanctioning acquisition specifies certain conditions, they would be paramount and they would override all the legislative enactments that have been made till then. That is a point which deserves the consideration of this House. I do not know the constitutional propriety of this clause. I believe my hon friend, Shri Nathwani, is going to deal with this point and so I do not want to say much about it. But to a layman like me, it appears that these are very wide powers given to the executive to override the legislative enactments—provisions under this Bill as well as any other law for the time being in force.

I now come to the chapter on accounts and auditing. Here again, most of the provisions are copied from the State Bank, but still this thing suffers from lack of clarity as well as elegance. The very first clause 39 says that a subsidiary bank shall cause its books to be closed and balanced on the thirty-first day of December in each year. This is a matter which must be regulated by rules, regulations and things like that. There is no necessity for a provision in the Bill to say that the bank shall close its books and balance its accounts on a particular day. Yet, a very vital thing, viz, "each subsidiary shall prepare a balance sheet and profit and loss account" is not found here. Though it says that the auditors will be supplied with copies of the balance sheet and profit and loss account, there is no provision that each subsidiary bank shall prepare a balance sheet and profit and loss account. Matters which in my opinion could have been regulated by rules have been embodied here, but matters which are important and vital have been completely left out.

I may invite your attention to clause 41, sub-clause (5). This sub-clause says:

"The auditor shall hold office for such term not exceeding one year as the State Bank may fix at the time of his appointment."

Where are they appointed for less than a year? In which company, which corporation, are the auditors appointed for less than a year? The minimum period, the least period for which an auditor should be appointed, is one accounting year. If that is so, I do not see much meaning in sub-clause (5). It may be, the hon Minister may explain, that in the first instance the appointment of auditor may be for a smaller period. But, surely, that should be provided in a proper way. You cannot appoint more than one auditor for the same year—one for six months and another for another six months and so on.

Then, if you kindly see sub-clause (4)(b) of clause 41, it says

"may, at the expense of that subsidiary bank, employ accountants and other persons to assist him in investigating such accounts."

Now, the auditors are appointed for a certain annual fee. That fee is paid to them for auditing the accounts of the company, and that is inclusive of all expenses that they are likely to incur except the out of pocket expenses which they may incur for travelling etc. Now, merely because you find such a provision in the State Bank of India Act, you have put it word by word, comma by comma, here. What is the meaning of this? There are more than 30,000 companies in this country and each company is audited by an auditor. I do not think any company has made the provision that at the expense of the company the auditors should appoint as many accountants as the auditors want for this purpose.

Mr. Chairman: May I just say something? I do not know whether the hon Member was present during the general discussion when the Bill was being remitted to the Joint Committee. All these details which the hon Member is referring to would have been quite appropriate at that stage. Now it has come out of the Joint Committee only the changes that have

[Mr. Chairman]

been made by the Select Committee, or not made by the Select Committee, should be referred to. If we now have a detailed examination of each and every clause and even the procedure, I think it will take much longer time.

Shri Morarka: I do not propose to take much time. As regards my being present, I was hoping that since the Bill was going to the Select Committee all those points would be ironed out. But I cannot hide my disappointment when I see the Bill as it came out of the Select Committee. I went through the Report and found that none of the details has attracted the attention of the Select Committee. That is the reason why I am taking your time in going through the details.

I would appeal to the hon. Minister that at least these auditors, director and such other persons should be made responsible to the shareholders, as long as there are shareholders other than the State Bank. You cannot impose the State Bank as a super-shareholder. Of course, it is a majority shareholder and so you have given it the right of more than what the majority can have. You have given them the right of nominating a disproportionately large number of directors. You have given to the 45 per cent shareholders the right to elect only two directors and to the 55 per cent shareholders you have given the right to nominate the remaining 7 or 8 directors. Be that as it may I have no grievance about it. But, still the shareholders must get copies of the balance-sheet. The shareholders must know what is going on in the bank or company of which they are the shareholders. There is a provision for holding a general meeting. But nobody says what would be the notice

How many days' minimum notice would be given to the shareholders before a general meeting is convened or held? I mean to say that fundamental things are left out. No step or care is taken to protect the interests

of the shareholders. It is as if they are made shareholders by sufferance, if you want to take the shares on these terms take them, we are not at all interested to give you. That type of attitude is not proper.

So, while I welcome very much the idea of creating subsidiary banks with a view to serve individual and local interests of those localities, I cannot refrain from remarking that the Bill suffers from noticeable lacunae and deserves the serious consideration of the hon. Finance Minister to plug those loopholes as far as possible.

An Hon. Member: Create subsidiary shareholders.

Shri Nathwani (Sorath) Sir, since I am invited by my hon. friend, Shri Morarka, to say a few words on the constitutional aspect of clause 38, I will say that the provisions of clause 38 offend article 31, sub-section 2 of the Constitution. But before I do so, I would like to say a word about drafting. Several lapses have been pointed out and I do feel that more attention should be paid to the drafting. My hon. friends say that the Joint Committee has almost ignored this aspect. But it is not so. At least I find that one hon. Member, Shri Subman Ghose, has written a note of dissent drawing attention to the loose drafting. I believe that elegance is not the virtue only of tailors and cobblers, but also of legal drafting and we should be alert enough to bear this aspect in mind because as Shri Ghose has pointed out it is the Parliament and, particularly, the lawyer Members of the Parliament who have sometimes to bear the brunt of this criticism outside this House.

I say that the provisions of clause 38 offend article 31, sub-section 2, for the following reason. If you look at sub-clauses (2) and (3) of clause 38, you will find that it provides for the acquisition of a banking institution. Sub-clauses (2) and (3) give power

to the Board of Directors of the subsidiary bank concerned and the directorate or management of the banking institution to fix the terms and conditions relating to the acquisition and after the Central Government has accorded its sanction they become binding. My hon friend referred to the sweeping powers that are given to these authorities, but my grievance is that they do not lay down the principles on which compensation is to be paid for such acquisition. The terms and conditions will certainly provide for the compensation but it is for the legislature itself either to fix the amount of compensation or to lay down the principles governing the award of such compensation and neither of it is being done by sub-clauses 2 and 3 of clause 38. That is my grievance.

Article 31, sub-section 2, provides that no property shall be compulsorily acquired unless the law provides for compensation for the property so acquired and either fixes the amount of compensation or specifies the principles on which, and the manner in which, the compensation is to be determined and given. In clause 38 there

is a subsequent sub-clause, sub-clause 6, which provides for the manner of giving compensation, but the principles of compensation are nowhere laid down in sub-clauses 2 and 3.

It merely delegates the power to certain authorities mentioned in clauses 2 and 3. Who is to determine the amount of compensation—the board of directors of the subsidiary company and the directors of the banking institution? And, of course, the Central Government is there. But that is not the same thing as laying down the principles on which the compensation is to be paid.

I know that clause 38 is a reproduction of section 35 of the State Bank Act. There also similar provisions are laid down. But there is no reason why, if our attention is drawn to the provisions being unconstitutional, we should pass it in the way or in the manner it is worded. This is all that I have to say.

17.01 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Wednesday, August 12, 1959/Sravana 21, 1981 (Saka)