

[Shri T. T. Krishnamachari]

am afraid I am unable to accept the suggestion made by my hon. friend opposite and extend to the doctors the privileges that we have given to permanent employees or people who are permanently wedded to the Insurance profession. I have already told the management that they should exercise their judgment in such a manner that people who are full-time people are not deprived of their livelihood. I shall certainly ask the Corporation to take what I have said today as a direction and see that if anybody is inconvenienced, whether they could be accommodated. Beyond that I am unable to agree.

Mr. Deputy-Speaker: The question is:

"That the Bill, as amended, be passed.

The motion was adopted.

RESERVE BANK OF INDIA
(AMENDMENT) BILL AND STATE
BANK OF INDIA (AMENDMENT)
BILL.

Mr. Deputy-Speaker: We pass on to the next item. There is the Reserve Bank of India (Amendment) Bill and the State Bank of India (Amendment) Bill. As recommended by the Business Advisory Committee—that recommendation was approved by hon. Members of this House this morning—we have decided to discuss these two Bills together. So I suggest the discussion shall be on both the bills. The motion will be made first by the hon. Minister and then we will have discussion.

The Minister of Finance (Shri T.T. Krishnamachari): Sir, I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration".

I also beg to move:

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

These Bills are more or less interlocked. The main object of introducing these two Bills, as will be seen from the Statements of Objects and Reasons, is to enable the Reserve Bank of India and the State Bank of India to provide the private sector of industry with medium-term finance facilities. I think it would be of help to the hon. Members and save the House some time if we could consider these two Bills as one.

In spite of the existence of bodies like the Industrial Finance Corporation, the State Financial Corporation and the Industrial Credit and Investment Corporation, medium-term finance facilities in the private sector of industry are still inadequate for the purposes of the Plan. The difficulty is particularly noticeable in the case of industries of medium size. I have been considering how best we can meet the difficulty and create conditions under which deserving industries of medium size can secure medium term loans on reasonable terms and contribute to increase in production.

I also know a fact which came within my knowledge because of the present stringency in the monetary market that most of the banks usually convert their short term loans into medium-term loans. Though they are ostensibly intended to cover a short term period, they are more or less renewed from time to time and this seemed to be a very unhealthy position, because what we would like to be known as medium-term loans is not categorized under the requirements of law and it happens that the State Bank of India could not simply own such a practice; even there, the tradition has been that way.

It happens that according to the Agricultural Commodity Agreement signed in August 1956 between the Governments of India and the United States under American Public Law 480, a sum of about Rs. 26 crores

*Moved with the recommendation of the President.

(equivalent to \$55 million) is to be reserved for re-lending to private enterprise in India. As I mentioned in my Budget speech last week, a scheme in outline has been evolved after discussion with the American authorities for channeling these funds through a Refinance Corporation, which will provide re-lending facilities against loans given by Indian Banks. I am anxious and I think the Members share my anxiety too, that a Corporation is set up without delay. Under the existing provisions of the Reserve Bank of India Act, however, the Reserve Bank cannot contribute to the capital of the proposed Refinance Corporation. The amendment suggested in clause 2(iii) of the Reserve Bank of India (Amendment) Bill is to enable the Reserve Bank of India to contribute to the capital of the proposed Corporation or any such financial institution which may be established. Maybe there are other institutions in which the Reserve Bank will have to take interest. As we are now reshaping our monetary structure, I am attempting to bring the Reserve Bank more and more into the picture so that it might have its fingers on the pulse of everything that is happening in the monetary field. A similar amendment has also been incorporated in the State Bank of India Act (Amendment) Bill, 1957,—vide clause 4(3)(xix a) of the Bill. Under the existing provisions of the State Bank of India Act, the State Bank is debarred from making loans or advance for a period longer than six months unless specifically provided in the Act. As I said, most banking circles get over this difficulty by renewing loans. As loans eligible for discount with the proposed Refinance Corporation would normally be for periods between 3 and 7 years, clause 4(3) (xix b) has been introduced in the State Bank of India (Amendment) Bill in order to enable the State Bank of India to grant loans and advances in excess of six months but not exceeding seven years.

Clause 2(ii) of the Reserve Bank of India (Amendment) Bill is intended to enable the Reserve Bank of make

advances for temporary periods to the proposed Refinance Corporation or any other financial institution which may be established if such institutions require such short-time help.

I would now like to explain the other important clauses of these two Bills one by one. Taking the Reserve Bank of India (Amendment) Bill first I may explain how the words "principal currency authority of Ceylon" which are now going to be removed from the statute, vide clause 2(i) of the Bill came to be there. When the currency function in Ceylon was entrusted to the Board of Commissioners of Currency of that country, the Board was required to keep a part of its currency assets in India. In order to enable the Principal Currency Authority of Ceylon to draw advances from the Reserve Bank of India the name of the authority was included, in 1941, in sub-section (4) of section 17 of the Act which enumerates the bodies to which the Bank would make loans and advances. With the establishment of the Central Bank of Ceylon as a full-fledged currency authority, the Reserve Bank of India has no longer to make any advances to them. It is, therefore, considered unnecessary to keep this name included in the statute any more.

Then comes clause 3 of the Bill. High denomination notes of the value of Rs. 500, Rs. 1,000 and Rs. 10,000 which were issued prior to the 13th January, 1946 were demonetized in terms of the High Denomination Bank Notes (Demonetization) Ordinance, 1946. Although the bulk of the notes has been encashed by the holders in terms of the provisions of the Ordinance, exchange on some of the notes was refused under the Ordinance and some notes have not been presented at all. These un-encashed notes have long ceased to be legal tender, but they still continue to be included in the figures of the currency in circulation as there is no specific provision in the Reserve Bank of India Act enabling the Reserve Bank to write off their value. Accordingly, these notes constitute a liability of the Issue

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Department of the Reserve Bank under section 34 of the Act. Clause 3 of the Bill seeks to modify sub-section (2) of section 34 of the Reserve Bank of India Act suitably so as to extinguish the liability of the Issue Department in respect of the outstanding denomination notes.

Under the existing provisions, the Reserve Bank of India can include in the Second Schedule, a corporation or a company incorporated by or under any law in force in any place outside India doing business of banking in India. But there is no provision under which the Reserve Bank can include in the Second Schedule any institution like the Bank of Patiala or the State Bank of Saurashtra which are not companies under the Companies Act. Hon. Members are no doubt aware that the Bank of Patiala is at present governed by an Order of the State Government, namely, the Bank of Patiala (Regulation and Management) Order, 1954, and the State Bank of Saurashtra is similarly governed by the Saurashtra State Banks (Amalgamation) Ordinance, 1950. Clause 4 of the Bill seeks to remove this lacuna. The provision has, however, been made that the Reserve Bank of India cannot include any such institution in the Second Schedule without a notification being issued to this effect by the Central Government.

Now, Sir, coming to the clauses of the State Bank of India (Amendment) Bill, at present the Chairman of the State Bank of India has to be specially appointed a member of the Bombay local board by means of a notification issued by the Government. To avoid this round-about formality and to enable the Chairman to have personal contact with members of the local boards at Calcutta and Madras, or any other circle that might be formed in future, it is considered necessary to amend the Act to the effect that the Chairman of the State Bank becomes an *ex officio* member of all the local boards and also of such local committees as may be constituted in future. Since it may not be practicable for

the Chairman to attend the meetings of all the local boards and local committees regularly, it is felt necessary to provide that the provisions of section 23(c) of the Act relating to disqualification arising from absence without leave for more than three consecutive meetings shall not be applicable to the Chairman. Clauses 2 and 3 of the Bill are intended to achieve this object.

The Tariff Commission in their recommendation on the Automobile Industry, observed that the Reserve Bank of India, in consultation with the commercial banks should evolve a suitable scheme for extending facilities to transport operators for purchase of vehicles. Under the existing provisions, the State Bank of India cannot make advances to firms and companies engaged in the financing of hire purchase transactions. It has now been found that financing the purchase of trucks has been a method by which several money-lenders have made enormous amounts of money. This source of finance has somewhat dried up for people who want to purchase trucks. Oftentimes it happens to be individuals or groups of individuals owning one or two trucks. It is therefore intended that some facilities should be provided in the manner indicated by the Tariff Commission for small operators to be able to get some credit. Clause 4(1) (a) is intended to enable the State Bank of India to undertake this type of business, subject to such directions as may be issued by the Central Board which includes a representative each of the Government and the Reserve Bank of India.

Clause 4(2) provides that the State Bank of India can act as an agent for the Central Government or any State Government or any corporation in implementing any scheme for financing the construction of dwelling houses and advancing or lending of money as such agent from out of the funds placed at its disposal by the Government or corporation concerned. This amendment is sought to be made

with a view to bringing the banking structure of India for medium term financing for housing. I had mentioned the other day when an hon. Member asked about the housing policy of Government that the Ministry of Works, Housing and Supply is at the moment engaged in evolving an integrated policy. It may be some legislation may be undertaken in that regard in future. In any event there is certainly room for the provision of medium term financing on accepted banking methods in order to solve the problem of shortage of housing and in every case these bodies, whether they are cooperative societies, or housing corporations or any other companies find it difficult to obtain finance for medium term from recognised credit institutions and they have to depend very largely on governmental assistance. The object of this amendment is to bring in the banking structure to help in purchase of land and development of land for housing and for the provision of medium term credit for enlarging housing facilities.

Similarly clause 4(3) (xix c) will enable the State Bank of India to lend money to cooperative housing societies all the members of which are officers or employees of the State Bank for a period in excess of six months. These loans may be granted even upon the security of an immovable property.

Experience has shown that all the necessary formalities cannot be completed by the State Bank before the end of February for presenting the annual report for the year ending December 31 by the Central Board at the Annual General Meeting as prescribed at present. Clause 5 of the Bill is intended to give one month's more time to the Bank to hold the Annual General Meeting.

Practically all these provisions are non-controversial. They are intended essentially to expand the utility of these two institutions to the public. With these observations I move that these Bills may be taken into consideration one after another.

Mr. Deputy-Speaker: Motions moved:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

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

The House has given permission for both these Bills to be discussed together.

Shri Prabhat Kar (Hooghly): Sir, I would like to say something on the Reserve Bank of India (Amendment) Bill. No doubt it is necessary to bring the Reserve Bank more and more into financing the industries, and as such we agree that suitable powers should be granted to the Reserve Bank of India. But our experience of the working of the three or four financial Corporations in relation with the Reserve Bank has been somewhat, may I say, not encouraging. Although we want the Reserve Bank to come to the aid of the industries, we have seen that the present directors take interest in the industries with which they are concerned; and a Committee which was appointed to go into the workings of these Corporations gave an adverse report on it. We would like the Finance Minister to assure us that the other Corporation which he proposes to form will not follow suit.

Secondly, in regard to the formation of the Re-finance Corporation, as far as we understand fourteen banks have been invited to contribute to the capital and form the Corporation. I fail to understand why some foreign exchange banks have also been included in this. Because, so far as the working of the foreign exchange banks is concerned, the profits they earn go out of India. Secondly, their share capital, their reserves are not kept here. At a time when there are other banks who with the help and co-operation of the Reserve Bank could serve the country better, I do not know why four of the foreign exchange banks have been included in the formation of the Corporation. We would request the Finance Minister

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when finalising the formation of the Re-finance Corporation to consider this point and include other Indian banks in the place of the four foreign exchange banks which have now been invited to form the Corporation.

Otherwise, so far as the provisions are concerned, for medium-term loan for industries it is necessary to have a Corporation. I would only request the Finance Minister to consider the two short points I have made while forming the Re-finance Corporation.

Shri B. C. Ghose (Barrackpore): Sir, I shall confine my observations to the Reserve Bank of India (Amendment) Bill only. I must confess that I was rather pleasantly intrigued by an observation in the Statement of Objects and Reasons to the effect that the purpose of the Bill is to provide medium-term finance. I wonder since when the Government have thought of making a distinction between medium-term and long-term financial requirements of industries and establishing separate institutions for the two purposes. Until now we had made a distinction between only short-term and long-term requirements, lumping medium-term requirements with the long-term requirements, and providing two kinds of institutions, namely the commercial banks for the short-term requirements and a number of institutions like the I.F.C., I.C.I.C., N.I.D.C., S.F.Cs and the Small Industries Corporation for the provision of long-term finance. Is it this fact that the American Government has made available certain funds to the Government of India on certain conditions, which has led Government into establishing this institution? Or does the Government feel that there is a necessity for making a distinction between medium-term and long-term finance required by industries and for setting up separate institutions for the provision of the two kinds of finance? And I should like to ask the hon. the Finance Minister in that event as to whether it is his intention that institutions like the I.F.C., the I.C.I.C. or the S.F.Cs

and the like would be prevented from providing medium-term finance.

Of course, medium-term finance will have to be defined properly. Generally speaking, we should say that loans and advances made for a period of between two to three and five to seven years would be considered medium-term finance. It would appear from the Bills that the Government would set a limit at seven years for medium-term finance. Is it the Government's intention to do that?

From the Statement of Objects and Reasons it would appear that the Government feel that so far as long-term finance, apart from medium-term finance, is concerned there is adequate provision already in the country for satisfying that need. But I am sure the Finance Minister knows very well that even long-term finance for industries is not available to the extent that industry requires it.

The next question that arises is what was the necessity for setting up an institution of this kind; could not this finance be made available through certain existing institutions, if it is not the intention of the Finance Minister to prevent the existing institutions which are providing long-term finance from providing medium-term finance as well? In that event another institution would only add to the cost.

I do not know but it is said that the American condition was that this fund should be made available to provide funds—and they would prefer it being made directly available—to commercial banks, but Government intervened and wanted certain institutions through which to channelise the distribution of this fund. I do not know if that is true.

But even if Government felt that they should have a control over the distribution of these funds, they could have done it through the I.F.C. I do not know what stood in the way.

There is this point also that we are having a plethora of institutions for the provision of long period finance,

let us say, the I.F.C., the I.C.I.C., the N.I.D.C. etc. I know, the hon. Minister stated that each one has certain special functions and purpose, but at the same time they increase the cost and duplicate the same machinery. It would certainly simplify matters if we had a smaller number of institutions. We can have one in the private sector and one in the Government sector. In that sense, if it is not the intention of the Government to separate strictly the two kinds of finances, I should think that it would have been advisable for the Government not to take the initiative to set up another institution.

I should like to bring another point to the notice of the Finance Minister and that is about the requirements of the small and medium-sized industries to which he made mention. Of course this institution, I should imagine would not provide finance only for medium sized industries but also provide medium term finance for any industry.

Shri T. T. Krishnamachari: There would be a limitation in regard to the size: Rs. 50 lakhs.

Shri B. C. Ghose: If that is so, it automatically follows that the existing institutions will not be prevented from providing medium term finances required by larger industries for five or six years. The I.F.C. and others will provide this. If the intention was to provide finance only for medium and small industries, why should it not provide for a longer period also, because, as the Finance Minister will recall, the Shroff Committee had, recommended the establishment of some such institution for the provision of finances to small and medium-sized industries—I forget what they call it, Special Industrial Development Corporation or something of the sort. At that time, the then Finance Minister said that they would first want to see how the S.F.C.s were working before setting up any other institution. I can understand the setting up of an institution for the provision of finances to small and medium-sized industries,

which is a very crying need. Because, anybody who has any experience of these industries knows that they experience great difficulty in obtaining finance. Not merely the medium-sized industries; there is also another category. This category is new entrants into the field of entrepreneurship. If somebody wants to start an enterprise and he has no background or experience, even though he may be very talented and very able, he finds it extremely difficult to get together the finances required for starting any industry. Today, one cannot raise capital by offering shares to the public and the funds that could be obtained from friends and relations are also drying up. In that sense, I would urge the Finance Minister to consider that there should be some agency available particularly to help small and medium sized industries and those people who just enter the field of entrepreneurship.

There is only one small point and I have done. In clause 3, it is said:—

“(b) any bank note referred to in section 26A”,

They were demonetised and nobody can get funds for these notes now. This clause states that if the Central Government would so direct, the Banking Department may pay such demonetised notes. There is no such provision in the Act today. What is the reason why this provision has become necessary? If the payment of these demonetised notes were not found necessary so long, what would be the contingency under which Government feel that Government may want to repay some of these demonetised notes. Why has this provision been added to in this Bill? There was no such provision in the existing Reserve Bank of India Act.

Shri Mohiuddin (Secunderabad): Mr. Deputy-Speaker, I wish to confine my remarks to the State Bank of India (Amendment) Bill. The Statement of Objects and Reasons of the State Bank of India (Amendment) Bill says: ‘in order to enable

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the Bank to assist in providing adequate medium-term finance to industries in the context of the industrial development contemplated under the Second Five Year Plan, the restrictions on the Bank on advancing money for more than six months are being removed. This change in the provisions of the State Bank of India Act is rather revolutionary as far as the banking structure is concerned. We have, for the last 50 years, considered the problem of commercial banking and industrial banking, whether they should be combined in one system as it is in some countries on the continent of Europe or whether commercial banking should remain separate from Investment Bank or Industrial Bank, the investment in the connection covers medium term and long terms. Now, all of a sudden, the State Bank of India is allowed to make advances for periods not exceeding seven years. The Banking Enquiry Committee that was appointed in early thirties had considered this question. They did recommend:

"We consider that, in India, in connection with this issue of shares and debentures by industrial companies, such of the existing commercial banks as are well established and carry on their ordinary banking business on the safest and soundest lines, might, with advantage to industries, follow, as far as possible, the German system."

They made a suggestion to the shareholders of the Imperial Bank that, if they desire, they can adopt this, what they called the German system. The Finance Minister is now implementing this recommendation made by the Banking Enquiry Committee after about 25 years.

Shri T. T. Krishnamachari: I am not guilty of any such knowledge.

Shri V. P. Nayar (Quilon): Let us also have the benefit of that.

Shri Mohiuddin: That is why I particularly invite the attention of the Finance Minister to another quotation. The Banking Enquiry Committee had said:

"We desire, therefore, to state that our recommendation is in the nature of a suggestion to the shareholders of the Imperial Bank of India. But, we are sure that if our suggestion is carried out, it would not only promote general industrial development of the country, but it will also be equally profitable to the Bank itself."

Shri T. T. Krishnamachari: As the principal shareholder, I will accept the suggestion.

Shri Mohiuddin: The Government and the Finance Minister being the principal shareholder, after 25 years, are now implementing this recommendation. Whether this recommendation is a sound one, whether the proposal which the Finance Minister has brought forward now is sound, is, of course, a different question.

The Shroff Enquiry Committee has also gone into and discussed this question of medium and long term financing of industries. The Shroff Committee had recommended:

"The Committee has examined the issue and it is of the opinion that in the general interests of the credit structure of the country, it does not appear to be desirable to encourage that tendency on the part of Banks to lean on the Reserve Bank for providing liquidity against these advances which they make on their own judgement and initiative."

17 hrs.

The reference in this paragraph to liquidity is to the fact that the representatives of the banks had appeared before the Shroff Enquiry Committee and suggested that they might be able to undertake medium

and long-term financing of industry provided the Reserve Bank of India was willing to rediscount, readily rediscount, the papers which they obtained from the industries. The immovable assets of the industries would be hypothecated or mortgaged with the commercial banks, and these documents, arising from the transaction may be readily rediscounted by the Reserve Bank of India in case of necessity. The proposal now is that the State Bank may be permitted to give loans and advances to industries not exceeding seven years. This example will naturally be followed by other commercial banks. Is the Reserve Bank willing to rediscount, or is it permitted for the Reserve Bank under the Act to rediscount a paper, the security of which is immovable property of the industries? It is a very important consideration whether the deposits which can be withdrawn on demand, may be diverted to industrial loans for which the only security is immovable property.

This is a revolutionary change as I said before as far as the Indian commercial banking is concerned, and unfortunately the hon. Finance Minister has brought this revolutionary change in a small Bill which he was pleased to call non-controversial. I think there is a good deal of controversy about it, as to whether this change is desirable or necessary at this stage. It may be necessary, but is it desirable?

The deposits in the commercial banks are not going up. They are moving up very slowly. With the increase in circulation of money in the country the increase in the deposits has been very negligible. The advances of the commercial banks for normal purposes has gone up in March, 1957 to 76.58 per cent of the liabilities of the banks. In 1955-56 it was only 63 per cent, and a few years ago it was about 55 or 56 per cent. With this increasing demand on the banks for advances, for short-term advances, with this increasing demand on the banks for financing the movement of crops and

for purchase of raw materials and for working capital of industries, I doubt very much that the introduction of this element of medium-term advances in the system of commercial banking would be desirable.

There is no difference between medium and long-term for commercial banks. The depositors of commercial banks are demand depositors. Whether the loans are given as medium-term or long term for 20 or 15 years does not matter as far as the depositors are concerned. Therefore, I really do not make any difference between a medium-term and long-term advance as far as commercial banks are concerned.

There is no doubt that during the last ten years there have not been a serious boom and depression. There have been fluctuations in the world in 1948 and again in 1952 and 1953, but these fluctuations were moderate as compared with the booms and depressions that were characteristic of the pre-war period. The economic review published by the United Nations dealing with the economic conditions of the world for the last ten years gives a warning that because of the absence of serious depressions and serious booms, it should not be taken for granted that the economy of the world has overcome serious defects in its working. They have shown that there were special reasons during the last ten years which tempered the intensity of the fluctuations, and they have said that in future we may have serious booms and serious depressions. We had crashes in 1952 when the Reserve Bank took action to control the credits, and to check inflation. We witnessed serious crashes in the market and we remember very well that the agricultural produce like groundnut, castor seed and so on which had been hypothecated with the banks in large quantities had to be sold at reduced prices. There was a very serious tendency of deflation in the country at that time and many of the banks had difficulties. We should not, therefore, overrule the possibility of serious crisis for banks in the future.

Shri T. T. Krishnamachari: God forbid!

Shri Mohiuddin: We should not overlook the danger. By changing the structure of the State Bank of India, the example of which will be followed by other commercial banks, I think we are unnecessarily running a risk for the future. The medium-term and the long-term loans that will be advanced by the banks from the demand deposits may prove a danger to the banking structure of the country.

There is a proposal to set up a re-finance corporation, as my hon. friend Shri B. C. Ghose said, when we have industrial finance corporations both at the Centre as well as in the States, and also other corporations, is it necessary that this element of risk should be introduced in the commercial banking of the country? The only justification which the Finance Minister advanced in the course of his introductory remarks was that, as a matter of fact, the commercial banks make advances for one year or for short periods; but these advances are renewed from time to time, and they are actually medium-term advances. But the banks have a right to recall the loans; they have a right to refuse to renew, in case of difficulty. But in the case of medium-term loan for about five or six or seven years, that right of recall or refusal to renew will be absent, and it will still remain a long-term advance.

I wish this revolutionary change had been introduced after a thorough enquiry and after examining whether more institutions for long-term and medium-term financing of industries cannot be provided for otherwise.

In clause 4 of the Bill we find that the following sub-clause is proposed to be inserted, namely: ?

“(ff) subject to such direction as may be issued by the Central Board, book-debts or other assets of any undertaking engaged in the financing of hire-purchase

transactions which are hypothecated to the State Bank as security for such advances, loans or credits;”.

The Finance Minister has justified this on the basis of big profits being made by money lenders on purchase of trucks by private persons. I have only one suggestion to make in this respect, and that is, that, if the Finance Minister agrees, a provision may be made after this sub-clause that the outstanding amount from any individual or any firm or corporation under this heading will not exceed at any one time such sum as may be prescribed, so that the advances made to any one person under this heading or to any one firm or corporation under this sub-clause may not be excessive.

The Finance Minister says that that may be provided for by directions, because the words are “subject to such directions as may be issued by the Central Board.”

I have no objection to that, but it would be desirable that these provisions restricting the amount of advances to individuals at any one time or to any firm at any one time should be limited.

Shri Bharucha (East Khandesh): I shall first refer....

Shri T. T. Krishnamachari: On a point of order?

Shri Bharucha: The hon. Minister will have plenty of them, in due course, and at the right time. Let him not worry about it.

Shri Heda (Nizamabad): The hon. Member would be remembered for points of order.

Shri Bharucha: I shall first refer to the State Bank of India (Amendment) Bill. The desire of the Finance Minister to provide medium-term finance facilities is certainly commendable. I quite agree with him that though in our States we have certain financing corporations, they have not done well. In the case of Bombay, in particular, I know that

our State Corporation has not advanced in the last two years of its existence even a crore of rupees. It has barely examined applications from seventy to seventy-five industries and provided loans for thirty to thirty-five applicants. That being the case, it is very necessary that there should be a very considerable expansion of the medium-term finance facilities.

But what has been proposed to be done is rather questionable. Take, for instance, the following provision which appears in clause 4:

“(ff) subject to such directions as may be issued by the Central Board, book-debts or other assets of any undertaking engaged in the financing of hire-purchase transactions which are hypothesized to the State Bank....”.

In other words, the State Bank is permitted to advance moneys to hire-purchase firms or corporations which go into that business.

When the Finance Minister imposed taxation on us, his one objective was to restrict consumption. He definitely told us that in view of that fact that there would be very large demands on consumer goods and the supplies would not be adequate, there was difficulty, and probably the fear of prices rising, and the only way to check that rise in prices was to impose greater taxation and see that the consumption was restricted.

Now, the result of this particular clause is exactly contrary to what the Finance Minister intended. It is a well known fact that hire-purchase transactions encourage consumption. And why does he presume that the hire-purchase transactions will relate only to trucks? They will relate to radios, refrigerators, and a hundred other things, which I may require, for which I have not enough money to pay down in cash immediately, but which these particular companies which enter into the hire purchase business will help me to obtain by enabling me to have the necessary money for the purpose.

It is a well known fact that ever since the United States entered into this hire-purchase business on a very big scale, the consumption of consumer goods has gone up. In fact, it was one of the strategies utilised by the U.S. Government to encourage hire-purchase system, so that there might be a big demand on the goods and there will be less unemployment.

If the Finance Minister says that he wants to restrict consumption, then how can he encourage hire-purchase firms or companies with credit facilities? He must restrict them. Today, if I have not got sufficient money to buy a motor car or a radio or a refrigerator, I can go to company and say that I want the article, and that company will provide the necessary money; the result is that there is greater demand on a limited amount of consumer goods. That is very obvious. Therefore, I cannot understand how he proposes to reconcile this particular method of advancing money for hire-purchase transactions, when he is out to see that the spiral of rising prices is arrested.

What is more, he says that book-debts also might constitute sufficient security for such advances. Book-debts may look very good on paper and very sound on paper. But unless one knows what is actually behind those book-debts, it is very difficult for one to say whether they are sound security or poor security. On paper, book-debts may show that such and such an amount is due from such and such an individual. Unless we know whether that individual is sound or whether that particular debt has been properly and adequately secured, whether the title deeds are proper and so on, it is a very risky thing to advance loans merely on book-debts, and that too, to hire-purchase companies. I do not think this is a sound business into which the State Bank ought to enter.

There is also another point to which

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Finance Minister. At page 2, in sub-clause (3) of clause 4 of the Bill he refers to:

“(xixb) the advancing or lending of money to persons engaged in such industries or classes of industries as may be specified by the Central Board by directions issued in this behalf for any period in excess of six months but not exceeding seven years.....”

Here I would like to know as regards the expansion of credit facilities to the private sector, what precautions will be taken to see that there is no lopsided capital investment. Because once you throw open medium-term finance facilities to the private sector, generally it is very difficult to exercise control and channelise investments. If your planning has got any meaning, the first meaning is that the society's available capital resources must be directed only to such industries as go to aid your Five Year Plan. I think the hon. Minister stated in his speech on the 19th March, 1957 that already the private sector had borrowed to the extent of Rs. 117 crores. In other words, their investment resources were inadequate and they borrowed heavily. I think that figure has gone up much more now. Now, as a result of this provision of growing facilities for medium-term finance, there will be a great deal of borrowing on the part of the private sector. I say again that if planning has any meaning, the first thing to be done is to check investments and channelise the investments.

Suppose I as a private manufacturer want to go in for manufacture of lipstick or something else with which the society is not immediately concerned, which is not of very great importance to the society. But it may bring me immediate private profit. Therefore, I shall utilise these medium term facilities for starting an industry like that. As a result, much more needed industries will be starved of funds.

While it is true that some sort of directions by the Central Board are intended, I should like to know what is the overall check to ensure that these medium term finance facilities are not availed of by the private sector for such purposes as do not immediately concern the needs of the nation. They may go in for fancy goods, for luxury goods, which the nation does not need at the moment. Therefore, while the floodgates of financial facilities are thrown open, you have got to see that the proper type of business gets these facilities and none other.

There is also one other point to which I would like to invite the attention of the hon. Minister. Advances to co-operative housing societies are restricted to employees' societies. I think in view of the very acute shortage of housing, other co-operative housing societies should also have the same facilities. I do not understand why other housing co-operative societies are not given the same amount of facilities as the societies of employees of the State Bank. I do hope the hon. Finance Minister will take this factor into consideration.

With regard to the Reserve Bank of India (Amendment) Bill, I only wanted to know one thing. Under the proposed clause 4BB on page 2, loans are restricted to negotiable instruments payable on demand or on the expiry of fixed periods not exceeding ninety days from the date of such loans or advances. This involves very considerable renewals. What was the objection in inserting in the Reserve Bank of India (Amendment) Bill the same provision which you have got in the State Bank of India (Amendment) Bill, namely, for any period in excess of six months but not exceeding seven years? Perhaps there may be technical reasons with which the hon. Finance Minister is more familiar—I am not. I shall be glad to be enlightened upon it.

But I do maintain that it is the duty of the hon. Finance Minister to see that by these Bills the spiral of prices does not remain unarrested. That is our main concern. In fact, that is the excuse he gave for imposing more taxation. He has got to reconcile that excuse with the provisions of the Bills.

पंडित ठाकुर दास भागंब (हिसार) : माननीय उपाध्यक्ष महोदय, मैं आनरेबल फाइनेंस मिनिस्टर साहब को मुबारकबाद देता हूँ कि उन्होंने इन दो बिलों को इस हाउस में इंट्रोड्यूस किया है जिन को हमारे दोस्त फरमाते हैं कि बड़े रिजर्वल्यूशनरी हैं। जिस वक्त स्टेट बैंक बिल इस हाउस के अन्दर था उस वक्त जितने मेम्बरान ने उस की बहस में हिस्सा लिया उन में मैं भी था। हम ने बड़ी कोशिश की कि इम्पूवेल प्रापर्टी के ऊपर, जिस को सब लोग कहते हैं कि रियल प्रापर्टी है, कर्ज दिया जा सके। हम ने हाउस के अन्दर अमैंडमेंट भी पेश किया लेकिन वह मंजूर नहीं हुआ। अगर जनाब वाला अब दफा ३४ पर गौर फरमाएंगे तो देखेंगे कि उस में प्राहिबिशन है कि इम्पूवेल प्रापर्टी पर इस किस्म का कोई लोन नहीं दिया जाएगा। अब हम यह पहली दफा देख रहे हैं जब कि इम्पूवेल प्रापर्टी के बारे में दफा ३३ को चेंज किया जा रहा है। इस मामले में अब तक जितनी पालिसीज रही हैं उनसे यह डिपार्चर है, और बड़ा जबर्दस्त डिपार्चर है, लेकिन निहायत बेलकम डिपार्चर है। मैं अर्ज करना चाहता हूँ कि अगर जनाब वाला पुरानी हिस्ट्री को देखेंगे तो बैंकिंग इन्क्वायरी कमेटी, जिस का हमारे दोस्त ने जिक्र किया, सन् १९२८-२९ में बनी थी।

Shri T. T. Krishnamachari: I would like to tell my hon. friend that if he wants me to reply to him or to even understand what he says, he will have to speak in English.

Pandit Thakur Das Bhargava: I do not want a reply. I am only saying what I want to say and which calls for no reply from the Hon. Minister.

Shri V. P. Nayar: He has been in Delhi for quite a number of years. Can he not understand?

पंडित ठाकुर दास भागंब : मैं यह अर्ज कर रहा था कि सन् १९२८-२९ में जो बैंकिंग इन्क्वायरी कमेटी बनी थी, दूसरी कमेटी ग्राफ कमेटी बनी, उन सब ने देखा कि उस वक्त के मौजूदा कानून में बड़ा रिजिड स्ट्रक्चर था, उन्होंने बैंक को थोड़ा लिग्रलाइज करने की कोशिश की और बड़ी मुश्किलों के बाद आहिस्ता आहिस्ता यह इम्पीरियल बैंक और स्टेट बैंक में तब्दील हुआ। तब जाकर उस की दीवार में मुराख हुआ। उस वक्त कर्ज की मंजूरी की जो बुनियाद थी, बैंक उस म लोगों की मदद को आए। अब हम देखते हैं कि रूल बैंकिंग के वास्ते और कोअपरेटिव सोसायटीज को कर्ज देने के वास्ते, लोगों को मदद करने के वास्ते इम्पीरियल बैंक को स्टेट बैंक में तब्दील किया गया। इसी तरह से इस बिल के अन्दर जो चेंज है उस के लिए हम कहते हैं कि बड़ा अच्छा चेंज है, और सही मानों में दुस्त चेंज है। यह स्थाल कि इस चेंज के करने से इन बैंक का सारा कैरेक्टर तब्दील हो जाएगा, यह बिल्कुल गलत स्थाल है।

मैं इस वक्त भी देखता हूँ कि जो चज स्टेट बैंक में किया गया है वह इस कदर जबर्दस्त नहीं है जिस कदर हम चाहते थे, और जिसके वास्ते इस हाउस में स्टेट बैंक बिल पास करते वक्त हम ने अमैंडमेंट भी पेश किया था। अगर स्टेट बैंक ऐक्ट में तब्दीली की गई है। जनाब मुलाहजा फरमाएंगे कि सेक्शन ४ में जहां पर है :

"engaged in the financing of hire-purchase transactions which are hypothecated to the State Bank as security for such advances, loans or credits".

सरीहन उस का इम्पूवेल प्रापर्टी से कोई ताल्लुक नहीं है, लेकिन मैं अर्ज कर दूँ कि इस वक्त जो जिक्र हमारे फाइनेंस मिनिस्टर साहब ने किया वह ट्रक के बारे में किया कि

[श्री दत्त भार्गव]

ट्रक्स के जरिए से लोगों ने बहुत फायदा उठाया है, और यह सही है कि जिन महाजनों ने लोगों को ट्रक्स के वास्ते रुपया दिया, वह रुपया भी वसूल हो गया और उससे बहुत फायदा भी हुआ। लेकिन हमारे फाइनेंस मिनिस्टर साहब ने जो ट्रक्स के बारे में जिक्र किया कि उनके वास्ते कर्ज देने से उनके उसूल की खिलाफवर्जी हुई है, उस के बारे में मैं कहना चाहता हूँ कि आज के दिन जिस इलाके से मैं आता हूँ उसके अन्दर यह ट्रक्स बड़ा भारी काम कर रही हैं। यह वह इलाका है जिस के अन्दर अभी रेलवे नहीं पहुँची है। वहाँ पर भाखरा डैम के आने से जमीनों की काफी काश्त हुई है और अनाज भी काफी पैदा हुआ है और हो रहा है। मैंने पिछली दफा अर्ज किया था कि इस कदर अनाज हमारे इस इलाके में पैदा होता है कि जिस की इन्तहा नहीं है। जिस वक्त मैंने उसे देखा था उस वक्त अगर हमारे फाइनेंस मिनिस्टर साहब उस फसल को देखते तो वह कभी नहीं कहते कि हमारे मुल्क में अनाज की कमी है। लेकिन वहाँ पर मीन्स ग्राफ कम्युनिकेशन नहीं है। वहाँ रेल नहीं जाती कि वहाँ के अनाज को उठा लाएं। वहाँ पर तो सिर्फ ट्रक्स जाएंगी और जा रही हैं। उन से कई जगहों पर इतना अच्छा काम हो रहा है कि मैं अर्ज नहीं कर सकता। जहाँ पर गाड़ियां चलती हैं, उन के मुकाबले में सस्ते किराये पर वह दूसरी जगहों पर अनाज लेकर पहुँचाते हैं। हायर पर्चेज के लिये जो रुपया दिया गया अगर उसका यह नतीजा हुआ कि ट्रक्स ज्यादा खरीदे गए, और उन्होंने अगर अपना काम पूरी तरह से किया तो आप की फूड प्रॉब्लेम, जो बड़ी सस्त है, उसे हल करने में बड़ी मदद मिलेगी।

इसके अलावा जो तीन चार मदें हैं अब मैं उनके बारे में अर्ज करना चाहता हूँ। मसलन् नम्बर २ एक्स० ए० है। मैं नहीं समझता कि इसमें बैंक वालों ने क्या किया है।

बैंक वाले तो सेंट्रल गवर्नमेंट या किसी दूसरी गवर्नमेंट के एजेंट बन कर जो रुपया वह गवर्नमेंट देगी उसको आगे चला देंगे। जहाँ तक बैंकों के अपने रुपये का ताल्लुक है उनको कोई जोखिम नहीं है।

मद एक्स० आई० एक्स० सी० में जो स्टेट बैंक इम्प्लाइज़ हैं उनकी कोआपरेटिव सोसाइटी बनाकर उसको कुछ रुपया देने की रियायत दी गयी है। इसमें बैंक के मुलाजिमान को रुपया मिलेगा। अच्छा है। अगर उनके पास अपने मकान होंगे तो वे अच्छा काम करेंगे। लेकिन जो हम चाहते थे कि हर शरूस् को इन्फ्लूवेंसिल प्रापर्टी पर कर्जा मिल सके उस किस्म की कोई रियायत नहीं दी गई है।

एक्स० आई० एक्स० बी० में लिखा है :

"the advancing or lending of money to persons engaged in such industries or classes of industries as may be specified by the Central Board by directions issued in this behalf."

इस पर मेरे लायक दोस्त ने ऐतराज किया कि कोई शरूस् लिपिस्टिक की इंडस्ट्री जारी कर सकता है। इस तरह से देश के प्लान को भी धक्का पहुँचेगा और रुपया इस तरह लग जायेगा। लेकिन उन्होंने यह नहीं देखा कि इसके अन्दर वह लिमिटेशन दिया गया है :

"to persons engaged in such industries or classes of industries as may be specified by the Central Board".

यह जरूर देखा जायेगा कि वह किस किस्म की इंडस्ट्री है। हर एक इंडस्ट्री के लिए रुपया नहीं दे दिया जायेगा। मैं अदब से अर्ज करूंगा कि इसके लिए भी क्रेडिट ६ महीने से सात साल तक के लिए दिया जायेगा। इससे आगे के लिये नहीं।

जो प्रमोटिओन हमने पेश किया था उससे हम चाहते थे कि हर किसी को इन्फ्लेक्शन प्रॉब्लम पर कर्जा दिया जाये। हम इसको रेस्ट्रिक्ट नहीं करना चाहते थे। लेकिन अभी रेमार्क में सुराख हुआ है। आयन्दा चल कर वक्त वह भी आयेगा जब कि इन्फ्लेक्शन प्रॉब्लम पर भी कर्जा मिलने लगेगा।

इसके अलावा रिजर्व बैंक में जो एक तबदीली की गयी है वह इम्पैक्ट है। जो बाकी तबदीलियाँ हैं वे टेक्निकल हैं। उनके बारे में कुछ अर्ज नहीं करना चाहता। गवर्नमेंट ने जो नोट जारी किए हैं उनका रूपा वह खुद दे या किसी और के जरिये से दे। लेकिन जो अहम तबदीली की गयी है वह वह है कि कम्पनीज वगैरह को भी अपने शोयर्स पर क्रेडिट मिल सकेगा। फाइनेंस मिनिस्टर साहब क्रेडिट की कमी को महसूस करते थे और उसको दूर करने के लिये उन्होंने यह कदम उठाया है। मेरे लायक दोस्त ने पूछा कि क्या जो दूसरे बैंक हैं वे बन्द कर दिये जायेंगे या कर्ज नहीं दे सकेंगे। इसके लिये इसमें साफ तौर से लिखा है कि जो मीडियम टर्म मिलता है वह काफी नहीं है। उसको बढ़ाने के वास्ते यह फैसिलिटी दी गयी है। इसलिये जहा तक मैं समझता हूँ ये दोनों बिल निहायत ही अच्छे हैं और एक तरह से क्रेडिट को बढ़ाते हैं। यह क्रेडिट अच्छे कामों में लगाया जा सकेगा। क्रेडिट की कमी महसूस की जा रही थी। उसको दूर करने के लिये बिल देश में मुफीद साबित होंगे।

मैं इन दोनों बिलों को सपोर्ट करता हूँ।

Shri S. A. Dange (Bombay City—Central): Sir, I wish to offer a few remarks on the policy that is indicated in the Statement of Objects and Reasons, the policy that is being followed by the Government of India. I have no quarrel with the Bills as such but I have a quarrel,

a very small quarrel and not a very big quarrel, with the policy that is being followed as it appears from the Statement.

For example, the Government of India must use banking finance in a planned way in order to help the development of industries and the development of the Plan. There is no question about that. But, why should the Government follow a policy in which they bring into existence various kinds of financial institutions in between the banks and the Government's policy or Government's budgetary developments or investments in industry.

Here we have an Industrial Finance Corporation. You know what its functions are and this House has had to say something not very complimentary about the operations of this Industrial Finance Corporation some time back. It is a Corporation which lends money on large scale and affords long-term credit and investments in some big industries also. We have got alongside it the State Finance Corporations and the Industrial Credit and Investment Corporation. The State Finance Corporations are more or less State copies of the Industrial Finance Corporation. The Industrial Credit and Investment Corporation—I have been reading about it somewhere—has the characteristic that it provides for the participation of foreign finance in the operations of Indian Industry and I think the World Bank or somebody advances dollar loans as a part of the capital of this Corporation. So, this is another type of a Finance Corporation.

We are being faced with three types of Corporations and here we have one by which some more banking finance is being diverted or a part of it being diverted to medium term investment. My question for the consideration of the Government and the Finance Minister is, could they not combine the whole financial policy of investment of the direction of development under a single insti-

[Shri S. A. Dange]

tution, could that not be done? I should say that if it is not done, then the policy and the Plan will be in danger. For example, planned development of economy and anarchic investment from private banks in industry or trade cannot go together. They can never harmonise. The Finance Minister himself has stated it in his Budget speech. He did not know how so much investment got into the private sector. Why does he not know? For the simple reason that the operations of private banking are not completely under the control of the State which is interested in developing economy in a certain planned direction. So long as this contradiction persists, the Plan will always be in danger. Therefore, could he not come out with proposals to bring about a change such as this? Here is a Reserve Bank which advances money to the Scheduled Banks and supervises their operations and the Scheduled Banks divert their funds into industrial development, commercial development, short-term credits and credits even in doubtful channels—proposals to change this in such a way that all these could be brought into a single scheme. What should be that system?

That system in my mind would ultimately be what has been done with the Reserve Bank and the State Bank. When the Reserve Bank was nationalised, no calamity befell our economy; when the Imperial Bank of India was nationalised, no calamity befell our economy. In fact, it was found that the nationalisation of the State Bank facilitates the planned direction of credit into agriculture under the policies of the Second Five Year Plan. Could not the same thing be done with those huge banks now which control credit in industry? Could the Finance Minister and the Government give a little thought to this question and see whether the big operating banks, which are more or less not smaller than the Imperial Bank of India which has been nationalised, could not also be nation-

alised as the State Bank has been or absorbed into the State Bank so that the whole value of money and credit that exists in the banking system could be directed into channels of investment in a planned manner? Today advances in our commerce and trade cannot take place in a planned manner.

It was all right some years ago. In a backward country with small commodity production most of the advances are bound to be on account of commerce and trade and very little on account of industry. Industry, in those days, was financed, as you know, by managing agencies or foreign banks but that condition has now gone. Now, we are developing our industry and a backward economy is being thrown forward into conditions where industrialisation will be the keynote and where large units of industry will, more or less, be dominating in sectors of production. Under such conditions, it is inevitable that banking should be integrated with the State and the State should control banking if it is going to be a planned development. If it is not, we may as well follow the system in USA or UK where long-term credits are given by huge banks, and monopoly banks and the State go together and make merry in society. We do not want that sort of a development here. So, I suggest that the Finance Minister should give thought to this question of amending these Acts in such a way that there is centralised control over investment more and more through the State and the planning mechanism.

I have got here the Reserve Bank of India Bulletin which I came across today. There are advances to scheduled banks against particular types of securities. I do not talk of other securities like food articles, industrial raw materials, plantation products, manufactured goods and so on. Certainly the Reserve Bank, which has got some controlling powers over the scheduled banks, cannot supervise all their operations in detail.

There is an item here in this bulletin: 'shares and debentures in Joint stock companies'. Advances are made against them and there is a sub-clause which refers to "share and stock brokers and dealers". They are my special friends whenever I discuss this subject and the Finance Minister might excuse me. These people get an advance of about 11 to 13 crores of rupees and the figure oscillates between these two sums during the period December 1956 to March 1957. Some of this money may be advanced for the real purpose of mortgaging share values and investing them into certain other channels. But, we have no mechanism to check how much of these advances is for purely speculative action. When he mentions about paucity of funds and tightness of market, is it good to allow banks to advance money on stock exchange speculation? He knows well that on badla day a lot of money is required by the share and stock brokers when they are in special difficulties and lakhs of rupees are required on that day. But, how is the Reserve Bank to check that the money advanced on real security is used for the purpose of honest trading but is not used for merely the transaction on the badla day? He knows it best. So, would he think of some amendment to the Bill whereby there could be some mechanism which can ensure that advances against securities which are on the face of them very real are not hypothecated for the purposes of speculation? If I take Rs. 11 crores as advances, fifty per cent is spent for speculative purpose. So, six crores are locked up for no useful purpose. Therefore, I would request him to consider this question and bring in some amending Bill so as to check it and also to consider co-ordinating the whole question of banking investments in industries in accordance with the Plan and regulate them as he thinks fit and not according to the likes and dislikes of the private investors.

Shri Tayabji (Jalna) rose.....

Mr. Deputy-Speaker: There are still two hon. Members who want to

speak. This morning we approved the report of the Business Advisory Committee and there it was laid down that two hours should be allotted to both these Bills. We started at about 4.30, perhaps.

Shri V. P. Nayar: There was the business of the private Members.

Mr. Deputy-Speaker: It took only two or three minutes. No provision was made for private Members' business because we knew that it would not take more than a few minutes. If the hon. Members want to speak, I shall allow them.

Shri Tayabji: I shall take only five minutes. I would like to support what the previous speaker has said about not having too many institutions. I appreciate that it is necessary to have different institutions for different types of work but I most earnestly request the Finance Minister to consider whether we are not already having too much of this repetition. Banking is such a kind of work and experience and personal knowledge that count a great deal. Therefore, it is much better to have one institution dealing with more or less related, but different, subjects than setting up a number of different corporations and institutions.

I would like to ask the Finance Minister to consider whether we should not keep the Reserve Bank really as the bankers' bank. He has got in his possession a very powerful bank in the State Bank of India which can be used for the purpose for which he wants it. To bring the Reserve Bank into the field of commercial banking is a step to be taken only after the greatest consideration and only if it is really necessary. There is no reason why the Reserve Bank which is the issuing bank and the bankers' bank should be introduced into commercial banking where there is already a powerful institution at the disposal of the Finance Minister.

Shri T. T. Krishnamachari: It is not being brought into that field.

Shri Tayabji: I refer to the grant of loans; powers are to be given to the Reserve Bank by adding Clause (4BB). It says here:

“the making to any financial institution notified by the Central Government in this behalf of loans.....”

Shri T. T. Krishnamachari: Only ‘financial institutions’.

Shri Tayabji: My point is this. The financial institutions to which the Reserve Bank should make loans should be only banks and not other types of financial institutions.

There is another small point. In the amendment which the Finance Minister proposes to the State Bank of India Act, he says on page 2, line 20 of this Bill:

“(xix) in consultation with the Reserve Bank.....”

Powers are being given to the State Bank of India and it is perhaps unnecessary that it should be compelled by statute to consult the Reserve Bank. The owner of both the banks is the Government and I submit that this type of statutory consultation should be minimised. If the Finance Ministry directs the State Bank to consult the Reserve Bank on certain matters, the State Bank will certainly do it and therefore, I suggest that this statutory requirement be dropped.

Shri Heda: Sir, I will hardly take two or three minutes. I welcome this measure for one other aspect which I want to bring to the notice of this House. In our country we have got quite a good number of commercial banks. Many of them are doing very well. They have got huge sums at their disposal. A few of them may be called giant banks. In spite of that, it is in everybody's knowledge that each of these big banks is practically controlled by some or other industrial group. Therefore, for an independent industrialist or a new industrialist, who wants to come on his own on the basis of merit and enterprise, it is very difficult to get advances or

loans from these banks. Generally, these banks which are controlled by some industrial group or the other advance loans either within their own group or, probably by private arrangements, exchange the advances and loans to each other. Therefore, I particularly welcome this State Bank of India (Amendment) Bill. I hope by this, independent businessmen and industrialists will be able to benefit, and a sort of monopoly leadership that is being created in our country in the field of industry and business will be broken with the result that a vast number of industrialists will be encouraged.

Shri V. P. Nayar: Sir, as it seems to be your desire that we should not exceed the time-limit, I shall confine myself to a few general observations although I have given notice of some amendments.

As the provisions are, I do not see how anything much better can be done by this Bill. I want the hon. Minister to consider, especially in view of his statement while introducing the Bill that he was trying to re-shape the monetary structure of our country, whether this type of legislation is the best suited for the circumstances. I thought that the provision of medium-term credits would have been left to the Industrial Finance Corporation and not assigned to the State Bank of India. As I find, Sir, the State of India Bill, 1955 in its preamble says:

“Whereas for the extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas, and for diverse other public purposes...”

The emphasis there seems to me to be on the provision of credit to rural and semi-urban areas. On the other hand, if you go through the preamble of the Industrial Finance Corporation Act, Act No. XV of 1948, it very definitely states that it is intended primarily for the purpose of affording medium-term credit. This is what it says:

"Whereas it is expedient to establish an Industrial Finance Corporation for the purpose of making medium and long term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital methods is impracticable."

We know that the State Bank of India is a joint-stock bank. It is not a specialised bank for the purpose of providing short-term, medium-term or long-term credits for industries. It can do any one of the known banking transactions. On the other hand, the Government of India have set up a very specialised institution for the provision of credit.

Shri Ranga (Tenali): With the limited funds.

Shri V. P. Nayar: That may be so. If the funds of the Corporation are limited, by all means provide more funds. The difficulty in this case will be that when you have the State Bank of India also to finance credits there will be a conflict and more difficult situations will arise. There are only three regional offices, as I understand, and applications for loans will have to be made to one of them. On the other hand, in the case of the Industrial Finance Corporation there are State Finance Corporations and they are better suited for the purpose in view of their specialised job. In view of this, and also in view of other factors, they are better suited to consider whether a particular industry deserves a short-term credit, medium-term credit or a long-term credit.

I would not have said this. We all know that the Industrial Finance Corporation has not been working in a manner that we would have desired it to function. There has been much criticism about it. I do not want to go into those details. But, to my mind it appears that if the Finance Minister wants to re-shape the monetary

structure, it is better to leave specialised jobs to specialised institutions instead of mixing it up with general institutions for general purposes.

I would also request him to consider another point which has been very ably put by my hon. leader, comrade Dange. I do not want to go into the details, but I would like him to consider whether it is not time, in view of the financial difficulties that we have, to have a centralised planning for the entire banking structure of the country. For providing credit for our industries we must have a completely different approach to our banking. My friend Shri Prabhat Kar was referring to the position of exchange banks of India. I do not want to go into those details, but in an under-developed country where the State has to step in and provide finance, are we, especially in the context of our Second Plan, to leave banking as it is today?

In this connection I would like the hon. Minister to hear what has been said in one of the pamphlets published by the Lok Sabha Secretariat for helping us in the discussion. In this pamphlet, *Institutions for Industrial Finance and Development*, they have given what obtains in the People's Republic of China. It says:

"China now has a nation-wide and centralised system of banking in which the People's Bank of China, a State-owned institution established in December, 1948, plays the key part. All the funds of State-owned industrial enterprises, as well as of the national, provincial and local governments, and the network of co-operatives are deposited with the People's Bank. This agency centralizes the financial resources of the Government and the major sectors of China's economy. It uses the working capital at its disposal for the operations of the economy and the Government."

The Deputy Minister of Food and Agriculture (Shri A. M. Thomas): Just like our Reserve Bank.

Shri V. P. Nayar: It is very much different here in the case of the Reserve Bank. Although I agree that the Reserve Bank is doing something, a very big portion of the banking industry is left in private hands. There is no planning at all. I do not know whether my hon. friend was present in the House when my leader spoke, because in that case he would not have raised this doubt. It is not as though the Government is not doing anything at all, but in the context in which we are today is it enough that we leave a big section of banking to private interests without any planning and then take up, as we have taken up in this little piece of legislation, hotch-potch legislation? When we have other facilities, when we have specialised institutions, several of them, for providing credit, I want the hon. Minister to consider the proposal and tell us what he thinks about it.

Shri T. T. Krishnamachari: Sir, I was agreeably surprised to see the interest that hon. Members of this House have taken in these two Bills which ought not to have particularly serious consequences. Many hon. Members.....

Mr. Deputy-Speaker: May I know roughly how long the hon. Minister is likely to take?

Shri T. T. Krishnamachari: Sir, quite a number of hon. Members have spoken.

Mr. Deputy-Speaker: Would he like to continue on the next day?

Shri T. T. Krishnamachari: Yes.

The Lok Sabha then adjourned till Eleven of the Clock on Monday, the 27th May, 1957.
