

waive it. They are a responsible government. We can trust them, certainly.

Madam, I am very happy that the Bill has received the approval of all sections of the House.

Mr. Chairman: The question is:

"That the Bill to validate the imposition and collection of cesses on sugarcane under certain Acts of Uttar Pradesh, be taken into consideration."

The motion was adopted.

Mr. Chairman: I do not think there are any amendments to it. So I shall put all the clauses to the vote of the House together.

The question is:

"That clauses 1, 2, 3 and 4 the Enacting Formula and the long Title stand part of the Bill."

The motion was adopted.

Clauses 1, 2, 3 and 4 the Enacting Formula and the Long Title were added to the Bill.

Dr. B. Gopala Reddi: I move:

"That the Bill be passed."

Mr. Chairman: The question is:

"That the Bill be passed."

The motion was adopted.

16.12 hrs.

BANKING COMPANIES (AMENDMENT) BILL

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

"That the Bill further to amend the Banking Companies Act, 1949, be taken into consideration."

The House is aware that in September, 1960, the Banking Companies (Second Amendment) Act was enacted in order to facilitate the grant of expeditious relief to the depositors of banks in liquidation and the reconstruction and amalgamation of banks, wherever such a reconstruction appears to be necessary or desirable, in the interests of the depositors or the general public.

We have so far granted a moratorium under these new powers to twelve small and medium-sized banks with deposit liabilities estimated at a little more than Rs. 10 crores. It has been necessary to freeze the assets of these institutions, pending the examination of proposals for the readjustment of their assets and liabilities, as a suitable atmosphere for a readjustment or an amalgamation cannot be created, if normal withdrawals at the option of the depositors are also permitted. As the total period for which a moratorium can be granted is limited to six months and as it is also desirable that the reconstruction and amalgamation should be completed earlier, if possible, we have had to frame the relevant scheme expeditiously and with a considerable sense of urgency, compressing within a few weeks a process which normally takes several months and sometimes even a few years.

We have already sanctioned the schemes finally in the case of Prabhat Bank, the Indo-Commercial Bank and the Bank of Nagpur, after consulting the transferor and transferee institutions, in accordance with the provisions of the statute, and after taking into consideration the other suggestions which were made by the parties or interests concerned. It is necessary on practical considerations to allow for the lapse of one full month after the sanctioning of the schemes before the moratorium orders can be lifted; and after allowing for this time lag, we hope to be able to withdraw the moratorium orders in these three cases some time during this month.

[Dr. B. Gopala Reddi]

Copies of the schemes as sanctioned by the Government have already been placed on the Table of the House, in accordance with the provision of sub-section (11) of section 45 of the Banking Companies Act, but for the information of the House, I might perhaps capitulate briefly the salient features of the proposals for reconstruction.

The first point that I would like to emphasise in this connection is that the schemes have been conceived mainly in the depositors' interests. There is no question therefore, of the depositors being put to any loss as a result of any reconstruction or amalgamation. On the other hand, the depositors are expected to benefit in several ways. The transferee institution will credit their accounts immediately upto the value of the assets which can be regarded as good or realisable, thus providing a valuable way and means facility. The depositors will not have to wait for the calling up or the realisation of loans or advances, the constituents of the banks will not be inconvenienced by being called upon to repay the loans before the due dates and the normal business of the banks will not be affected to a greater extent than may be necessary.

In the case of one scheme which has already been sanctioned, namely, that for the amalgamation of the Bank of Nagpur with the Bank of Maharashtra, the transferee institution, I understand, has expressed its willingness to pay the depositors in full, as soon as the moratorium order is lifted. The position of the other banks which are being reconstituted is not unfortunately equally satisfactory. But the amounts due to the depositors which are not credited to their accounts immediately will be payable in these cases over a period of twelve years, as and when realisations are made.

16.15 hrs.

[MR. DEPUTY-SPEAKER *in the Chair*]

As we are making adequate provision in the schemes for preserving every right which the depositors might have had, and as the expenses of liquidation will be avoided, while the recurring losses of transferor institutions will be either eliminated or minimised, we are hoping that the payment in instalments from out of the assets which are not treated as good or realisable will also be substantial. Madam, the schemes which we have sanctioned so far... (*Interruption*). I am sorry.

Mr. Deputy-Speaker: It does not make any difference at all.

Dr. B. Gopala Reddi: Sir, the schemes which we have sanctioned so far have been issued under the provisions of the recent Ordinance which, as the House is aware, has amplified in certain directions the powers originally conferred on the Central Government by the amending Act of September, 1960. As the present Bill merely replaces the Ordinance, the House will expect me to say a few words about the need for supplementing or modifying the amendments which were introduced into the principal Act only a few months ago.

I would like to remind the House in this connection that the powers conferred on the Central Government by section 45 of the Banking Companies Act, 1949, as it was amended by the House about six months ago, were somewhat unusual. We did not want to seek, or to obtain, authority at that time to override the ordinary rights of any institution or any persons except to the extent to which this might be absolutely necessary. We also felt that without elaborating the provisions of the new section 45 in much greater detail, it might be possible to achieve the objects which we had in view.

On a closer examination of the implications of the schemes, as they were

formulated soon after the amending legislation of September, 1960, however, it became clear that there were certain risks in implementing the schemes without amplifying the powers of the Central Government.

This difficulty was particularly relevant in dealing with the staff of the institutions which were proposed to be reconstructed. The schemes provide that all the workmen staff of the transferor banks will be retained in the service of the new institutions and that the existing terms and conditions of service applicable to such staff will be continued for a period of three years, after which the transferee institutions are expected, and even compelled, to grant the staff in question the same terms as are admissible to their other employees. These provisions were inserted in the schemes in the interests of the employees themselves; and we were advised that in the circumstances they could be regarded as being extremely reasonable and fair and might be sustainable on that ground in the event of the schemes, or any portions thereof, being challenged.

If Government were the only party concerned with the schemes, it might have been possible to rely on the provisions of the section as it originally stood and to defend the schemes, if it became necessary to do so. The transferee banks, for understandable reasons, did not, however, desire to be saddled with the expenses and uncertainties of any possible litigation, following a demand for the grant of other or more liberal terms to the staff of the transferor banks who were being taken over. While the transferee institutions were prepared to offer employment to all the workmen without exception and to practically all the non-workmen, in spite of the fact that the losses, if any, of the branches at which they were taking over could not be immediately eliminated, it was pointed out that it would not be fair

to the depositors of either the transferor or the transferee institution, if the additional cost of granting the higher emoluments straightway were also debited to the assets of any of these banks.

The House, I believe, will agree with me that in cases of this type a reasonable transition period will have to be provided for. The employees of a bank are entitled to be paid from out of the bank's current income or profits, but not from out of the capital assets at its disposal. These capital assets belong to the depositors; and we will not be justified in diverting them for the purpose of financing the higher cost of increased scales of pay and amenities, merely because such increased scales may be held, on certain technical grounds, to be due to the employees who are asking or agitating for them.

We have agreed, on a review of the entire position, that the law should be so changed as to eliminate entirely any uncertainty regarding the legal validity of a solution, which has been widely accepted and welcomed as the best and the most reasonable in the circumstances from the point of view of the employees, the depositors and the general public. The Ordinance, which we have issued and which we are now replacing, accordingly removes the risks, if any, in implementing the relevant provisions, and the smooth working of the schemes is now likely to be facilitated.

We have taken advantage of the opportunity provided by the amendment of the provisions relating to the staff of the transferor banks to amplify section 45 in certain other directions. We are making it clear that the assets and liabilities will be automatically vested in the new institutions without any further formalities, and that the schemes will be operative, in spite of anything to the contrary which may be contained in any other law. This was implicit in the language

[Dr. B. Gopala Reddi]

used in section 45 as it was originally enacted. But the banks concerned have suggested, and we have also agreed, that the position should be explicitly stated in the interests of avoiding any litigation by aggrieved or interested parties.

When the Bill was passed in September last year, we did not include the State Bank of India and its subsidiaries within the provisions of the section, as the question of reconstructing or amalgamating these banks did not obviously arise, and as we also thought that the provisions of section 35 of the State Bank of India Act or section 38 of the State Bank of India (Subsidiary Banks) Act might be availed of, in a case in which it was considered necessary to transfer the assets of any other institution to a statutory banking corporation in the public sector. It has since been represented to us that the procedure under the relevant sections of the statutes governing the State Banks is needlessly elaborate; and that while these provisions might be adequate and satisfactory in a normal situation, or in a case in which the institution seeking the amalgamation is itself prepared to take the initiative, the simpler procedure, according to which the consent of the Board of Directors of the two institutions will not be necessary, should be available as an alternative or additional method, in relation to a bank which may have to be amalgamated compulsorily with a State-associated bank. We have decided, after careful consideration, to accept this suggestion, and the Bill, like the Ordinance which it replaces, gives effect to this modification.

I would like to say a few words before I conclude regarding the manner in which the powers already conferred on the Central Government, or the amplified powers now proposed to be conferred have been or are proposed to be used. I referred at the beginning

of this speech to the fact that moratorium orders have already been passed in relation to twelve banks. I am glad to say that on the whole, this has not had any particularly disturbing effect on the banking system. This has been partly due to the fact that certain essential payments have been permitted even during the period of the moratorium, but the circumstances in which banks are being reconstructed or amalgamated are also well-known and widely appreciated, and the public are by now aware that there is no need to take an alarmist or pessimistic view of the future of commercial banking.

Our approach to this entire question has been practical and not dogmatic. We propose to utilise the new powers not for the purpose of enforcing any preconceived idea or plan, but only to strengthen the banks individually and the banking system as a whole. With the experience which we have recently gained, we expect this operation to be as smooth in the future as it has been in the recent past.

The weaker section of the banking system accounts only for about 3 to 4 per cent of the deposits of all the commercial banks put together, but we have considered it necessary to ensure that the measure of safety which is now available to the depositors even in these comparatively weaker banks should be enhanced to the maximum extent possible. The object which we have in view is modest and not difficult of achievement; and after it has been attained, the commercial banks, which incidentally have become much stronger and much more viable during the twelve years or so, since the Banking Companies Act was brought into force, will be able to serve the depositors and the public much more satisfactorily than at any other time in their history. The present Bill is intended

to assist this process, and I commend it for the consideration of the House.

Sir, I move.

Mr. Deputy-Speaker: Motion moved:

"That the Bill further to amend the Banking Companies Act, 1949, be taken into consideration."

Shri Prabhat Kar (Hooghly): Mr. Deputy-Speaker, I welcome this Bill. So far as the scheme provided in this Bill is concerned, this was the stand taken by the employees, and for the last five or six years we on behalf of the All-India Bank Employees Association have been requesting the Government to take these powers, so that the weaker units in the banking industry could be properly stabilised. At that time the Government felt that the power entrusted with the Reserve Bank was sufficient to help amalgamation and therefore it was not necessary to give more powers to the Reserve Bank. But it was subsequently found that the Reserve Bank was feeling helpless in the sense that no single institution was desirable of amalgamation itself with a view to strengthen the banking industry and the banking system. Therefore, in September 1960 the Government brought the amendment to the Banking Companies Act, and at that time entrusted power to the Reserve Bank with a view to somewhat force amalgamation in public interest, in the interests of the depositors and in the interests of the banking system.

But even then it was found that the power that was given at that time was not sufficient, because although the Reserve Bank could prepare schemes for reconstruction, there were difficulties in enforcing them. And that is why subsequently an ordinance was promulgated, and in replacement of the ordinance a Bill has now been brought in.

I welcome the Ordinance itself, because it was necessary. Before the

Ordinance was promulgated, roughly ten to twelve banks were already granted moratorium under the Act. But the schemes to reconstruct these banks could not be finalised, and as a result thereof, although the first time-limit was granted, three months, in many cases this time-limit was extended to six months.

It was therefore essential that, in order to finalise the scheme and enforce it, something should be done, and as Parliament was not sitting the Ordinance was promulgated. I therefore welcome that Ordinance, because it has eased the situation to a certain extent.

As I say, I welcome the scheme as it is. But I want to draw the attention of the hon. Minister to certain details. So far as the period of moratorium is concerned, the maximum period that can be granted now is six months. It can be given for three months, and then extended to another three months. My suggestion about this is that so far as the three months period is concerned it is quite all right for banks in a region where there are a number of banks functioning. If the small banks are granted a moratorium to the extent of three months, the banking public will not be put to difficulties there; for three months they will be able to get the benefit of the banking system through other banks. But in places where the particular bank is the only bank functioning, if a moratorium is declared by that bank, the business people, the depositors and the public there will be completely deprived of all banking facilities, as has happened in the State of Kerala. In the State of Kerala four or five banks are already under moratorium. Out of this number four banks were operating in different regions where there are no other banking companies functioning. As a result of the declaration of the moratorium of these banks, the public there, the small people, industrialists or agriculturists or even, I am

[Shri Prabhat Kar]

told, contractors who have been doing government work, are deprived of the banking facilities. As a result of that, they could not perform the normal functions which they should have done if these branches had been working there.

At the same time, I would also draw his attention to this that the period three months, which has been extended to six months, is causing hardship to the public, Government and co-operative societies. Under the Co-operative Societies Act, some amount of the co-operative societies has to be deposited with a Scheduled Bank. The co-operative societies have already deposited certain amounts with these banks. These banks being under moratorium, the co-operative societies are also being deprived of the facilities which they were enjoying. It is not that I am suggesting that the moratorium should be immediately removed. Not that I am suggesting that the scheme of amalgamation should not be proceeded with. My suggestion in respect of these banks is that the period of moratorium should be as short as possible. I would put it this way. Before granting moratorium, the Government should, if not completely, almost finalise the scheme so that, after the scheme is finalised and moratorium granted, the period of moratorium may be the minimum, and during that period, the reconstruction scheme is finally implemented. Otherwise, there is hardship caused in the case of small banks. You are aware that in the State of Kerala, there are more number of banks and their branches than perhaps the number of barber shops in Delhi. There are roughly about 200 banks and each and every bank has between 50 branches and 10 branches and they are working and operating in places where even no barber shops are working. It is for these banks that these amalgamation schemes will work as it has done.

Already, four banks have been granted moratorium with a view to amalgamating themselves so that they can become stronger units. In their case, if the same time limit is considered as in the case of big banks operating in a big area, people will find it difficult. Whether good, bad or indifferent, these people were getting some sort of banking facility. It is true that it is not proper banking. That is a different thing. They were getting certain facilities. If you declare a moratorium and continue the period for six months, naturally, depositors, share-holders, the banking public including the Government are in difficulties. I do not know whether the hon. Minister is aware—he must be—there has been an agitation. They have already started a campaign of agitation. Save-Kerala-Agitation. The Reserve Bank, without understanding the problem and the economy of the State of Kerala, is creating complications by which the banking system and the whole economy of Kerala will be in jeopardy. The Save-Kerala-agitation has been started by all the political parties, including the ruling party. There has been a meeting of the Cabinet and representation has been made to the Government that there must be something done to the State of Kerala. I want the hon. Minister to consider this aspect. It may be that it is not with the intention of crushing the economy of the State of Kerala that the Finance Ministry is trying to create a good atmosphere in the State of Kerala so that the banking system there is strengthened. But, unless it is properly understood by the people there and unless it gets the sympathy and co-operation of the depositors there, it will create a different atmosphere and it will antagonise the whole banking public against the Reserve Bank. That would not be helpful. That is why I am suggesting that in the case of these banks, the period of moratorium should be as short as possible. I

would request that before moratorium is granted, the scheme should be finalised so that, once the moratorium is granted, the scheme is completely finalised and all the formalities are over and immediately the bank will start working.

Another thing that I would suggest to the Finance Ministry is this. The Finance Ministry is aware that there are a number of banks which are not functioning well in the sense that there are various lapses on their part, some due to partition, some due to bad management or mismanagement. These are the banks which require a complete study, so that amalgamation and merger with bigger units may be completed and the interests of the depositors could be safeguarded. As a result of the moratorium, you will appreciate that there are certain repercussions on weaker units. People do not know what is the meaning, what is the purpose of this type of moratorium. People feel that once moratorium is granted, it means that the bank will go into liquidation. Once moratorium is granted, there is repercussion on the other weaker units of the banking system. The banking system receives a jolt. I would, therefore, suggest that this whole procedure about amalgamation and merger of the bank should be completed within the shortest possible time and a thorough enquiry be made by the Reserve Bank of India about the assets and liabilities of the bank so that the interests of the depositors may be safeguarded and there may not be any trouble with closure of the bank as it happened in the case of the Palai Central Bank.

16.37 hrs.

[MR. SPEAKER in the Chair]

If these schemes, perhaps, had been considered earlier, banks like the Lukmi Bank or the Palai Central Bank could have been saved. When I say that they could have been saved, I do not mean to say that the interests of

the Board of directors could have been saved. What I mean to say is, the interests of the depositors who have suffered immensely, who will be the losers in this failure, could be safeguarded, if the steps that the Finance Minister is now proposing had been taken earlier as we were at that time requesting that some forcible amalgamation of the weaker units. Any way that has not been done, and as a result, the depositors of the Palai Central Bank along with the employees have suffered. The same thing happened in the case of the Luxmi Bank. What I suggest is, let there not be a repetition of the Palai Central Bank and Luxmi Bank. I do not want to name any bank in Parliament to cause some harm to these banks. What I am suggesting is this. The Reserve Bank is completely aware of those banks which are not of a regional type, but which are of an all-India type, but whose functioning is so defective that one day or the other, they may cause a great harm not only to the banking industry, but to the country's economy. Therefore, before such a calamity takes place as in the case of the Palai Central Bank, the Reserve Bank, after a thorough examination, should take steps and that would be quite in tune with the policy that has been accepted under this Bill.

Coming to the question of the schemes, I would like to suggest another thing. These four banks will be merged and amalgamated. There are quite a large number of banks which have been functioning in different regions. In those regions, they were important banks. Take for instance, the Bank of Nagpur about which just now it has been stated that it has been finalised and it is being merged with the Bank of Maharashtra. The Bank of Nagpur and the Bank of Maharashtra will begin to function after merger. What I would like to suggest is that the Finance Ministry should see that these branches region-wise are continued so that

[Shri Prabhat Kar]

these are not closed. That is because the main purpose now, as the Finance Minister will agree, is to see that the public in every locality is given some banking facility.

So far as our banking system is concerned, it is centralised in the big cities. The small banks had their branches in smaller places. Once you amalgamate them with bigger banks, and the bigger banks decide to close those branches, the purpose of the amalgamation will be defeated. Therefore, the branches of the transferor and transferee banks should continue, so that the people in the region continue to get the banking facility, a better banking facility, in fact, as a result of the amalgamation, as the unit will be solvent and there will be no difficulty for the depositors or the banking public. I would like the Minister to see that this is done. I have mentioned the instance of Kerala where the public feel that this is against the interests of the State as such. So, I request the Finance Minister to see that the branches are kept alive, and that, in preparing the scheme, region-wise banking facilities are not completely crushed.

So far as the employees' interests are concerned, we made representations earlier to the Reserve Bank, and I am glad to say that the particular clause in the Bill generally agrees with our demand. Only two points I have to make in this connection.

It is said here that the banking company taking over shall, within three years, pay the new employees the same remuneration as its own employees. That means it can be before three years, but not later than three years. I would suggest that this should be done within the shortest possible time. It is not my suggestion that it should be done immediately. I quite agree that the bank that is taking over will not agree immediate-

ly to take full liability of the increased wages, but we have to consider that at this moment the wage question of the bank workers is pending before the National Tribunal. If these employees had been parties to the dispute before the National Tribunal, they would get some increase in emoluments as a result of the Tribunal's Award, but as a result of the amalgamation, for about three years they will not get any increase that might be awarded by the National Tribunal to employees of their own class.

Take for instance, the Indo-Commercial Bank which is being merged with the Punjab National Bank. It is a class C-2 bank. They might not have got the benefit available to A class bank employees, but they would have got the benefit available to employees of C-2 banks. But as a result of this merge, they will not get even that benefit, they will continue in the present scale for another three years. So, I suggest that if it is possible, the period of three years should be reduced as much as possible.

Alternatively, I suggest that these employees be paid what they would be entitled to according to the Award to be made by the National Tribunal in their own class. That means that the Indo-Commercial Bank employees get the benefit of the Indo-Commercial Bank Award, and not that of the Punjab National Bank award, and likewise, the Bank of Nagpur employees will get the benefit of the Bank of Nagpur Award and not that of the Bank of Maharashtra. Let them at least get that benefit. Let them not be deprived of the benefit which they would have got if the merger had not taken place. That is the only suggestion that I would like to make in this connection. After discussion with the Reserve Bank authorities on this matter, we have said that we have welcomed this, because we are interested in seeing that the banking industry becomes solvent and also

stronger. That is why we have agreed even to the suggestion that the present thing can continue. But, as we have suggested, instead of three years, let it be one year; in the alternative, let it be three years only in the scale which would be applicable to the employees belonging to the particular class of the respective banks. I think that at least will not be unreasonable, and I hope this will be agreed to.

Another suggestion that I would like to make is in regard to the depositors' interests. I am glad to learn that the depositors of the Bank of Nagpur will be paid in full on the very day of the change-over. I am glad that the necessary steps have been taken by the Bank of Maharashtra. I wish that in order to create confidence in the minds of the depositors, the other banks also will do like wise; of course, after assessing the assets and liabilities, they may do it, but I would like to point out that if after the moratorium and after the amalgamation, the depositors are not paid in full after all this assessment, then there will be a tendency on the part of the depositors of the small banks to withdraw their money, because in spite of the best efforts on the part of the Government to help the depositors with full payment, as has been done in the case of the Nagpur Bank, the depositors of the banks which are under moratorium will not know what their future will be, and, therefore, they may start withdrawing their money. I am glad that full payment is being made in the case of the Bank of Nagpur depositors, and perhaps, the same thing may happen in the case of the Indo-Commercial Bank and New Citizen Bank depositors, though I know that it will not be so; but that is a different thing altogether.

I have seen in the papers that the bankers are meeting here in Delhi somewhere about the 11th or the 12th

of this month to consider the deposit insurance scheme. I know also that the small banks are interested in it, and they want this deposit insurance scheme, but it is their big brothers who are against it, because, today, in the fight for the deposits, the big brothers are at an advantageous position, and their directors have earned a better name, and, therefore, they are in a better position to compete and draw more deposits, and consequently, they are not interested in the deposit insurance scheme; but the small banks are quite agreeable. I do not know what will transpire at the meeting, and I would like the hon. Minister to consider this namely that this deposit insurance scheme is very important if we want that the small banks should continue, and if we feel that they are necessary, because, at this moment, immediately, nationalisation of the banking industry is not taking place. From what I can see today of the various steps that are being taken, I am quite sure that nationalisation will come, no doubt, in a few years. There is a change in the tone of the Finance Ministry also on this aspect, but that apart, my point here is that these small banks should function, because they cater to the needs of the small businessmen and the small industrialists. It is very difficult for these small industrialists and small businessmen to get any advantage from the bigger banks; it is true that the rate of interest charged by the bigger banks is, no doubt, small but the restrictions imposed by them on these people makes it so difficult for these small people to get any loans. That is why I feel that the small banks should continue, and if they are to continue, then it is very important that the deposit insurance scheme is implemented. Otherwise, the small banks will go out of existence, and the bigger banks alone will remain and they would not be able to serve the interests of the small businessmen, the small industrialists and the small middle-class people.

[Shri Prabhat Kar]

That is why in the interest of small depositors, the deposit insurance scheme should be accepted and implemented. I hope that with that scheme the banking industry can be stabilised.

With these words, while agreeing completely with the objects of the Bill, I hope the Finance Minister will accept certain suggestions in regard to details which I have made with a view to improve the working of the banks.

Mr. Speaker: There is no one else to speak. The hon. Minister.

Shri Prabhat Kar: There was no one else to speak, when I rose to speak.

Mr. Speaker: He will continue then!

Dr. B. Gopala Reddi: The other day the hon. Member wanted three hours instead of two hours for this Bill and then you in your generosity said that if need be, you would give another hour. Now we see that only the hon. Member is interested in the Bill and not others.

Mr. Speaker: The hon. Minister need not provoke them. Some Member may come and say, 'Yes, I want to speak'.

Dr. B. Gopala Reddi: Even if they are provoked, now I am on my legs. They cannot speak at this stage.

Mr. Speaker: All that was said was that such an innocuous and inoffensive Bill would not take much time.

Dr. B. Gopala Reddi: Even the two hours allotted are perhaps too much.

Mr. Speaker: Yes.

Dr. B. Gopala Reddi: Anyway, I am really happy that the only Member who has spoken on this Bill welcomes the main provisions of the Bill.

It is good so far as it goes. He made certain suggestions which will certainly be considered with great sympathy to see how far we could accept them.

After all, he admits that there are administrative difficulties with regard to moratorium also. But he feels that the moratorium should be of as short a period as possible. Certainly, it is not in our interest to keep the whole thing in an uncertain atmosphere for any length of time which is not necessary. But there are certain difficulties. We have to get the other banks to agree. Then the reconstruction scheme has also to be put into operation, the opinions of all concerned parties have to be taken and things like that. We shall certainly try to see that the moratorium is of as short a period as possible. But the hon. Member must realise that there are certain administrative difficulties and it is no use hustling or hurrying them unnecessarily.

Then the Reserve Bank must also undertake a survey of the defective banks. They know which are the banks which are defective. Steps should be taken to stabilise them also. I am sure the Reserve Bank is certainly putting all the pressure necessary to improve their system of management, their finances and so on. I am sure the Reserve Bank is alive to its responsibilities in that direction. If it thinks that a bank is beyond repair, then only the situation arises when it has to declare a moratorium or think in terms of merger with a bigger bank. I am sure the Reserve Bank is certainly looking into all these aspects and very soon I hope the survey of the Reserve Bank will yield very good results and the defective banks also will be rectified to a large extent. But even here, it cannot be done overnight. Even in the case of Bank, the Reserve Bank was giving it admonitions from time to time. But

it could not rectify it in the course of a few years; it took a longer period. Anyway, the Reserve Bank will certainly see that these defective banks also are put on their feet properly.

The hon. Member wants all the branches of the merged banks to be retained as far as possible so that the banking facilities available to the villages just now on the rural side would continue to be available. While it is a good suggestion—as far as possible, we will certainly see that the branches are continued—in some cases, a particular branch may perhaps become redundant. Suppose the Punjab National Bank has its own branches and the Indo-Commercial Bank also has its own branches in some places, it cannot be said that all the branches should be retained even when there is duplication.

Even if there is duplication if really the society is being served and if it is in the best interests of the banking system and if it is profitable also that branch will be continued. But, if it is going into loss hopelessly then, perhaps, they may have to think in terms of closing that branch. Even otherwise, we are trying to see that the staff is retained as far as possible. The question of retrenchment also does not arise. We are trying to see that the entire staff is retained by the taking-over bank.

The hon. Member wants that the benefit of award also should be available. We do not know what is the award is going to be. This bank being in distress has already gone under; it is a diseased bank and is on its death-bed as it were. The hon. Member wants it to function as though it is not on its death-bed and it can walk a furlong or two. This is a question which has to be considered very carefully. When we put so many conditions the bigger bank may also hesitate to come forward. After all, we have to encourage the bigger banks to

come forward and take over the diseased banks.

Shri Narasimhan (Krishnagiri): It will be at the expense of its depositors.

Dr. B. Gopala Reddi: The Reserve Bank has also got to see that the bank that is coming forward has got the necessary strength to take over the liabilities of this bank in distress. Too many conditions and restrictions should not be imposed so that they may not act as deterrents. In the interests of the depositors of the bigger banks also we have to see that we do not put unnecessary burdens on them. So, we cannot straightaway say that the benefit of the award to be given hereafter will also be borne by the taking-over bank—in the category of the transferor bank.

These are suggestions which the hon. Member has made; and we will certainly consider them and see what could be done. I am happy that the Bill has received the approval of the hon. Member who is taking keen interest in banking matters.

Shri Narasimhan: When are these banks expected to operate normally after being amalgamated—I mean banks like the Indo-Commercial Bank?

Dr. B. Gopala Reddi: As soon as they are taken over. With regard to the Nagpur Bank and the Maharashtra Bank the thing has been notified already and we are giving them a month's notice so that the preliminary processes might be completed. It is not so possible in every case as in the case of the Nagpur Bank, to say whether they will be able to pay straightaway 16 annas in the rupee. It all depends upon the assets of the bank. The Nagpur Bank may be in a very good position; but we cannot say that with regard to other banks.

Shri Narasimhan: Will it be done at least in larger instalments?

Dr. B. Gopala Reddi: Other payments will also be made as soon as possible, say up to 10 annas or 14 annas in some cases. The rest of it will be realised and the instalments paid.

Mr. Speaker: The question is:

"That the Bill further to amend the Banking Companies Act, 1949, be taken into consideration."

The motion was adopted

Mr. Speaker: There are no amendments to clauses. I will, therefore, put all the clauses together.

The question is:

"That clauses 2 to 6, clause 1, the Enacting Formula and the Long Title stand part of the Bill."

The motion was adopted.

Clauses 2 to 6, Clause 1, the Enacting Formula and the Long Title were added to the Bill

Dr. B. Gopala Reddi: Sir, I move:

"That the Bill be passed."

Mr. Speaker: Motion moved:

"That the Bill be passed."

17 hrs.

Shri Prabhat Kar (Hooghly): Sir, these four banks in Kerala which have been granted a moratorium will be amalgamated into a new bank. I have a suggestion to make that the top men of the banks. I do not want to say managers but rather the top men who were responsible for these activities which led these banks to come to this stage should not be made the top men in the new bank. These banks are being amalgamated in the interest of the depositors and the public. The means that it is the Government's opinion that the functioning of the

present banks is not in the interest of the public and of the depositors; there is some snag in their functioning. I do not want to go deeply into the matter. So, it will be in the interest of the depositors and the public and also of the banking system if none of the top men connected with these banks are again at the top in the new bank, in control of its affairs.

Dr. B. Gopala Reddi: But a person in the top may not be responsible for the mismanagement. He might have come three years ago but the mismanagement might have started ten years ago.

Shri S. M. Banerjee (Kanpur): He was a party then.

Shri Prabhat Kar: The moratorium would not be granted if public interest was not in jeopardy. You amalgamate these banks with a view to bring about a sounder and stronger unit and those top people who were in the old banks and who were responsible for malafide acts—I am not saying all of them acted with malafide intentions; I am not attributing any motive—and also mismanagement should not again be given the power to control the bank which you are setting up. Government should put new persons in the top of this bank so that it can function properly with the sole aim of improving this system.

There is politics not only among the political parties but in the running of an institution also. If there are four different managements, there are four different type of politics. If you amalgamate these four banks and put one of these persons at the top, it will create complications. For these two reasons, I suggest that the Government should see that none of the top men of these institutions be given the power to control the one amalgamated bank which would emerge as a result of this amalgamation.

Shri Narasimhan: I hope that this Bill, when it becomes the law, will expeditiously be utilised to see that action is taken quickly and I hope that it will not be treated as merely a matter between these merging banks but is a matter which is vitally affecting the welfare of the depositors. They should get their money back in as larger instalments and as quickly as possible.

Dr. B. Gopala Reddi: The entire amending legislation is undertaken to safeguard the interests of the depositors. So, there is no question of delaying the measure. We shall certainly see that expeditious steps are taken to safeguard the interests of the depositors in full.

With regard to the suggestion of Shri Prabhat Kar, we certainly agree with him in this respect, namely, wherever they have been responsible for the mismanagement, those people should not again be put at the helm of affairs. But sometimes, they may not have been directly responsible, and sometimes we want to utilise the experience of those people in realising the amounts that are due to the banks. Suppose we discard all of them, then we may not have anybody who is in the know of things and who may be in a position to help us in recovering the amount that is due.

Shri Prabhat Kar: Not discard. I only suggested that such people should not be given any controlling power. I did not say that they should all be discarded.

Mr. Speaker: If those people, without the aid of the Reserve Bank, had recourse to registration by themselves and have a moratorium, then, what is the meaning of entrusting the work to the same persons? That is what the hon. Member says.

Dr. B. Gopala Reddi: We should not allow them to mismanage again. We entirely agree with the hon. Member. But in some cases we will have

to utilise their services in a subordinate position—not give them the controlling power—but put them on the directorate so that their experience of the past events could be made available to us in the realisation of the assets. Therefore, we agree with that suggestion generally, but we will have to see from the administrative angle also.

Mr. Speaker: The Question is:

“That the Bill be passed”.

The motion was adopted

Mr. Speaker: I would like to make one observation. Hon. Members rush to speak on easy matters like health, education, etc. Every man can speak on such subjects. But I would urge upon hon. Members to take interest in vital subjects such as banking. Of course, the Bill was simple and good. But even on such Bills, a number of suggestions could be made. On the other hand, there is a rush of speakers always for some easy-going subjects like education, health, etc. On such subjects, from the nursery school onwards right up to the college, anybody can talk. In fact, they do have debates. But in this case, except one hon. Member from the Opposition non else spoke. I am not casting any aspersion, but I want to express my own difficulty. There is too much of rush on simpler subjects, and some Members say sometimes, “You have no eyes, but you have no ears also”! As far as possible, I am giving opportunities to all Members. Now, there is ample opportunity, and we can sit till 6 O'clock. But nobody takes advantage of it. (I shall note down the names of hon. Members who are absent. (Interruptions).)

Shri D. C. Sharma (Gurdaspur): Please mark us, who are here, present.

Mr. Speaker: That means the same thing. Those that are present will exclude those that are absent! \