

142ND REPORT

Shri Dasappa: I beg also to present the Hundred and forty-second Report of the Estimates Committee on Action taken by Government on the recommendations contained in the Fifty-eighth Report on the Ministry of Home Affairs—Administration of Union Territories.

12.07½ hrs.

COMMITTEE ON PETITIONS

THIRTEENTH REPORT

Shri Barman: I beg to present the Thirteenth Report of the Committee on Petitions.

Mr. Speaker: Sardar Swaran Singh:

The Minister of Steel, Mines and Fuel (Sardar Swaran Singh): I have already laid the statement.

Mr. Speaker: Yes. Next item. Bills for consideration and passing.

12.07½ hrs.

DEPOSIT INSURANCE CORPORATION BILL

Mr. Speaker: The House will now take up Legislative Business.

The Deputy Minister of Finance (Shri B. R. Bhagat): Sir, I beg to move:

"That the Bill to provide for the establishment of a corporation for the purpose of insurance of deposits and for other matters connected therewith or incidental thereto, be taken into consideration."

As hon. Members are aware, the Committee on Finance for the private sector which was constituted in 1954 recommended the introduction of a scheme of deposit insurance, and the suggestion has also been repeated from

time to time since then. When this matter was examined some years ago, it was considered desirable to wait for some time, before a final decision regarding the Committee's recommendation was taken. It was anticipated that with the steady improvement in the financial position of the banks as a result of the control and supervision exercised by the Reserve Bank, the responsibility which was likely to be thrown on the proposed Deposit Insurance Corporation was likely to be reduced after some time; and it was also thought that the major Indian banks in the private sector, which were likely to be affected by the proposals under consideration should be consulted, and persuaded, if possible, to accept the more important features of the scheme, before it was brought into force.

As hon. Members are aware, there is now a consensus of opinion among those interested in the bank industry that the time is opportune for the establishment of the proposed corporation. The main outlines of the scheme of insurance have also been examined in detail by the Reserve Bank and the two banks associations and the State Bank of India have been consulted. It is now generally agreed that if the scheme is implemented early, it will increase still further the protection which became available to the depositors since the provisions of the present Banking Companies Act were brought into force, and will incidentally facilitate the strengthening and improvement of the banking and financial system of the country.

Sir, the Deposit Insurance Corporation which this Bill seeks to establish will be a very specialised institution. It will, so far as our information goes, be the second institution of its kind in the world, the Federal Deposit Insurance Corporation of the U.S.A. which was established in 1933, being the other corporation entrusted with similar responsibilities. It will be use-

ful, therefore, if I indicate very briefly the background against which the decision to establish the Corporation has been taken.

I would like to make it clear, if I may, that the Corporation is not being established because of a feeling that there is any kind of crisis in the Indian banking industry. The record of joint-stock banks in India, since about the beginning of the 19th century, when such banks were first established, has been, on the whole, quite satisfactory. Bank failure in India, whether we take into consideration the number of the institutions involved or the amount of the loss to the depositors, have been neither frequent nor very significant, in comparison with the experience of several other countries, including the U.S.A.

In broad terms, more than 96 per cent of the deposits of the commercial banks in India at the present time are with institutions, which on the basis of their own experience and performance in the past, have been able to inspire and to maintain the confidence of the constituents as well as the general public. The deposits which may be regarded by pessimists as vulnerable constitute perhaps 4 per cent or even less of the commercial banks' total deposits at the present time. In actual quantum, the loss or erosion in deposits is not, on our estimation, so great as to cause any serious concern.

The decision to introduce a scheme of insurance has been taken, in these circumstances, primarily with the object of removing any anxiety or misgiving on the part of the individual depositors regarding the safety of the deposits in which they are, or may be, particularly interested. If the banking industry is to develop and to maintain a rate of growth commensurate with the responsibilities which are likely to be entrusted to it during the third Plan, or the opportunities which may be provided for it during the period of that Plan, it

must be able to offer a guarantee or assurance of protection in respect of every deposit, whatever the position or status of the bank or the depositor may be; and the depositor should also be enabled, in the event of any unforeseen loss, to obtain as large a portion as may be possible of the amounts due to him, without waiting for the process of liquidation or the realisation of the assets of the bank to be completed.

A guarantee of the kind which is now envisaged and the assurance of immediate payment in the event of a loss are necessary to encourage the banking habit particularly on the part of those small savers, who generally deal with unit-banks or other relatively small institutions. If, as we expect, this guarantee encourages the growth of deposits and enables the banks to mobilise the available financial resources, and to extend and increase the area and scope of their operations, the object which we have in view will be attained.

I shall now indicate very briefly the salient features of the present Bill. As the Statement of Objects and Reasons and the notes on clauses make it clear, the intention is that all the deposits in all the commercial banks, excluding Government deposits and the deposits of the insured banks themselves, should get the benefit of insurance cover within thirty days of the commencement of the Act. The present limit of the Corporation's liability will be Rs. 1,500. The maximum permissible amount of the insurance premium will be 15 naya paise per Rs. 100 per annum. The Corporation's liability, according to the scheme of this Bill, will arise as soon as a bank has been taken into liquidation, or as soon as a scheme of reconstruction or amalgamation providing for any scaling down of the deposits has been sanctioned in relation to it. The Bill provides that in the event of liquidation, steps will immediately be taken by the Corporation to disburse the entire deposit upto the limit of

[Shri B. R. Bhagat]

the insurance, and that in the event of the enforcement of any scheme for the scaling down of the deposits, the deficiency will likewise be paid. The amounts, if any, which will normally be due to the depositors will be diverted subsequently for payments to the Corporation, until such time as the expenditure incurred by the Corporation has been completely reimbursed to it.

I do not think it is necessary for me to detain the House by explaining at length the minor details of the Bill. These are fully explained in the notes on clauses and I do not think that these provisions call for any particular remarks.

The number of accounts with commercial banks is now estimated at about 6 millions. The size of the average deposit, however, varies from time to time. On the basis of such information as we have, we estimate very broadly that 5 per cent of the number of accounts and 20 per cent or one-fifth of the entire deposits excluding the PL-480 funds may be covered by the scheme, which has now been proposed.

Sir, it is our intention that although the Bill provide for a ceiling of 15 nP per Rs. 100, the actual rate of the premium should be fixed at 5 nP for the time being. The House will agree that the cost of the insurance at this rate will be relatively cheap.

We expect that having regard to the time at which and the circumstances in which the scheme is being introduced, the strain on the resources which are being placed at the disposal of the Corporation will not be very great. The Bill, however, provides for an increase in the premium rate, in case this should become necessary at any later stage, and the limit of the insurance can also be increased, in case this is considered really necessary and the Corporation's finances permit this in the future. The cost or the extent of the insurance cover can thus be re-adjusted, if necessary, from time to time, in the light of actual experience

regarding the working of the Corporation.

I would also like to invite the attention of the House at this stage to an important departure from the details of the scheme as they were published in the Press a few months ago. It will be noticed that the scheme of deposit insurance now outlined in the Bill covers the deposits of all banks, including the State Bank of India and its subsidiaries. Earlier, the Government of India had decided to exclude the deposits of these latter banks from the purview of the scheme, and in May, 1961 an announcement had also been made to that effect. It had also been indicated at that time that these banks would make appropriate contributions in support of the scheme in the wider public interest. The State Bank and its subsidiaries are constituted as public corporations by the Central Government under special charters. This distinguishes them from other commercial banks, and it is not necessary to cover the deposits of these banks by an insurance scheme, the primary object of which is the restoration of the confidence of the depositors.

However, certain legal and other difficulties have been encountered in implementing the decision in the form in which it was originally announced. Accordingly, the deposits of the State Bank of India and its subsidiaries have also been formally included in the scheme and the contributions which these banks would have made in accordance with the previous decision will now be made by them in the shape of premia.

Although the State Bank and its subsidiaries, notwithstanding their special position, have been called upon to participate in the scheme in the larger interests of the banking system, financial institution accepting deposits, other than banks which are governed wholly or in part by the provisions of the Banking Companies Act, will not be included within the scope of this insurance scheme. I

would like to indicate very briefly the reasons why it has not been possible to cover these deposits.

As hon. Members are aware, the powers of inspection and control, which the Reserve Bank exercises over the banking system are limited to banking companies or statutory corporations carrying on the business of banking. Co-operative societies carrying on similar functions are specifically exempted from the provisions of the Banking Companies Act; and they are not, therefore, subject to the same degree of control as in the case of the other commercial banks. The number of co-operative societies accepting deposits from non-members, with which the new Corporation will have to enter into working arrangements in case they are to be covered, is also relatively very large. The size of the net insurable public deposits with these and other institutions is, on the other hand, not very considerable. Having regard to these and other relevant considerations and the legal and other difficulties of extending the arrangements now proposed, so as to include these institutions also, it has been decided that the scheme should for the time being be confined to commercial banks.

We believe that the institutions which are outside the scheme and which serve on the whole only the specialised needs of particular members or groups will not be affected adversely by these decisions. The position can, if necessary, be reviewed at a later stage after the Corporation has been established and has built up the necessary financial and other resources for enlarging the scope of its responsibilities.

I indicated at the beginning of this speech that the Corporation which this Bill seeks to establish will be the Second institution of its kind in the world. The scheme of deposit insurance in the U.S.A., on which ours is to some extent modelled, has justified itself, in the sense that it has facilitated a remarkable growth in bank

deposits and in the nation-wide development of banking institutions of all kinds. The American banking system has found it possible to achieve a considerable measure of stability over a period of about twenty-eight years since the scheme was first introduced. This stability, it is also relevant to add, has been achieved and maintained under varying conditions of boom, recession and readjustment and at comparatively very little cost in terms of the effective premia or payments by the Deposit Insurance Corporation.

It is my hope that the experiment which we are trying will be equally successful. By enabling Indian banks to participate fully in our economic growth and to contribute effectively to it in such a manner as to accelerate it, the Corporation which is proposed to be established according to this Bill will, I am sure, abundantly justify itself.

Sir, I move.

Mr. Speaker: Motion moved:

"That the Bill to provide for the establishment of a corporation for the purpose of insurance of deposits and for other matters connected therewith or incidental thereto, be taken into consideration."

Now, I have received notice of two amendments to the motion for consideration. Are they being moved?

Shri Naldurgkar (Osmanabad): Sir, I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 10th November, 1961." (1).

Shri L. Achaw Singh (Inner Manipur): Sir, I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 1st November, 1961." (7).

Mr. Speaker: Both the amendments as well as the original motion are now before the House.

Shri Tyagi (Dehra Dun): Sir, may I seek a clarification—I do not want to participate in the debate—with regard to the premia? Will the hon. Deputy Minister make it clear that while assessing income-tax on these banks the premia amount paid to this organisation shall be deducted from the total income assessable to income-tax as is the case in the maintenance of property, fire premia and other things? Will that concession be available to these banks, because after all this will be paid with a view to protecting their capital?

Shri B. R. Bhagat: Does the hon. Member want to know whether they will be given deductions to the extent of the premia paid for purposes of income-tax?

Shri Tyagi: I want to know whether in assessing the total income for calculating the income-tax the amount of premia paid will be deducted.

Shri B. R. Bhagat: I will clarify that when we take up the detailed examination of the Bill clause by clause.

Mr. Speaker: In all, four hours have been allotted for this Bill. May I know how much time hon. Members would require for the general discussion and how much for the clause-by-clause consideration?

Some hon. Members: Three hours for general discussion and one hour for clause-by-clause consideration.

Mr. Speaker: All right. May I know how many hon. Members would like to participate in this debate?

Some hon. Members rose—

Mr. Speaker: I find there are ten hon. Members including the hon. Deputy Minister.

Shri Naushir Bharucha (East Khadesh): It may not last for three hours.

Mr. Speaker: Shri Vasudevan Nair—hon. Members may confine their remarks to 15 minutes.

Shri Naldurgkar: Sir, my amendment is No. 1 on the list.

Mr. Speaker: I know it is there. Does the hon. Member mean to say that therefore he should be called first? That does not matter. Both the amendments as well as the original motion are before the House and all hon. Members can speak on them. Shri Vasudevan Nair.

Shri Vasudevan Nair (Thiruvella): Sir, I hope this is one of the various steps intended to stabilise our banking industry. The hon. Minister has just now stated that this Bill should not give an impression that our banking industry is in a crisis. Nobody would like to say that the Indian banking industry is in a crisis. But, at the same time, we will have to face facts. The very fact that the leaders of the banking industry both in the public sector as well as in the private sector met several times during the last one year to discuss ways and means of getting out of some difficulties—I should put it in that way if the word 'crisis' is not to be used in this context—shows that there are some very serious problems facing this vital industry.

And, apart from this proposal to have this deposit insurance corporation, I think the Reserve Bank has proposals and the banking industry as a whole has various other proposals. For example, I hear that there is a proposal to increase the interest rate so that deposits are mobilised much more than what was done, for example, last year.

Now, the report of the Reserve Bank regarding the trends of the banking industry in 1960 has brought out very important problems. They have posed very important problems, and it is to a certain extent disturbing to find that at least in the second half of 1960 the deposit position was not very good,

was not very encouraging. Therefore, this proposed legislation, let us hope, will help at least to a certain extent to stabilise the deposits, will help in mobilising the deposits much more than what was possible in the last year.

Sir, it is a fact that this deposit insurance scheme will not be a guarantee against bank crashes—I hope the Government also is aware of that fact—because in spite of this deposit insurance scheme in the United States of America for the last so many years, nearly thirty years, we have heard stories of bank crashes. Of course, it is entirely a different problem. When the banking industry is mainly in the clutches of some people who are concerned mainly with their profits and who carry on the business—I do not say all of them, but at least many of them—not in a proper way, then it is quite natural that there will be some crashes.

We had the painful experience of two important banks crashing last year—one was the Luxmi Bank before and the Palai Bank afterwards—and as far as my State is concerned perhaps we were the worst hit as a result of this bank crash and afterwards as a result of the moratorium for five or six banks.

Now, in the present situation, we do not believe that all these schemes by themselves will help to create full confidence in the depositors, in the public, as long as the banking industry is mainly in the hands of the private sector. As you know, Sir, our position is well known in this regard, and even at this stage we would like to re-emphasise our faith in the ultimate nationalisation of banking industry, especially the scheduled banks. We are really sorry that the Government is fighting shy of it even now after so much of experience, and at a time when the resources position in this country as far as the Plan is concerned is very difficult it would have

been worth while, it would have been a very proper step on the part of the Government to nationalise the scheduled banks and to get hold of such a large amount—nearly Rs. 2000 crores. But, unfortunately, the Government is taking up a very conservative and rigid position on this question. May be, we hope, that in course of time they will come round, wisdom and good sense will dawn on them and proper steps will be taken to see that this vital industry in the national economy is properly managed, is in the hands of the Government and is properly utilised for the development of our country. All the same, in the present set up I would like to welcome this legislation, because this will help to create confidence, at least in the minds of a section of the depositors that at least up to Rs. 1,500 would be saved. At present, there is a guarantee only about Rs. 250 and, by virtue of this legislation, that limit goes up to Rs. 1,500. In that sense, this is a good step and this has to be welcomed in that limited sense.

But I have to offer a very serious criticism about this particular piece of legislation. The hon. Minister tried to explain why they have decided to include the State Bank and its subsidiaries also in this deposit insurance scheme. We are totally opposed to this step. We are opposed to it both in principle and on practical considerations. There was a demand from the leaders of the banking industry in the private sector that the State Bank should be dragged in. The hon. Minister himself told us now that the Government were not in a mood to do so in beginning and that they did not want the State Bank to be included in this. I should say that their original thinking was very correct and they ought to have stuck to that decision. I am sorry, they have succumbed to the pressure from some of the leaders of the banking industry in the private sector. They wanted to club all these banks together and treat the State Bank on a par with the private banks. I have no prejudice

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against the private banks as a whole but, as we know the situation in the banking industry, there is the serious danger of bank crashes only in the private sector. I do not think the Government have any fear that there is going to be a bank crash, as far as the State Bank is concerned. Then everything is finished. There is no fear on the part of anybody in this country about the soundness of the State Bank. If the State Bank crashes, then the Government also crash; there is no doubt about it.

When that is the situation, what is the principle behind clubbing together the State Bank as well as the private Banks? I am not at all satisfied with the explanation given by the hon. Minister in his opening speech. So, as a principle, Government ought to have treated the State Bank on an entirely different qualitative level. Otherwise, what is the fun in pointing out that the private banks, because of their behaviour, created the danger of bank crashes? So as a principle, it is wrong to include the State Bank along with the private banks.

Secondly, on practical considerations also, we are opposed to it. Because, even if it is 5 nP. for hundred rupees. . .

Dr. Krishnaswami (Chingleput): 15 nP.

Shri Vasudevan Nair: The Minister stated that, for the time being, they are going to have only 5 nP. which may go up to 15 nP. For the time being, it is only 5 nP. Let it be even 1 nP. The State Bank being such a major institution, I am sure, it will have to set apart a considerable amount for this premium. I would like to know the amount from the hon. Minister, if he could furnish that information.

Shri B. R. Bhagat: It will be Rs. 30 lakhs to 35 lakhs.

Shri Vasudevan Nair: So, why should that amount be unnecessarily diverted to this Corporation? Of course, Government may say that that Corporation is also managed mainly by the Government, Reserve Bank etc. and that there is a provision that they can invest their money in Government securities and things like that. But why should we invite all these complications simply to satisfy the demand of the leaders of the banking industry in the private sector? So, for these two considerations, we would urge upon the Government to go back upon their present position and to stick to their original decision of not clubbing the State Bank with the private banks in this country.

Then I want to refer to the inadequacy of the amount insured in this Bill. After all, what is Rs. 1,500 in India today? Here we have to take into account the value of the rupee. Even a middle class family in our country can deposit a much bigger amount.

12.37 hrs.

[DR. SUSHILA NAYAR in the Chair]

My own view is that even at this initial stage we ought to have covered a bigger amount in this legislation. The Minister has stated that the deposits covered will be only 20 per cent of the total. We are trying to frame this Bill on the basis of the American legislation, to a certain extent. I am told that under the American Deposit Insurance Scheme the amount insured is quite substantial, up to 10,000 dollars, and the percentage of deposits covered is well over 75 per cent. That is a very substantial amount. This meagre 20 per cent of the total deposits in India will not go very far in re-establishing the confidence among our depositors. So, I would request the Government at least to double the percentage covered.

Shri B. R. Bhagat: The hon. Member quoted America. For his information, I may say that they also started with 2,500 dollars and, over a period of years, they raised it to 10,000 dollars. Our intention also is to start in that way and raise it later on, if necessary.

Shri Vasudevan Nair: Even then it was 2,500 dollars, which is not a very small amount. Here we want mainly to protect the small and middle class depositors by this legislation. Of course, the result of this will obviously be, as some newspapers have commented, people would be distributing their deposits in various banks and there will be many more accounts. I am not an expert and I do not know much about it, but I think that will be the natural tendency. So, it would have been much better and advisable if we had at least doubled the amount. Of course, Government may say that we cannot be very ambitious at the initial stage, but I would request them to realise that this amount is only 20 per cent of the total deposits.

The Banks, according to this Bill, will have to pay a premium. I would like to know from the Government what the impact of this will be on the individual depositors, as it is not at all clear in this Bill.

How are they going to pay this premium? From where? What is the source? Is it to be paid from the profits of the bank? Or, will they find out some method of extracting it from the depositors themselves? We have the experience of sales tax, for example. Of course, there the consumers are not directly taxed by the Government but virtually all the tax is borne by the consumers. We have very clever businessmen in this country. We have very clever bankers in this country who will very easily devise methods to get that much amount from the depositors themselves. So, I would like to get a clarification from the Government. I would like the Gov-

ernment to assure us that this will not be an additional burden on the depositors but that it would be borne by the banking industry because ultimately even this measure is made necessary because of the banking industry. I think, if we accept this Bill with these changes, it would at least go a little way in re-establishing the confidence among our depositors.

Dr. Krishnaswami: Madam Chairman, I must congratulate my hon. friend for the very moderate tone that he adopted in introducing this Bill. In many ways this is a satisfactory measure, but at the outset I should like to point out that under a different scheme we might have insured the bulk of deposits in our banks. Had we decided on the Reserve Bank paying an interest of 2 per cent, a nominal amount, on the statutory balances held by various banks into an insurance fund we might have had ample resources for insuring deposits upto practically any amount. But this scheme is not before the House. The Deposit Insurance Corporation proposed to be set up by the Government is a step in the right direction. We are taking a step to inspire confidence among large numbers of savers. The test of any sound insurance is that it should work well. An insurance scheme is said to work well when there is no need to pay a depositor. That, after all, is the real test of any sound insurance scheme. My hon. friend, Shri Vasudevan Nair, in a very strongly worded attack on the Government pointed out that the State Bank and other institutions should have been excluded. I totally disagree with him. If the strong have to go to the rescue of the weak—this is the basis of insurance—why, in what name can we exclude the State Bank from the category of other banking institutions?

Now I should like to take for a very short while the definition of a deposit as laid down in the Bill. According to my hon. friend, a deposit is defined "as an aggregate amount of all the unpaid balances due to a depositor but

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excludes deposits received outside India and amounts due to the Central Government or to a State or a foreign government or to an insured bank." What is the logic behind the exclusion of foreign deposits of Indian banks? It may be argued that only the bigger or the more solvent banks have branches abroad and these are unlikely to fail; to insure such deposits would only add to the costs of banking. But as against this powerful consideration, may I not suggest that insuring these deposits will add to their attractiveness, particularly in countries where banking is under developed? May not the extension of insurance lead to an expansion of Indian banks in Africa and South-East-Asia? Therefore, I suggest and I request my hon. friend to consider this suggestion that it would be desirable to give the option of insuring foreign deposits to Indian banks so that we might really have attractiveness of Indian banks at least in many of these new areas.

Under this scheme we are insuring upto Rs. 1,500. I take it from my hon. friend that excluding those categories which fall outside the purview of insurance the deposits in accounts with balances of Rs. 1,500 and less than Rs. 1,500 represent 75 per cent of the accounts in our banking system. I would like to ask one or two questions. How are these accounts distributed as between the banks? Do the large banks have the bulk of these deposits? Or are they distributed among the smaller or the weaker banks? If the bulk of such accounts is distributed among the larger banks, this insurance cover is not likely to be necessary in practice. On the other hand if the major portion is with the weaker banks, the contingent liability may be very large. Let us realise that deposit insurance, although valuable is only one measure for inspiring confidence among the savers in our community. The crashes of the Lakshmi Bank and the Palai Bank some time

ago shook the confidence of many savers in the banking structure and although from the statistical point of view it might be pointed out that the collapses are few, when financial institutions collapse, even one or two, they tend to have a very, very pessimistic influence on the community. It is from that point of view that many of us demanded that there should be a deposit insurance corporation and that other energetic steps should be taken by the Reserve Bank. I do feel that the other and equally important—if not more important,—measure is for the Reserve Bank to act effectively to re-organise the banking structure in our country by attempting to assist the smaller banks which show a tendency to be solvent, and by bringing about voluntary mergers where they are necessary. In another few years, we should have no non-scheduled banks in our country at all. There ought to be only one category, and the soundness of these banks should be ensured through constructive inspection and friendly assistance by the Reserve Bank which has sufficient powers already given it.

Unfortunately, there is a fatality in our approach to financial institutions in our country. I have always felt that we take interest in financial institutions only when they are in trouble. Then, of course, our panacea is to suggest either a committee of inspection or a demand for nationalisation. I venture to think that these are not by any means the sole remedies for our banking structure. When I say that we take a fugitive interest in this problem I include among the 'we' that body of our oracular wisdom, the Planning Commission, which is said to indulge in perspective planning over numerous industries. But it has, as yet, not devoted any attention to banking industry as one meriting attention. Neither in the First Plan nor in the Second Plan, nor in the Third Plan have we had the foresight or the

wisdom to recognise banking as a sector meriting analysis and prescriptions for development. We are content to assume that there are banks in our country and, like that famous character of Harriet Beecher Stowe, "Topsy", we assume that they will grow, uncared for and that the regulations of banking law will do the job of ensuring their growth. But we have to take a fresh look at banking. We have to look at its problems, procedures and practices from a different perspective. The Reserve Bank, and the Government in consultation with the banking community should evolve a long-term plan for the development of banking in our country. It is urgent that we should do so, especially as much as our development is dependent on the growth of a resilient banking structure in our country.

What are the problems that banks have to face in promoting exports which we want to double? Hitherto we have had no thought given to this question. But Members of Parliament, Ministers have been suggesting that they think that they can plan doubling our exports without realising that the financial structure also plays very important part in promoting the growth of exports. How can banking be made to contribute, shall we say, in the next five years to the mobilising of resources in the growing rural and new urban communities? It is not the contention of anyone who has given any thought to this problem that the State Bank by itself will be able to do this job. We have to find out what the relation should be between different branches of banks, and how growth of the banking habit in many of these new rural and urban areas should be brought about.

Let us also realise that just as in the textile industry the problems of modernisation have come like a flood on us, so too in banking will they come on us unless we plan ahead. Why, for instance, does it take half an hour for a customer to obtain cash from the counter whereas in the

United Kingdom or other centres it takes only about five or ten minutes? Also let us realise that the cost of banking will rise. The bank employees, like other sections, will obtain increased emoluments. That is a legitimate demand which we will have to concede and this will lead to a rise in bank charges which the depositors will have to pay. In future, banking may be a luxury, restricted to a few areas, or at any rate, its growth may be very slow, unless we followed a rational policy of modernisation, which takes into account, not only the latest techniques evolved in different parts of the world, but adopts them to the needs and reasons of our country. While undoubtedly wedded to the principle of having labour intensiveness in most of our enterprises, we should, at the same time, take into account the growth of modernisation which would be necessary for effecting very many rational improvements.

Let me ask another question of my friend. He has spoken very eloquently of the future and how he expects it to develop. What, for instance, are the steps that we intend taking to integrate the un-organised with the organised banking sector? We all know that the shroffs, today, play a very vital part in the wholesale and retail trade. They finance, if my memory serves me aright, according to information that has been supplied by the Reserve Bank and various other banking institutions, a little over 75 per cent of our wholesale and retail trade. No doubt, the costs are very high. If, in future, we wish to reduce the costs of distribution—and it is necessary that we should reduce the costs of distribution—both for internal trade and for export trade then, undoubtedly, there is need for our thinking afresh on how we are going to integrate the un-organised with the organised sector in our banking. Up to now, I regret to say, the Pundits of the Planning Commission have had neither the wisdom nor the time to devote any

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attention to this problem, but they have contented themselves with issuing long-winded directives on how costs of distribution should be brought down. But, this is essentially a practical issue which ought to be considered by the banking community and by the Government, so that we may be able to evolve some way of having an integrated structure.

From another point of view, it is essential that we should integrate the un-organised and the organised sector. The Radcliffe Commission has pointed out that it is more than ever necessary that we should consider all financial institutions and find out how far they can really be subject to control from the Bank of England. I suggest that the very effectiveness of our monetary policy depends upon how we are able to integrate both the un-organised and the organised sector.

Now, a great deal has been said about co-operative banks. I yield to none in my desire to have them developed. I am very glad that the Reserve Bank has encouraged co-operative banking in our country. But, do let us realise that any bank, in order to fulfil its legitimate function, would have to attract deposits and deposits in large measure, before it can be said to be solvent. Up to now, cooperative banks have not been able to attract sufficient amount of deposits. Have the Reserve Bank, has the Government, have the Members of the Planning Commission given any thought to this matter? Sooner or later, we will have to give some thought to this matter, since, we cannot ensure a continuous flow of assistance to financial institutions. Unless we are reasonably certain that they will stand on their feet after a while, assistance is not likely to do good.

I believe that this Bill, modest though it is in its scope, has a valuable function to fulfil. I am very glad to hear that, as my hon. friend

the Minister pointed out, he does not propose to rest on his oars and that he will take into account the various aspects of banking. My grouse against the Planning Commission and the Government is that they react only to *ad hoc* situations and that they do not take a long view of the problems of banking. Even the Reserve Bank, which includes directors who ought to be knowledgeable have not given sufficient thought to the basic problems of banking. I hope that in the near future, the Minister and the various members of the banking community and others will examine these questions and find out what the solution are. Maybe, all their solutions will not appeal to us. But, at any rate, we in the legislature will have something to work upon, and as a result of these suggestions being constructively criticised in the nation's forum, let us hope that banking will become more progressive and that we will have a greater amount of integration and a greater amount of foresight devoted to the long term development of banking as a sector.

Shri A. C. Guha (Barasat): While welcoming this Bill, I cannot but look to the events that occurred about 10 or 11 years ago in my own State. Just after the economic and financial loss of Partition, there was an epidemic of bank failures in Bengal. A large number of banks failed and quite a considerable number of middle class people were ruined because of the bank failures. I raised this question on the floor of the House on several occasions and I suggested that there should be a system of deposit insurance. The Reserve Bank was so rigid in its outlook. At least on this point, they did not agree. Two committees, the Rural Banking Enquiry Committee and the Shroff Committee made some suggestions about this scheme.

12.57 hrs.

[PANDIT THAKUR DAS BHARGAVA in the
Chair] ..

Anyhow, the bank failures of the last few years, I think, have served as a sort of shock treatment for the Reserve Bank and they have now reconciled themselves to this position.

I should, in this connection, also congratulate the Members of this House for the chorus of indignant protests that this House raised over two bank failures and also over the run on another important bank of the country. Without those protests from this House, I am yet doubtful whether the Government or the Reserve Bank would have come forward with this Bill even now. While lending my support to the scheme, I have some words of criticism also.

It has been stated that the coverage of insurance will be only Rs. 1500. It is apparently low. They should see if the limit can be raised. My hon. friend the Minister piloting the Bill has mentioned that it will cover 20 per cent of our total deposits. If you consider only the personal accounts excluding business accounts, the coverage may be somewhat more. The Members of the House would be more interested in the personal accounts, particularly the smaller accounts than the business accounts. While considering this Bill, we should see how far the poorer sections or middle class sections of the depositors will be protected by the provisions of this Bill and also how far this insurance scheme will encourage the banking habit among the people of the country. There was a sort of panic that banks may fail and the poorer people generally would not like to put their money in banks. By this insurance scheme, at least up to Rs. 1500 is being ensured and I hope it will be an encouragement for the middle classes and the poorer sections of the people to put their money in banks and not under the ground or in some other dubious way. Mention has been made about the U.S.A. scheme. They started with about \$2500. Now, the amount has been raised to about \$10,000. Of course, if they have \$2500 then comparing the economic condition and the standard of living

of our country, it may be quite proper that our coverage may be only Rs. 1500. But it is no use making an absolute comparison between the American figures and the Indian figures. We should take into consideration also the economic condition of the two countries concerned.

13 hrs.

The hon. Member who spoke first objected to the State Bank and its subsidiaries being included under this scheme. I think that if the State Bank and its subsidiaries had been excluded, this measure would have proved a sort of discriminatory measure adversely affecting the other commercial banks. I do not know what legal matters the hon. Minister had in view when he said that there were some legal difficulties. I do not know what the legal difficulties are, but, in any case, if the provision would have been to exclude the State Bank and the subsidiary banks of the State Bank from the operation of this Bill, that would have meant a sort of discrimination against the other commercial banks. It is better that the State Bank also has been included under this scheme along with its subsidiary banks, so that, as regards the working expenses, the commercial banks may not be put in a disadvantageous position on account of the State Bank and its subsidiaries being exempted from paying this premium.

While welcoming this Bill, we should also see how far this Bill can be effective in stabilising or banking industry. The main thing is that the Reserve Bank has to do its inspecting properly and see that no unsound banking is encouraged. This Bill should not be taken as an encouragement to unsound banking. In fact, such apprehensions have been expressed by some people that this Bill, having put the unsound and the sound banks on a parity or at the same level, may encourage unsound banking. I believe that there is such a danger, and I, therefore, feel that the Reserve Bank should take sufficient precaution to see that under the protection of this Bill no unsound

[Shri A. C. Guha]

banking is indulged in, particularly by the smaller banks.

In this connection, I would like to draw your attention to the position prevailing in the banking industry. I think more than ten years ago the Banking Companies Act was passed, and in that Act, there was a provision for inspection and also for the licensing of banks. But, as yet, I think that about 80 per cent even of the scheduled banks have not been licensed. Only just a few of them have been licensed. And most of the non-scheduled banks are non-licensed. The mentioning of the names of the licensed and non-licensed banks is a dangerous thing. So, I do not like to mention those names. But it is a fact that only about 67 banks have been licensed so far, out of a total number of 95 scheduled banks and 284 or so non-scheduled banks; of the 95 scheduled banks, 86 are non-licensed as yet.

The plea of the Reserve Bank is that they have not got sufficient staff to do the inspection. I am afraid that that is not a valid plea. Within ten years, the Reserve Bank should have completed this process of licensing, and if any bank is found to be not fit for licensing even after these ten years, then, certain steps should be taken about that bank.

Under the amendment enacted in this House during the last year, there were enough provisions whereby the Reserve Bank could amalgamate an unsound bank with another bank or put it under moratorium or do some such thing. It is not necessary to send that bank immediately to liquidation. There are other courses also open to the Reserve Bank now to put an unsound bank on the right track, so that all the banks may be licensed, within a reasonable period of time. I would like the hon. Minister to assure this House that at least the scheduled banks will be licensed without any delay. I would like to know how long this process is going to be continued.

About the composition of the Corporation, I must say that it is rather not very definite and clear. It has become the practice of Government to make all these bodies filled with high-browed and top people and costly people also. That should not be the practice which should be followed in the case of this Corporation in particular, and the administrative expenses of this corporation should be kept at a very low level.

I do not think that this corporation will have much of office work to do, because I do not expect that there will be any bank failures in the near future. If there is any bank failure now, the entire responsibility will be on the Reserve Bank. If, in spite of the several amendments made to the Banking Companies Act and in spite of the drastic powers conferred on the Reserve Bank, there are any bank failures, the Reserve Bank should take the entire responsibility for them. So, unless there is any bank failure, this corporation would not have much of administrative work. So, it is very necessary that the administrative expenses should be kept down.

It has been stated in clause 25 that the General Fund shall be invested in promissory notes, stock or securities of the Central Government. From our point of view, I welcome this provision, that there would not be any investment in the private sector. But, at the same time, I should like to say that a pertinent question may be raised that the fund being contributed almost solely by the private sector, they will not get any advantage of this fund by way of investment in the private sector. That is also a point which Government should consider. The money is contributed mostly by the private sector. Even though personally I would agree that investment should be mostly in the public sector, the question may, however, be pertinently raised by the banks and by the private sector that having contributed the money them-

selves, still they would be denied of any advantage from this fund. This Fund will have a fairly large investible amount in it.

It has been stated that at present the rate of premium would be 5 nP. Our total deposits, including those of the State Bank and the subsidiary banks, would be over Rs. 2,000 crores. At the rate of 5 of one rupee per hundred—5 per cent of one per cent—I think the total annual premium would be about Rs. 1 crore.

Shri Prabhat Kar (Hooghly): It is not the total deposits that will be insured.

Shri A. C. Guha: Premium will be paid on the total deposit of the banks, not only on the amount insured. I think that is the position.

Shri B. R. Bhagat: Yes.

Shri A. C. Guha: 5 per cent of one per cent would amount to Rs. 1 crore annually if the deposit is Rs. 2,000 crores. Assuming that there will not be any bank failures in near future, within a few years this Corporation will have a fairly big amount.

I think there is a provision in the United States that the banks will get a refund from the premium paid by them. The original capital has also now been repaid by the Corporation. The Corporation in America, the Federal Deposit Insurance Corporation, is now a mutual body. This Bill does not contain any such provision. The capital contributed by the Reserve Bank will be a permanent contribution. There is no provision for refund of the amount by the Corporation and the Corporation being converted into a mutual body. I think Government should consider whether this may be possible to be done, if not today, at least at some future time. After a few years' experience, they may see that this Corporation can also be converted into a mutual body by refund of the capital paid by the Reserve Bank.

Then there is a system of rebate in insurance. If a car is insured and if there is no claim, then next year the insurant gets a rebate over the insurance premium. I feel if a bank has done well and there is no loss on account of the unsound working of the bank, at least as an encouragement to sound banking, such a bank should get a rebate. I would suggest to Government whether a system of rebate for there being no claim cannot be devised and that no claims rebate granted to the insured bank.

Under clause 6(3) (a), a person will be disqualified from being a director if he has been dismissed from the service of the Government or of a local authority or of a corporation or company in which not less than 51 per cent of the paid up capital is held by Government. Why should this disqualification be confined to only government employees in government concerns being found guilty of misconduct? I think any bank employee found guilty of misconduct in any bank or dismissed from the service of any bank should also be debarred from being a director of this Corporation.

Last year there was a run on a very important scheduled bank—one of the top four or five banks in the country—and it was stated on the floor of this House that an employee dismissed from that bank had joined another bank and he was at the root of the mischief. The Finance Minister gave the assurance that they would make an inquiry about that employee and steps would be taken. But I think nothing has been done.

As far as my knowledge goes, that employee is still in a very comfortable position in the bank from which he did that mischief to the previous bank in which he was employed. So persons found guilty of misconduct not only in government concerns or government establishments but also in other banks should be disqualified from being directors in the Corporation.

Shri B. R. Bhagat: That bank did not consider it so.

Shri A. C. Guha: That is the bank's opinion. What is the opinion of the Reserve Bank?

Shri B. R. Bhagat: We have no power to force a bank to dismiss an employee who is found guilty.

Shri A. C. Guha: That I don't like to accept; the Reserve Bank has got enough power. Yet I want to put in that in this Bill, that employees who have been found guilty of misconduct in private banks also should be debarred from being nominated directors in this Corporation. Here the disqualification is limited only to employees of Government, local authorities or companies in which Government have 51 per cent share, but a bank employee found guilty of misconduct in a private concern may be employed as Director here. My suggestion is that this disqualification should also cover bank employees found guilty of any misconduct or dismissed from any bank.

Then there is another point. Because of this premium, the Reserve Bank should see to it that the banks do not raise their interest rates and shift the burden on to the borrowers, which would mean that the cost of production of other articles would go up.

Lastly, I have a few words to say about the general condition of the banking industry in India. This Bill is a protection mainly for the small depositors and the smaller banks. The present position of the banking industry is that the deposits of five or six big banks, which control more than 70 per cent of the deposits of commercial banks excluding the State Bank, are generally big deposits, and no small man can approach the big banks. They are more or less unapproachable or untouchable to the big banks. The position should not be like this. The smaller man should also have the facility of having proper banking opportunities. If they

cannot approach the big banks, then the smaller banks should be put on a sound banking basis. This Bill should not be a plea for weeding out smaller banks. We need smaller banks because the smaller people cannot have business connections with big banks, nor can they get any advances from the big banks. I am not sure about the exact calculation, but I think it will be more or less correct to say that about 80 per cent, if not more, of the bank advances have gone to people who have got enough. The Planning Commission have repeatedly said that new entrants, the smaller people, should get banking facilities and financing institutions should help them. But not to speak of other financing institutions, the smaller people, the new entrants, cannot get any accommodation even from the big banks, and the banking facilities available in the country are mostly available only to men who have got enough and who can afford also to raise money otherwise. So, I request the Government and the Reserve Bank to see that the smaller banks are not weeded out, but are encouraged to finance the smaller people and the new entrants in business and industry. This Bill should not be an encouragement for unsound banking, nor an inducement to weed out the smaller banks. There should not be any inclination on the part of the Corporation to think that there may be some risk about the smaller banks, and so the smaller banks should all be amalgamated. I was one of the first to advocate the policy of amalgamation, but amalgamation only upto a point. That policy should not mean the weeding out of the small banks which alone can help the smaller people.

With these words, I commend this Bill to the acceptance of the Bill. I hope that at least after gaining some experience by working this Corporation, some of the modifications suggested by me will be accommodated, particularly to see if this Corporation can be converted into a mutual body, and if some sort of re-

bate can be given to banks for not putting in any damage claim on the Corporation.

Shri Naushir Bharucha: I think there is no dispute so far as the principle underlying the Bill is concerned, which is acceptable, and I am sure that, as the hon. Minister in charge of the Bill has said, this Bill will buttress the confidence of the public in our banking system and that, in particular, at a time when we are trying to encourage small savings, this will go a great way in boosting up the morale of the small saver. With all that, I am frankly not satisfied with the provisions of this Bill, which, I believe, are, in a manner, halting and not calculated fully to achieve the purpose Government has in view.

Before I proceed further, I would like to refer to the important point made by my hon. friend Dr. Krishnaswami, namely that the shroffs who form an important part of the unorganised banking sector in this country have not been included in the Bill. I am afraid that, having regard to the nature of the business carried on by the shroffs, it is rather difficult to incorporate them in the scheme. Even though they may be supplying credit to the extent of 80 per cent, the fact remains that shroff business is done largely by firms and not by limited corporations, and the constitution of the firm partnerships changes frequently. This might introduce considerable complications. What is more, the shroffs establish their business on the basis of personal confidence reposed by the depositor in the particular firm. Still, I am of opinion that the time must eventually come, if the purpose of the Deposit Insurance Corporation is to be fulfilled, when some method will have to be found to bring at least the bigger shroffs within the ken of this legislation. I think a beginning can be made by a licensing system and a provision for deposits and gradually some sort of compounded liability

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for payment of premia may be imposed upon the firms as entities. Some such method will have to be found, and I think it is not beyond the scope of the draftsmen to devise a scheme whereby at least some part of the indigenous banking system can be brought within the purview of this Bill.

Coming to the scheme of the Bill, it follows the usual pattern of establishing a deposit insurance corporation, but I do not understand why the capital of the Corporation has been provided by a specific clause in the Bill. Clause 4 says that the authorised capital of the Corporation shall be Rs. 1 crore. That means, if at any time this authorised capital has to be increased, Government will have to come to the Houses of Parliament to amend the Act. I am of opinion that this thing should have been left to be done by a resolution passed by Parliament, and on the passing of such a resolution, without the Act having to be amended, it should be possible to increase the authorised capital. Because, personally I feel that an authorised capital of Rs. 1 crore for such a purpose is very small, and very soon probably this limit will have to be exceeded. Therefore, instead of having a procedure whereby you incorporate in a section of the Act the authorised capital, it might have been much better if it had been provided that the Corporation shall have such authorised capital as Parliament, by resolution, from time to time, may determine. That would have made the thing more flexible.

The second point in connection with the Corporation is the constitution of its directorate. I find Government have made it a sort of closed preserve. In an institution like this where you require to tap the experience of several bankers, it is very necessary that representatives of the insured banks should also be there. What is this directorate going to be composed of?—the Governor and the

[Shri Naushir Bharucha]

Deputy-Governor of the Reserve Bank, some nominee of the Central Government, and two directors to be nominated also by the Central Government. Why is it that the insured banks who pay for all this insurance should not have their representatives included on the board? I think that is an omission which requires to be carefully looked into, and I think that at least two directors should be from the insured banks. It should not be difficult to provide a scheme whereby representatives of the insured banks can be taken on the board of directors.

Coming to the question of premium, I am afraid 15 *naye paise* is simply scandalous. I do not think a properly managed corporation would require to exceed 5 *naye paise* even. The hon. Minister said that in actual practice it will not be more than 5 *naye paise*.

Shri Prabhat Kar: At present it will be only 5 *naye paise*.

Shri Naushir Bharucha: That is what he says, but in the Bill it has been put down as 15 *naye paise*. My objection is that once you put a ceiling on insurance premium at a higher figure, the temptation is always to be extravagant and reach that figure. My experience is that in the Bombay Municipal Corporation the ceiling on general taxes was raised and kept at 21 per cent, and we very soon reached 21 per cent. Then it was increased to 25 per cent, we reached that figure also. So, you should impose on the Corporation an obligation to come to Parliament to have the Act amended, when Parliament will review why more premium is necessary. Therefore, I submit it should be put down at not more than 7 or 8 *naye paise*.

On the question raised by my hon. friend Shri Tyagi, I am also of the opinion that this amount of premium paid by banks should be eligible as expenditure for the purpose of business. Obviously, for income-tax purposes this would be admissible.

Now, what is the extent of protection that we are giving to the depositors? It is Rs. 1,500. It is true the hon. Minister has said that even keeping the limit at Rs. 1,500, we are covering 20 per cent of the deposits or 75 per cent of the six million accounts, if I understood him correctly. But 75 per cent of the six million accounts does not mean that 4½ million accounts will be actually covered. It may not mean that. It also indicates the poverty of the nation that when you take the figure of only Rs. 1,500 so many accounts are covered. But is this sufficient? I submit it is not.

Let us take into account the fact that the value of the rupee has depreciated by 20 per cent in the last five years, and in the coming Third Plan I have no doubt that it will depreciate by another 20 per cent. If we take 1939 as the base, this figure of Rs. 1,500 really represents only Rs. 300 in value. What is the objection to raising this limit to, let us say, Rs. 3,000? If you raise the limit a great deal of protection will be given. Supposing you raise the limit, then the premium will be higher but not the rates of premium. But this premium the banks will invariably recover from the depositors, because there is absolutely no prohibition in the Bill that this shall not be so recovered.

And I shall tell you the usual method for recovering it. Even if it be just a small account, the banks charge a particular amount half-yearly. Formerly, it used to be Rs. 3 per account every six months. Now, they have made it Rs. 5 per account, every six months. They will just make it Rs. 6 and more than cover it; because if there are 45 lakhs of accounts. Rs. 45 lakhs will be available to the bank every six months. I am not sure; but, I think that if the depositor pays a small additional amount then, why not give him greater cover up to Rs. 3,000, or for the matter of that up to Rs. 5,000? It can

be done. I am of opinion, therefore, that the cover should extend at least to Rs. 3,000 if not to Rs. 5,000.

The banks do not have to lose anything. Maybe the depositors may pay one or two rupees per annum and they may be covered up to Rs. 5,000. This question has to be ultimately worked out by the actuaries. That is a point to be borne in mind. I do not want my hon. friend the Minister here and now to say that he will extend it. But, that is a point which he should bear in mind.

Shri Warrior (Trichur): Why not they accept it now itself?

Shri Naushir Bharucha: It has to be worked out by the actuaries. The other point I am making is this. The liquidator has to furnish a list within 3 months and then, within 2 months after that the Corporation has to pay the amount. I do not understand why the liquidator should take 3 months to furnish the list. Surely, what is at the foot of the account of an individual can be made out immediately. Every week the pass books are written up and nobody imagines this is a difficult task. I do not think it should really require more than one month, to send in a complete list of depositors.

In the case of a bank failure, the first point is that the party is rendered absolutely helpless for immediate requirements also. And, if you take 3 months to furnish the list and 2 months more to pay, then, in that case, 5 months will elapse by which period the party will have contracted debts from indigenous lenders such as shroffs. The purpose is quick and speed relief.

Why should the insurer require 5 months? Why not pay within one month? Why should the Corporation take two months to pay after the list is furnished, because the Corporation does not lose? If at all there is loss, the bank loses. The Corporation is subsequently reimbursed by the bank

to the extent that it pays. I do not understand why payment should not be made within one week after the list is furnished. The purpose of insurance is defeated if you delay the payment because delayed payments are as bad as payments denied. This thing requires to be looked into carefully. I do not think all these things should be put down in the Bill. If it is said that it should be within such time as the Government may by notification fix, they can be adjusted. Otherwise, every time you will have to come to the House to amend it.

There are other provisions regarding the registration of existing banking companies and registration of defunct banking companies. All these things will also require to be carefully looked into.

Of course, until and unless the Act is put into operation, it is difficult to visualise all the difficulties that will crop up. I have no doubt that the Government will come here again with a revising Bill. They cannot at present foresee the difficulties that may arise and which they may have to face.

While I welcome this Bill as a step in the right direction, I say that Government is taking this step in a halting and faltering manner; and it is very necessary that an insurance Bill of this type should move forward boldly so as to instil confidence in large sections of the depositors.

One word finally regarding the inclusion of the State Bank also as an insured bank. I fully agree with the observations made by my hon. friend, Dr. Krishnaswami that the basic principle of insurance is that the strong must come to the rescue of the weak. Even if it is health insurance, if healthy people say that they will not insure, then, what will happen? Therefore, that is basic.

Secondly, if you exclude the State Bank, constitutional difficulties will arise. The State Bank not having

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to pay a premium will be at an advantage with respect to the other insured banks. Therefore, as a commercial institution doing banking business, the State Bank should pay. Otherwise, there is discriminatory treatment and that might attract the mischief of article 14.

Taking all these things into consideration I am of the opinion that Government would do well in bringing the State Bank also within the purview of the measure.

I do not expect the Government just now to say that they will do this or that they will do that. They should bear in mind that a little bolder approach will enable a larger cover being given to small depositors. And, if they do that they will serve a very useful purpose and our banking system will be placed on a sounder footing. This does not mean that with the passage of this Bill there will be no failures in banks. But I am sure it will help considerably to stop the rot at the very start.

श्री नलदुगकर : समापति महोदय, मैं इस बिल का स्वागत करता हूँ और इसको पेश करने के लिये मंत्री महाशय का अभिनन्दन करता हूँ। यह बिल ऐसे वक्त पेश किया गया है, जब कि इस की सख्त जरूरत थी। अगर बैंकिंग की पिछली तारीख पर नजर डालें तो पता चलेगा और हमें ऐसा अनुभव (तजुर्बा) भी हुआ है—कि बैंकिंग अच्छा न होने की वजह से बहुत से बैंक लिक्विडेशन में चले गये और इस को जो नक्सान हुआ, वह ज्यादातर डिपॉजिटर्स का हुआ। इस का असर पब्लिक पर बहुत बुरा पड़ा है। जब हम देहात में दौरा करते हैं, तो वहाँ के लोग हम से यह पूछते हैं कि जब हम पैसा या जेवरात कपने घरों में रखते हैं, तो वह चोरों और डाकुओं के हाथों में चला जाता है और अगर उनको बैंकों में डिपॉजिट करते हैं, तो बैंक लिक्विडेशन में चले जाते हैं,

तो फिर ऐसी स्थिति में हम को क्या करना चाहिये? जब पब्लिक ऐसी मुसीबत में थी और यह सोच रही थी कि अपने पैसे की हिफाजत की निश्चिन्ता क्या उपाय अख्तियार करना चाहिये, तो ऐसे वक्त पर यह कानून पेश करने से पब्लिक पर अच्छा असर हो रहा है। इस लिये, जैसा कि मैंने अभी कहा है, मैं मंत्री महाशय का अभिनन्दन करता हूँ कि जिन्होंने यह बिल पेश कर के लोगों पर बहुत अच्छा असर पैदा किया है।

मैंने जो यह अमेंडमेंट पेश किया है कि इस बिल को पब्लिक ओपीनियन एलिमिनेट करने के लिये सर्कुलेट किया जाये, मैं उसकी दजूहात बयान करना चाहता हूँ। इस कानून का ताल्लुक ज्यादातर डिपॉजिटर्स और बैंकिंग कम्पनीज से होगा और उन्ही पर इस का प्रभाव पड़ेगा। इस बिल में चन्द दफात (क्लाज़िज़) ऐसी हैं, जिन की निश्चिन्ता डिपॉजिटर्स और बैंकिंग कम्पनीज की राय तलब करना बहुत जरूरी है।

इस बिल में रखी गई चन्द बातों की तरफ जो कि वेग हैं, मैं मंत्री महाशय की तवज्जह मबजूल कराना चाहता हूँ। मसलन क्लाज़ १५ में यह लिखा गया है—

“Every insured bank shall, so long as it continues to be registered, be liable to pay a premium to the Corporation on its deposits..”

मैं तफसीलन एक बात मंत्री महाशय के सामने रखना चाहता हूँ, ताकि उसका जवाब मुझे तसल्ली के साथ मिले। फर्ज कीजिये, एक बैंक में दस हजार रुपये वाले दस डिपॉजिटर्स हैं, जिनकी तादाद एक लाख रुपयेपया होती है। १५०० के अगर दस डिपॉजिटर्स हैं तो उस रकम की तादाद पंद्रह हजार हो जाती है। इस तरह से कुल डिपॉजिटर्स एक लाख

पंद्रह हजार क हो जाते हैं। आप क्लाज १६ के मातहत डिपॉजिटर्स की रकम दे रहे हैं तीस हजार। अब जो प्रीमियम दिया जाने वाला है इन्शोरेंस बैंक को वह क्या एक लाख पंद्रह हजार पर देना पड़ेगा या तीस हजार पर देना पड़ेगा। जब तक इस का साल्यूशन नहीं हो जाता है तब तक मुक्तिलात ही पैदा होने वाली हैं। इस वास्ते इसका क्लेरिफिकेशन हो जाना चाहिये। इस वास्ते मैं चाहता हूँ कि इसको पब्लिश किया जाय और राय ले ली जाय।

अब मैं क्लाज १० पर आता हूँ। इस कानून की क्लाज ३ के तहत आपने कहा है कि आप एक कारपोरेशन को इनकारपोरेट करेंगे। जब यह कारपोरेशन एस्टेबलिश होगा उसी वक्त से इस कारपोरेशन को अख्तियार होगा कि वह बैंकिंग कम्पनीज को रजिस्टर करे रजिस्टर होने के बाद ही यह काम पूरा होगा। उसके बाद जो डायरेक्टर्स हैं एक्वाइंट होने वाले हैं ये डायरेक्टर्स क्लाज ६ की बी सी और डी के तहत एक्वाइंट होंगे। इसकी सब-क्लाज डी के तहत नान-आफिशलज को एक्वाइंट किया जायेगा। अब जब हम पूरे कानून को देखते हैं और क्लाज तीन और क्लाज १० को इसके साथ साथ देखते हैं तो यह नहीं पाते हैं कि इस कानून के एनफोर्समेंट के साथ साथ, इसके शायी होने के साथ साथ जो बोर्ड है वह अटोमैटिकली कायम हो जायेगा। इस वास्ते हमें इस बात पर भी गौर करना पड़ेगा और इस पर गौर करना जरूरी भी है कि एक महीने की एक मुद्दत जो आपने दी है, वह कहां तक मुनासिब हो सकती है और कहीं आगे चलकर उस में कोई पेचीदगियां पैदा तो न होंगी। होना यह चाहिये कि इस एक्ट के कमेंसमेंट से तीस दिन के अन्दर नहीं बल्कि इस कारपोरेशन के एस्टेबलिश होने के तीस दिन के अन्दर यह चीज हो।

क्लाज १० में कहा गया है —

"The Corporation shall register every existing banking company as an insured bank . . .".

लेकिन कानून में कहीं भी ऐसी कोई क्लाज नहीं है या गुंजाइश नहीं है कि जिस की रू से बैंकिंग कम्पनी पर भी कोई ड्यूटी आयद होती हो कि रजिस्ट्रेशन के लिये कि उसको भी दरखास्त करनी है। क्लाज १० के तहत कारपोरेशन जरूर उनको रजिस्टर करेगा बैंकिंग कम्पनी पर भी कोई ड्यूटी आयद होनी चाहिये थी कि कितने दिन के अन्दर उनको रजिस्टर करवाना होगा। फिर अगर उन पर कानूनन कोई ड्यूटी आयद कर दी जाती है तो सवाल उठेगा कि मेरी इच्छा के बगैर आप कसदन क्यों मुझ पर यह जिम्मेदारी आयद कर रहे हैं। यह भी सोचने की बात है। इस सम्बन्ध में मैंने जो ६ नम्बर की एमेंडमेंट दी है मैं चाहता हूँ उस पर विचार लिया जाय।

अब मैं क्लाज १५ के बारे में कुछ कहना चाहता हूँ। फर्ज कीजिये कि किसी बैंक में २० लाख के डिपॉजिटर्स हैं। अब आप फी डिपॉजिट १५०० के लिहाज से कुछ रकम देने वाले हैं। आप प्रिमियम तो पूरे डिपॉजिटर्स पर ले रहे हैं। ऐसी सूरत में कानूनी सवाल पैदा हो जाता है कि सारी रकम पर प्रीमियम देने से जो एक कांट्रैक्ट हो जाता है कारपोरेशन के साथ कि जिस हद तक और जिस रकम पर हम प्रीमियम दे रहे हैं, उस हद तक और उस रकम के लिये कारपोरेशन जिम्मेदार है। उस सूरत में क्या होगा, इस पर भी आप को विचार करना है। क्लाज १५ का प्राविसो २ और क्लाज १६ की सब-क्लाज २ के जो अलफ्राज हैं, उनमें कुछ तबदीली करने की जरूरत है। क्लाज १५ में लफज "आन इट्स डिपॉजिटर्स" आते हैं और इसको अगर क्लाज १६ के प्राविसो २ के साथ पढ़ें तो मालूम होता है कि बैंकिंग कम्पनीज १५०० तक के डिपॉजिटर्स तक के लिये ही प्रीमियम देने की जिम्मेदार हैं, इस से ज्यादा तादाद पर नहीं।

इसके साथ साथ क्लाज १६(२) को आप देखें तो उस में डिफेंस देने की या कम्प्रो-माइज की जब नौबत आयेगी, तो उस में कुछ

[श्री नलदुर्गकर]

नहीं लिखा हुआ है कि कारपोरेशन डिफेंस के किस हद तक जिम्मेदार रहेगी। इस वास्ते यह भी गौर तलब मामला है।

अब मैं क्लॉज ३५ के बारे में कुछ कहना चाहता हूँ। मैं चाहता हूँ कि इस क्लॉज के बारे में प्रेस की ओपिनियन जो है और जो पब्लिक की ओपिनियन है, उस पर गौर कर लिया जाय। यहां पर यह उनको पावर दी गई है कि :

"The Corporation shall have free access to all such records of an insured bank perusal whereof may appear to the Corporation to be necessary for the discharge of its functions under this Act."

यह ठीक नहीं मालूम देती। इसके बारे में काफी खौफ जाहिर किया गया है। क्लॉज ६ के तहत कुछ नान-आफिशल मैम्बर आप बोर्ड में ले रहे हैं। मुम्किन है कि बैंकिंग कम्पनीज को जो कारोबार करती है, उनको उन्हें राज में रखना हो या कुछ बातें ऐसी हो सकती हैं जिनकी राज में रखना जरूरी समझा जा सकता है। इस तरह की चीजों को मालूम करने की अगर कोशिश की जाती है तो उनके कारीबार को धक्का लग सकता है। इस बिल के यहां इट्रोड्यूस होने के बाद से जो क्रिटिसिज्म प्रेस में आया है, उस तरफ आपका ध्यान जाना चाहिये। इस दफा ३५ के बारे में बैंकिंग कम्पनीज की राय है, उस राय पर भी आप को गौर कर लेना चाहिये।

अब हमें यह देखना है कि जो कारपोरेशन हम कायम करने जा रहे हैं वह किस मकसद के लिये है। इका मकसद सिर्फ डिपाजिट्स का इन्श्योरेंस करना ही नहीं होना चाहिये बल्कि यह भी होना चाहिये कि सभी बैंक निहायत एफिशेंटली काम करें, इसको वह देखें। अगर ऐसा किया गया तो क्लॉज ३५ और ३६ में जो कुछ भी गुंजाइश रखी गयी है, बैंकों पर निगरानी रखने की, वह कामयाब

होगी। लेकिन अगर सिर्फ यही समझा जाता है कि कारपोरेशन १५०० रुपये तक की सेप्टी के लिये जिम्मेदार है और इस के मतीजे के तौर पर अगर बैंक लिक्विडेशन में चले जाते हैं या कारोबार खराब हो जाता है तो मैं बड़े अदब से कहना चाहता हूँ कि असल जो मकसद है इस कानून का वह ही खत्म हो जायेगा।

क्लॉज १६(२) के लिहाज से १५०० से ज्यादा जिन के डिपाजिट्स है वह किसी वजह से उनको वापिस लेने की अगर पब्लिक की तरफ से कोशिश की जाती है और अगर कोई इस वजह से खौफ पैदा हो जाता है तो यह खतरनाक चीज होगी। फर्ज कीजिये कि किसी का किसी बैंक में आठ हजार रुपया डिपाजिट के तौर पर है। इस कानून के मुताबिक कारपोरेशन १५०० के लिये जिम्मेदार होगी और इससे ऊपर के लिये कोई इन्श्योरेंस नहीं होगा। ऐसी सूरत में हमसे ज्यादा जिनके डिपाजिट्स हैं उन में उन डिपाजिट्स को विदग्धा करने का खताना पैदा न हो जाये इसे भी आप देखें। लेकिन अगर ऐसा होता है तो यह एक खतरनाक चीज होगी। इस तरह की चीज का पब्लिक के दिल में पैदा होना अच्छा नहीं है। इस वास्ते मैं चाहता हूँ कि क्लॉज १६(२) के तहत इन्श्योरेंस कवर जो है इसमें इजाफा करने की कोशिश की जाये। अब मैं १६(३) के बारे में कुछ कहना चाहता हूँ। इसमें लिखा हुआ है :—

"For the purposes of this section, the amount of the deposits shall be determined after deducting therefrom any ascertained sum of money which the insured bank may be legally entitled to claim by way of set off against the depositor in the same capacity and in the same right."

सेट ऑफ की रकम क्या होनी चाहिये, इस को ठीक तरह से डिफाइन नहीं किया गया है। अगर एक बैंकिंग कम्पनी ने १००० रुपये पर प्रिमियम दिया और २५-३० साल

तक वह उसको देती रही और उसके बाद वह लिक्विडेशन में जाती है तो उस वक्त एक हजार रुपये पर प्रिमियम की जो रकम है क्या उसको आप सैट ऑफ करने वाले हैं? अगर ऐसा किया जाता है तो डिपॉजिटर्स के साथ यह एक बड़ी सख्ती होगी, बहुत ज्यादा अन्याय होगा। यह जो सब क्लेम (३) यह बहुत ही कंट्रोवर्सल है और इसका इस्कोप बहुत वाइड है और मैं चाहता हूँ कि इसको डेफिनिट किया जाये।

श्री ब० रा० भगत : किस के बारे में आप कह रहे हैं ?

श्री नलबुर्गकर : इस में लिखा है :—

“For the purposes of this section, the amount of a deposit shall be determined after deducting therefrom any ascertained sum of money which the insured bank may be legally entitled to claim by way of set off against the depositor in the same capacity and in the same right.”.

इसका मकसद यह है कि अगर किसी इन्श्योर्ड बैंक को प्रीमियम अदा करने में तालीबी हो जाये, अगर प्रीमियम अदा करने में कुछ देर हो जाये तो उस पर इस कानून की रू से सूद एड किया जा सकता है कारपोरेशन के जरिये से। अगर किसी बैंकिंग कम्पनी से कोई गलती हो जाये और उसके ऊपर सूद एड किया जाये तो उस सूरत में जब उस बैंकिंग कम्पनी के डिपॉजिट को वापस करने की नीबत आयेगी, क्या उसको यह डिपॉजिट मय सूद के वापस किया जायेगा? यह सब मामलात ऐसे हैं जिनके साफ होने पर ही कानून ठीक से अमल में आ सकता है, मगर यह बात इससे मालूम नहीं होती है।

इस कानून के मुताबिक जो हमारी होप है वह यह है कि अगर बैंकिंग कम्पनी फेल हो जाती है तो डिपॉजिटर्स को १५००, १५०० रु० मिल जायेंगे। इसीके साथ साथ जो हम

उम्मीद करते हैं कि बैंकिंग कम्पनीज अपने कारोबार को बड़े इस्तादाद से चलायेंगी, वह इस्तादाद से चला पायेंगी या नहीं, इसके प्राविजन का पता नहीं चलता, बावजूद क्लेजेज ३५ और ३६ के। इसलिये मेरी अदब से गजारिश है कि जितने भी कंट्रोवर्सियल क्लेजेज हैं, जिनका सम्बन्ध ज्यादातर डिपॉजिटर्स और बैंकिंग कम्पनीज से आता है, और जिनकी तरफ मैंने सदन की तवज्जह मबजूल करवाई है, उन को पब्लिश किया जाय और डिपॉजिटर्स और कम्पनियों की मुश्किलात को मालूम करने के बाद भी, उनको मलहूज रखने के बाद भी, अगर इस कानून में कोई तब्दीली करने की नीबत आ जाये, तो उस लाइट में इसमें तब्दीली की जाये।

इन अल्फाज के साथ मैं अपना भाषण समाप्त करता हूँ।

Shri N. R. Muniswamy (Vellore): Mr. Chairman, Sir, I welcome this Bill, as it is going to give a good deal of relief to the small depositors. Government has taken this responsibility, because it has seen some of the premier and leading banks going into liquidation. That is why this Deposit Insurance Corporation Bill has been introduced in this House to safeguard the interests of the depositors.

The basic principle is this. This has been exercising the minds of the people for a very long time—over a decade—that there should be some sort of insurance for depositors, just as we have life insurance or fire insurance or other types of insurance. Mostly small depositors need some sort of help. Views can be expressed both for and against the deposit insurance scheme. A controversy has been raging for a very long time. Even in America, I am told, after 1953 liquidation or crashing of banks has been very small and the money

[Shri N. R. Muniswamy]

paid by the corporation was of a very negligible order—0.4 per cent or something, compared to the entire business undertaken by the banking institutions.

In India, after 1953, there have been a good deal of deposits all over, but after the crash of the Palai and some other banks, the deposits have been going down. There was not much to be said in favour of it, as the people were not assured of the money deposited by them in banks. There are banks and banks and people, without knowing the soundness of bank, without verifying its antecedents, deposit money, enticed by the large amount of interest advanced by the bank. People are more concerned about earning interest than about the principal. In Bangalore, a particular gentleman started a private bank and he used to give 5, 10 or even 25 per cent interest. People in high posts had deposited money in that bank; they were more concerned about the interest than the principal. Of course, there are also persons who are more concerned about the principal rather than the interest. Huge interest is one of the incentives offered by banking concerns to create a sort of liking for a particular bank. So, whatever they have got in their possession—cash or Jewellery—they deposit for the sake of getting interest. But when the amount deposited by them is not refunded in time, there is a crash. So, this is a very good Bill which has come at the correct time to safeguard the interests of the depositors.

There is one snag in the Bill. From the several provisions of the Bill, they seem to equate all types of banks—good, bad and indifferent—and place them on equal footing. Even banks not run according to sound banking principles will be encouraged, because the insurance cover by the Corporation is extended to them also. Banks doing honest work will be brought on

the same level with dishonest banks. So, there will not be any incentive for the people to discriminate good banks from bad ones, because in any case, they will get back the money to the extent of Rs. 1500. I do not know how to eliminate bad banks, but we must distinguish bad banks from honest ones.

The other point is this. People who deposit in small banks are assured of the return of their deposits to the extent of Rs. 1500. So, it looks as though the people would begin to deposit their amounts in various banks, to the extent of Rs. 1500 in each bank, because the insurance cover extends to that extent. If a particular person wants to deposit Rs. 50,000, say, then he may deposit Rs. 1000 or Rs. 1500 each in 50 banks or Rs. 3,000 in each bank, because the limit can be raised with the approval of the Central Government. So, according to these provisions, the risk is increased so far as the Corporation is concerned and also the deposits are dissipated and diversified in a piecemeal manner. Till now people were assured of getting back Rs. 250 and after the passing of this Bill, they will be assured of getting back Rs. 1500. But as I said, we have to bear in mind this aspect that we are increasing the risk of the Corporation and the deposits will be dissipated and diversified in a piecemeal manner. Therefore, Rs. 1500 should not be put as the limit or it should be on a different basis. I am not going to suggest how it can be done. This is another snag to be looked into by the Government.

Thirdly, so many offices are located in Bombay including the Life Insurance Corporation. I do not want that this Deposit Insurance Corporation also should be located in Bombay. It should be located in some other place. Instead of locating all big corporations in one particular city, it is better to have them in different cities, so that the administration may be well looked after. It is not right to have

the head office of this Corporation in Bombay.

14 hrs.

The other point I want to mention is about inspection of insured banks by the Reserve Bank. At the instance, of the Corporation, the Reserve Bank will supervise or inspect these banks. Clause 36(3) says:

"When an inspection or investigation has been made under this section, the Reserve Bank shall furnish a copy of its report to the Corporation and neither the bank inspected or investigated nor any other bank shall be entitled to be furnished with a copy of such report."

It looks as though this investigation is being conducted with the knowledge of the insured bank, but when the report is submitted by the Reserve Bank to the corporation it is not disclosed to the bank concerned. The particular bank, it will appear, would be allowed to continue its business, whether it is in sound banking business or otherwise. Therefore, unless it is brought to the notice of the Bank to which the report relates the defects in the working of the bank as a result of which many of the depositors have been losing, it is not right to keep the report secret. When the inspection has taken place, when the books and other things have been checked by the Reserve Bank, why should the report be withheld without being disclosed to the bank concerned? That, as I have already pointed out, might lead to serious consequences as far as the depositors are concerned. The depositors might suffer due to that. The moment the report is placed before the bank, the shareholders, the depositors and others will come to know of it. They will question the management on the points raised in it. Without such questioning on the part of the shareholders and deposi-

tors, the mismanagement might be allowed to continue resulting in bank crashes. That is why I say, Sir, that it is always better to place the report before the bank concerned so that the management may know its defects and try to rectify them.

There is one other provision which says:

"Notwithstanding anything contained in any law for the time being in force, no court, tribunal or other authority shall compel the production or disclosure of a report under this section or of information or material gathered during the course of an inspection or investigation under this section."

If due to mismanagement the depositors in a particular bank are losing and if a particular shareholder files a suit against that bank for liquidation or anything like that, the court will be helpless, according to this provision in the Bill, to compel the bank to produce any report that may be needed by that shareholder. This will lead to other difficulties also. Of course, I understand that banking must be kept highly secret, the transactions and other things must be kept secret. But when the matter has gone to the court where is the secrecy? The trial can as well be done *in camera*, but the position or situation of the bank must be clearly known. Therefore, these two provisions seem to me to be unhealthy provisions and they must be deleted from the provisions of this Bill.

The other point which I wish to bring to the notice of the House is about the constitution of committees. Here it is said:

"The Board may constitute an Executive Committee consisting of such number of directors as may be prescribed".

We are aware that the Board of Directors is constituted by the Governor of the Reserve Bank, the

[Shri N. R. Muniswamy]

Deputy Governor of the Reserve Bank, one officer nominated by the Central Government and two non-officials to be nominated by the Central Government having special knowledge of commercial banking or of commerce etc. I quite appreciate that. The Board of Directors will have five members. But on the question of appointing committees or sub-committees to look after the work as may be prescribed or may be delegated to them by the Board, it is said that even strangers could form such committees. I feel that the members of the Board of Directors alone should constitute such committees or sub-committees. It is not correct that we should have strangers in such committees.

An Hon. Member: Nobody is a stranger here.

Shri N. R. Muniswamy: I would like my hon. friend to read clause 8. In sub-clause (3) it is said:

"The Board may constitute such other committees, whether consisting wholly of directors or wholly of other persons or partly of directors and partly of other persons as it thinks fit for the purpose of discharging such of its functions as may be prescribed or may be delegated to them by the Board."

There may be some reason why they think that such committees should be constituted of strangers. I do not mean to say that by strangers they mean people who have nothing to do with banks or banking. It is a people's corporation and in a people's corporation the people are not strangers. But in the Board of Directors you have only three officials and two non-officials. When committees are appointed, my suggestion is that two or three out of these five directors may form committees. The committee members must be drawn from the board of directors.

An Hon. Member: No, no.

14.05 hrs.

[SHRI MULCHAND DUBE in the Chair]

Shri N. R. Muniswamy: That is my impression. The hon. Member can oppose it when his turn comes.

Those are the three observations, Sir, that I would like to make so far as the provisions of this Bill are concerned. I would like these provisions to be modified in the light of my observations. On the whole, this is a Bill which has to be appreciated by every one of us. It is a long awaited Bill. This will encourage the small depositors to deposit their small savings in banks. As I have already said, all banks should not be put on the same category. According to the provisions here, all categories of banks which are there and which may come up hereafter have a right to be insured and become insured banks. I only suggest that it is better to know their antecedents, whether they are running on a sound banking or sound financial basis. Before knowing this, it is not right for us to give them all the status of insured banks. Banks which have gone into liquidation once may manage to get some funds from somewhere and ask for registration as insured banks. Various provisions are put in here whereby I can see that no bank can get away from the purview of the corporation and all banks can be somehow brought under the corporation, whether they are running on sound lines or not.

On the whole, Sir, as I said, I welcome this Bill and I fully support this Bill.

Shri Prabhat Kar: Mr. Chairman, Sir, as the hon. Deputy Minister has stated while opening this debate that this is the second country which is introducing the deposit insurance scheme in banks, I think the hon. Deputy Minister will agree with me

that the circumstances which led to the introduction of deposit insurance scheme in U.S.A., materially differ from the circumstances that are prevailing in the banking industry here in India. I think he will agree that due to the crash of Wall Street in 1929 5000 banks in USA failed and a national bank holiday had to be declared. When the banks re-opened there was a scramble for withdrawal of the deposits and there was danger of further collapse of the banking system in USA. At that time it was thought essential that the deposit insurance scheme should be established, and that is how when the Banking Companies Act of 1933 was passed in USA this scheme came. But I am confident the hon. Deputy Minister will agree with me that that is not the situation here in India in the year 1961.

During the Second Plan period the Indian banking achieved a significant progress in all aspects of the business. The growth of deposits during this period was to the tune of 85 per cent for the scheduled banks. The number of accounts opened, that means the number of new clientele, which reflects the trend of the banking habits increased during this period to the tune of 55 per cent. The loan account, the purpose for which the bank survives, giving advances during the Second Five Year Plan period increased to the tune of 83 per cent. And, during this period, roughly about 13,000 new branches of banks have been opened. To that extent, Sir, the number of banking personnel also has increased, roughly by 30,000. Naturally, the situation in the banking system in India, when the deposit insurance scheme is being introduced, differs materially from the situation that prevailed in America when the federal insurance scheme was introduced there. But, even then, this deposit insurance scheme was much talked about during the last two or three years and for the last five or six years the All India Banks Association have been

writing to the finance Ministry for the introduction of this scheme, particularly in the smaller banks. The deposit insurance scheme is not going to save the banks from failure. It only assures the depositors that, in spite of the bank failures, they will be guaranteed the amount of deposit to the extent insurance has been made. So, this is no guarantee of stoppage of failure of banking units in this country.

We are going to create a corporation which, according to the Deputy Minister, will undertake insurance of 20 per cent of the deposits, which will come to about Rs. 400 crores. Does it mean that with this guarantee to the depositors, the banks will be given a green signal to move in their own way without caring whether their action will lead to bank failures because, so far as the depositors are concerned, they are guaranteed by the deposit insurance scheme and the Government have taken care that the depositors may not close? That is not the purpose of introducing this deposit insurance scheme.

I find that today the deposits with the scheduled banks is Rs. 1,957 crores of which demand deposits amount to Rs. 837 crores and time deposits Rs. 1,120 crores. The deposits with non-scheduled banks amount to Rs. 45.90 crores. These deposits are being utilised by the banks and on their proper utilisation depends the future of the banking system of this country. Today the ration of deposits to credit is 67.7 per cent. Unless the proper utilisation of the 67 per cent of these advances, which is the main stay of the banking industry, is ensured, though the introduction of the deposit insurance scheme may guarantee the deposits, the proper functioning of the banking system cannot be properly guaranteed. and it will be a load on the Government for the misdeeds of the banks to the tune of Rs. 400 crores for the Corporation will stand guarantee to the depositors.

Very recently, we had to amend the Banking Companies Act and accord-

[Shri Prabhat Kar]

ing to Act 37 of 1960 Reserve Bank have taken the powers to declare moratorium and also, during the period of moratorium, if the Reserve Bank is satisfied, in the national interest, or in the interests of the depositors, or in order to ensure the proper management of the banking company, or in the interests of the banking system, it can prepare a scheme for reconstruction. For that purpose, an Ordinance had to be promulgated. I think this is an admission that, in spite of all this progress during the Second Plan, everything is not okay with the Indian banking system and, therefore, some more powers were required to be taken by the Reserve Bank, even by promulgating an Ordinance, because it was so hurriedly required. Some of the banks were indulging in such habits which may result crash of some of the banks and that is why those powers were taken by the Reserve Bank, and certain orders of moratorium were imposed on certain banks with a view to amalgamating them or for evolving a new scheme of working. While we welcome this Bill for deposit insurance, we want an assurance from the Finance Ministry that more stricter vigilance on the working of the banks will be exercised lest this deposit insurance scheme may be utilised for their own benefit, to the detriment of the depositors. While trying to put a stop to the malpractices, for which so many times the Banking Companies Act had to be amended, this is one which I want the Government to take note of.

Secondly, the hon. Minister has stated that there have been certain legal difficulties in excluding the State Bank and its subsidiaries. I do not know what those legal difficulties are. I do not know how article 14 can be invoked in this case. However, in every case, there are good lawyers who can invoke any constitutional provision to challenge any Act.

I want to remind the Minister that when this deposit insurance scheme was introduced in America itself, it

was not introduced on a national basis first. It started from the different States and, subsequently, it became a federal insurance scheme.

I do not know how the question of discrimination arises. The deposit insurance scheme is to guarantee the depositors against the misdeeds of the management of the banks. Are we to believe that even a Government institution like the State Bank of India wants the Deposit Insurance Corporation to give a guarantee to its depositors? What is the necessity of putting the State Bank and its subsidiaries under this scheme? The question does not arise at all of its inclusion under the deposit insurance scheme. Are we going to put it on par with all those small banks against whom so many reports have been filed with the Reserve Bank? I do not know what legal difficulties have arisen.

Secondly, this deposit insurance scheme is required to see that the small banks function without much difficulty. Although we have been asking for the amalgamation of banks, it is not our intention that the small banks should not exist. It is essential that the small banks should exist to cater to the needs of the small businessmen, middle class business men and also small traders, because it is impossible for the small businessmen and small traders to approach the big banking companies and get proper accommodation. It is almost impossible. Therefore, it is necessary that the small banks should function. In order to see that the small banks do not suffer from dearth of deposits, this deposit insurance scheme is necessary to guarantee that any one who puts his savings in any bank, which is an insured bank, will have his deposits guaranteed. This is not intended to give guarantee to 75 per cent of the big depositors, but to give guarantee to the depositors of small banks, as otherwise they will take away the deposit from small banks and the existence of the small banks will be at stake. Therefore, it was

the purpose for which the deposit insurance scheme should have been introduced and so the question of bringing in the State Bank within its fold does not arise. It is a pure and simple thing.

There has been along clamour by the Indian Banks Association against the functioning of the State Bank and every year in the annual meeting of the Indian Banks' Association the chairman goes on speaking against the State bank and charging government with differential treatment. I do not know where that differential treatment exists. The State Bank is a national institution and it has got a special function. There is the question of opening branches in rural areas. Today, though we have got roughly 5,000 branches all over the country, still three-fourths of the country has been deprived of the banking industry. These banks do not go to the countryside, to the rural areas, to open branches.

It is required that the Government should take steps with the help of the State Bank to open branches. It is essential, it is necessary, it is imperative that the State Bank must have the priority. It may be differential treatment. That differential treatment should be in favour of the State Bank of India because, in order to safeguard the country's economy, the policy of the Government of India will have to be pursued through the State Bank of India. None of these bankers are going to pursue the policy which will be enunciated by the Government of India. So, it should have a preferential treatment. The question of putting it at par with other banks does not arise. Therefore the question of bringing that within the scheme of deposit insurance is basically wrong. The Government should not have submitted to the pressure of the Indian Banks' Association and of the Exchange Banks' Association. I hope that the Government will consider this.

Coming to the question of functioning of the Corporation, I have nothing

much to add except to say that it is essential that we should see that the premium for the scheme is as small as possible. The hon. Minister has said that it will be only 5 nP. and this Bill has suggested that that too only to the tune of Rs. 1,500 that will be insured. Although in the Bill it is provided that the maximum will be 15 nP, may I suggest that instead of continuing with 5 nP let it be raised to 10 nP and let the Rs. 1,500 limit be raised to Rs. 3,000?

An Hon. Member: The provision is there.

Shri Prabhat Kar: Instead of Rs. 1,500 let it be raised to Rs. 3,000 and the premium of 10 nP be there. As has already been suggested by many hon. Members who have spoken before me, the bankers will try to shift the burden on to the depositors. The incidental charges have no relation whatsoever. It is dependent upon some officers. There is no schedule for that, whether it should be Re. 1/4, or Rs. 2 Rs. 3. With the incidental charges being raised by a few annas, all these premia will be covered and ultimately it will be the depositor who will be paying the premium. If that is so, at least let the depositors pay the premium to the tune of 15 nP.

Shri Naushir Bharucha: That will be too much.

Shri Prabhat Kar: I am putting up.....

Shri B. E. Bhagat: Shri Bharucha wants that it should be raised to Rs. 5,000 and the premium should not be raised.

Shri Naushir Bharucha: The rate of premium should not be raised. The quantum of the premium may be raised.

Shri Prabhat Kar: I agree with him His point was that with the efficient functioning of the Corporation, they will not be required to pay that much of premium. The point that I am making is that the premium will ulti-

[Shri Prabhat Kar]

mately have to be borne by the depositors.

Shri A. C. Guha: Why do you presume that?

Shri Prabhat Kar: Because of the incidental charges of the bank which will be debited to the account. It will be done without telling the depositor that he will be paying the premium.

An Hon. Member: Is there any guarantee against that?

Shri Prabhat Kar: Let us see. I do not know whether any bank has got a schedule of the incidental charges. Not a single bank, whether big or small, has any schedule of the incidental charges. It is dependent upon the management. The incidental charges may vary. If they vary to the tune of four annas, nobody would bother and the incidental charges would automatically cover the premium for that particular amount at the time. Anyway, the question is that you are to raise the limit to the tune of Rs. 3,000. It may be 5,000, but let it be Rs. 3,000 at moment. I am not insisting on that. As the hon. Minister said, let us start with Rs. 1,500. Let us see for one year and go upto Rs. 3,000. I would only request him to consider that Rs. 5,000 will be a very small amount for the depositors in the sense that perhaps the whole amount of gratuity that one will get one will deposit in the savings bank. If that particular amount is not guaranteed, his whole life's saving the purpose will not be served. For a pensioner or a retired man this amount means much to his family. His daughter has to be married. If that part is not insured, the purpose will not be served. I would therefore request the hon. Minister to increase this amount to that extent.

Coming to the next point which is my main point, before you start work-

ing of this insurance scheme a thorough enquiry should be made of all the institutions which are going to insure and which are going to register because today the position of each and every institution should be thoroughly examined before the risk is taken by the Corporation as it is a risk that will be taken by the Corporation on behalf of the depositors and this cannot be taken unless the Reserve Bank is fully assured of the position of that individual institution. The present way of inspection is not a proper way of inspection. There are difficulties with which the Reserve Bank is faced. But apart from that, now the function of the Reserve Bank is to have a more effective check. It is not a question of a regular checking as is done by routine checking. I would like to know this. Once the irregularities are found what steps are being taken by the Reserve Bank of India? I know that time is given saying that they are to regularise the amount in another five or six years. By that time I do not know what will happen in that particular institution. I want the Reserve Bank to take a more rigid stand on the question of the irregularities in the functioning of a banking institution. So, before a financial institution is registered with the Corporation there should be a thorough checking by the Reserve Bank of India. Before that is done the question of taking the responsibility does not arise because those bankers who indulge in malpractices—there is quite a large number of them—will find a plea and think, "Here is an escape, that the depositors will get the money and that so far as I am concerned I shall remain scot-free". So that enquiry should be made by the Reserve Bank of India before this is done.

You have said that a defunct banking company means a banking company—

"which has been ordered to be wound up; or

which has transferred all its deposit liabilities in India to any other institution; or....

in respect of which a liquidator has been appointed.....

in respect of which any scheme of compromise or arrangement or of reconstruction has been sanctioned....

which has been granted a moratorium is in operation?"

When the scheme of moratorium is in operation, that will rightly be considered as a defunct banking company. But after this moratorium period is over, with the arrangement scheme, their deposits will also be automatically guaranteed by the insurance. That is one. Secondly, there is a talk of withdrawal of moratorium in the case of some banks. At present they are under the moratorium because of the Government. They are being excluded from the scope of deposit insurance scheme. But immediately the moratorium is withdrawn, will their deposits also be insured on that very day or will there be a time lag? If there will be a time lag, the money will be taken away, the bank will go into liquidation and this scheme will have no effect whatsoever on those banks.

Shri B. R. Bhagat: Clause 12 makes it clear. It says:

"as soon as may be after the termination of the order".

Shri Prabhat Kar: The question will be of 'as soon as'. Once a moratorium is withdrawn, I do not know whether the next day the bank will survive or not. 'As soon as' such a vague term that it will bear no meaning whatsoever so far as those banks are concerned. If the moratorium is declared withdrawn on a particular day, I am doubtful whether any bank will survive, whether it will see the light on the next day because the moratorium was declared as the bank was not functioning properly. There is already an idea prevalent, and cor-

rectly, that the bank was not properly functioning. If the moratorium is declared withdrawn and no amalgamation and other things take place, if it is left to itself, the next moment it will go into liquidation and these depositors will be debarred because of the definition in clause 2(f)(vii). They will not have the benefit of the deposit insurance scheme although this deposit insurance scheme will be applicable to all banks. Had not there been a moratorium declared by the Government of India or under the instructions of the Reserve Bank of India, the depositors of these banks which are under the moratorium would have been guaranteed under this deposit insurance scheme.

14.30 hrs.

[DR. SUSHILA NAYAR in the Chair]

Today, they are being debarred because of the definition of 'defunct banking company' under (f) (vii), and they will not get the benefit the moment moratorium is declared. This will be an anomalous situation. I think the Government would clarify this position.

With these words, I welcome this Bill. As I have said, we have been, from the All India Bank Employees Association, asking for the introduction of this scheme for a long time. We were asking it for the small banks. We find that the State Bank has been included. We do not want the State Bank to be included at all. We do not want that the State enterprise should be asked to pay premium for the malpractices in the other banks. I would request that the State Bank should be taken out of this Bill and the question of increasing the maximum amount be seriously considered by the Government at the earliest opportunity. With these words, I welcome the Bill and support it.

Shri L. Achaw Singh (Inner Manipur): I submit that this Bill is a halting and half-hearted measure.

[Shri L. Achaw Singh]

The purpose of this Bill is to regain, restore the confidence of the depositors. One of the most important purposes of this Bill is also to cope with the bank failures in this country. After a long period of hesitancy as well as bargaining and controversy, the Government has come forward with this proposal for the formation of the Corporation for insuring deposits of commercial banks. This proposal was before the Shroff Committee appointed by the Reserve Bank of India to report on finances for the public sector. That was in the year 1954. This proposal also came up before the Rural Banking enquiry committee as early as 1950. In the meantime, we have witnessed a number of bank failures. Repeated failures of banks have weakened the banking structure of our country. Recently, we had to witness the failure of the Palai Central Bank. Also we had to witness a series of difficulties of small banks which necessitated the granting of moratorium by the Reserve Bank. Private bankers gave their opinion before the Shroff Committee and they said that the establishment of such a Corporation would involve higher costs, establishment costs as well as raising of rates of interest and that would result in costlier credit when we need cheaper credit these days. Then, again, before the Rural Banking enquiry committee, it was stated that a fairly well established sound banking system is essential before we had any such scheme.

There is another question also which was raised before the committee and that is about the insurability of the risk of bank deposits. It is doubtful whether such a risk can be calculated on a sound actuarial basis. The fact is that neither the risk is strictly an insurable one nor the allocation of costs according to benefit derived practicable. According to one Banking expert, the major factors militating hazard involved. Again this background, I feel that this Bill should be circulated for eliciting opinion. We

have also to gain by the experience of the operation of the American Federal Deposit Insurance Corporation. It has been stated that our Corporation will be established on the model of that Corporation. But, there is a difference. Because here, our Corporation is wholly a subsidiary of the Reserve Bank, whereas in America, the Corporation is different organisation altogether. If we look into the report of the American Corporation for the year 1951, it says that it would serve as an instrument, it would serve its purpose if it could prevent overbanking. That was one of the purposes of the establishment of that Corporation in America. They did not intend that the establishment of that Corporation in America would solve all the problems of banking in that country. That has also been stated in this House by several speakers before me.

Our main problem is this. The Reserve Bank is already well equipped with powers to cope with all bank failures and that crises which banks may meet. Why is it that we want to have another Corporation and why is it that the Government should be armed with more weapons such as this Corporation? The main purpose, as has been admitted by the Government, is to restore the confidence of the depositors. In the recent bank failures regarding the Palai Central Bank, the Laxmi Bank and the New City Bank, we felt that the Reserve Bank had not done its duty and it had not acted properly. Because the Reserve Bank has enough powers of inspection as well as supervision over these banks and the balance-sheets of these banks would easily show that they were not working properly. It is learnt that for several years, these banks had no capital at all and they were functioning very precariously. We fail to understand why the Reserve Bank failed to take action in the proper time in a proper way.

They were Scheduled banks. Why were these difficulties there? The Reserve Bank could easily de-schedule them.

Then, the Government would know at least their own position. According to the Banking Companies Act, their minimum capital requirement was Rs. 5 lakhs. If we had a cursory glance at their balance-sheets, easily, it could be detected that most of the assets were not true. In the case of a number of these scheduled banks, their balance-sheets will show that they were worthless banks, and they have no good assets. Surely, it was up to the Reserve Bank to have excluded them from the schedule, but they never took any such action.

With regard to the non-scheduled banks, the Reserve Bank has enough powers to cope with such difficulties. They can cancel the licence even of these banks, if they did not act properly in the interests of the depositors. There also, the Reserve Bank has failed to meet the requirements of the situation.

The question now is whether in such a situation the establishment of this corporation will at all solve our present problem. My point is that our banking structure is not sound, and the weapons provided would not be effectively used, and, therefore, arming the Reserve Bank with more powers would be rather superfluous and redundant. The proper remedy would lie rather in nationalisation. Some of my hon. friends have also advocated nationalisation of banks. The main trouble with the private banks is that they do not act according to the interests of the nation. When we are in need of more credit, they contract it, and when we are in times of prosperity, they just expand it. That is the difficulty that we are facing. In order to solve the problem permanently, the only remedy would lie in the nationalisation of these private banks. That is the only way.

Lastly, I would like to emphasise that the Reserve Bank has not been able to enforce its directives properly. To remove the defects of the present banking system and to reorganise the banking structure in the country, the whole

responsibility should lie with the Reserve Bank. The Reserve Bank has already omnibus powers to supervise and inspect all the banks, and those can be profitably used now also. In this Bill, we have further increased the powers of the Reserve Bank to inspect and to supervise the whole banking system.

A point has been raised here that there is no difference between the weaker or smaller banks and the larger banks. It has been stated that the larger banks would not at all benefit but only the smaller or weaker banks would get the benefit, and because both categories are treated on the same footing, there will be some sort of premium on the smaller or weaker banks. In order to remove this impression, it is necessary that the Reserve Bank should make a concerted drive against the unsound practices. Of course, the Reserve Bank should use its powers sparingly, but then whenever they find any unsound practices or unfair practices being followed they should be very strict and they should take action against those banks with a firm hand. Then only the dream of having one sound single banking system for the whole country would be realised.

With these words, I move that the Bill be circulated for the purpose of eliciting opinion thereon by the 1st November, 1961.

Dr. K. B. Menon (Badagara): This measure has been long overdue. We have had in the last two decades three fairly big bank crashes, apart from the smaller ones which brought in their wake heavy toll of human sorrow and suffering. I have reference first to the failure of the Travancore National Bank in about 1940, which was closed for political reasons. I still remember how a crowd of small workers in hotels and in small business concerns gathered in Ferozeshah Mehta Road in Bombay in front of the bank, weeping and wailing. The same must have happened at the time of the failure of the Laxmi Bank in Akola. The most

[Dr. K. B. Menon]

recent is the failure of the Palai Central Bank which has impoverished villages and which has also robbed the small-man in many a metropolitan centre in India of his life's savings.

Government were aware of the urgency and necessity of protecting the small depositors. In the Statement of Objects and Reasons appended to the Banking Companies Bill of 1949, it was clearly pointed out that the bulk of the depositors were from the lower middle class, and that it was necessary to safeguard their interests. During the next, year, namely 1950, the rural Banking Enquiry Committee suggested to Government again the necessity for a measure of that kind. It was fully supported about four years later, in 1954, by the Shroff Committee which was appointed to enquire into the financing of private sector industries. Apart from all these recommendations of these committees, Government themselves knew what had happened in the United States. A bank holiday was declared by Mr. Roosevelt, as soon as he was inaugurated as President, and the Act that was brought forward as a temporary measure in 1933 was made permanent in 1935. I am not quite familiar with the working of that Act, but I do know that it has stopped large-scale failures of banks and that it has considerably reduced failures of banks in the United States.

Though the Bill that has been brought forward now is a good measure, it is—I would prefer to use Shri Naushir Bharucha's expression—a rather halting one. Of course, one can certainly understand the caution of Government when taking a step of this kind for the first time. But let us hope that ere long Government will correct the shortcomings in the Act, and reduce the insurance fee, as suggested, and make it as low as possible, if possible 5 nP., raise the ceiling from Rs. 1,500 to at least Rs. 3,000 and include all the banks including the State Bank so that there is no distinction as between insured and non-in-

sured banks. If the Corporation with its branches carries out proper supervision and examination, this enactment will certainly help to prevent future failures of banks. This kind of a measure may also stop scare spreading when there is a spurt of failure. I also feel that a measure of this kind may help to rehabilitate banks that are on the brink of failure.

After all this is said and done, it cannot but be admitted that an insurance scheme is only a palliative and not a come—limited one at that. Therefore, other steps are necessary to protect the small depositors. After the failure of the Palai Bank, the Reserve Bank, particularly its Governor, has been making a few suggestions. I think he has been doing some furious thinking on the subject. Speaking at the Institute of Bankers in Bombay in August 1960, he suggested a ratio of 7.5 per cent. between the fixed deposits and capital investment. I do not know whether this has been brought into effect, and if so, how far it has been successful.

Another suggestion he made after failure of the Palai Bank, drew partly from the experience gained from that failure and also partly from the pressure outside was for the amalgamation of small banks. I do not know what progress that has made, but I do know that that is a crying need of the hour.

In this connection, I have to quote certain figures. My experience is limited to my own State. I have to quote certain figures to acquaint the House with the situation. There are in India—I am quoting from the statistical table published by the Reserve Bank of India—351 banks with 5,026 branches with a total investment of Rs. 710 crores. Taking the small State of Kerala with a population of 14 millions and an area of about 14,000 square miles, there are 107 banks with 656 branches with a total investment of Rs. 3-1½ crores.

Shri Tyagi: It is a very rich State!

Dr. K. B. Menon: This shows when reduced to percentages that 30.46 per cent. of the total number of banks in India are in Kerala with a total capital investment of 0.46 per cent. The break-up of these figures are much more revealing. Out of these 107 banks in Kerala—this figure is given by the Reserve Bank; some other figure which is given puts the number at 136; I do not know which is correct, but I take the Reserve Bank figure—there are two banks with a total capital investment of Rs. 27,000, there are 43 banks with a total investment of about Rs. 20 and odd lakhs, which means on the average an investment of less than Rs. 50,000 which is the minimum prescribed by the Reserve bank; then there are 46 banks with a total investment of Rs. 60 and odd lakhs, which means an average investment of Rs. 75,000—80,000. Then there are the last six banks with a capital investment of over a crore of rupees; out of these, recently two have failed, including the Palai Bank.

These figures are very revealing. The fact that 30.46 per cent. of the total number of banks in the whole India is in Kerala itself puts a question mark. Most of these banks are very small banks. Figures speak louder than words. I do not have to go very much into the details and explain the risks in the banking structure of India to the House or to the Reserve Bank. The failure of a bank like the Palai Bank in the extreme south in Kerala found its serious repercussions in Delhi and the north,

I would conclude by inviting the attention of the Minister to these facts and tell him that the strength of a chain depends on the strength of its weakest link.

श्री श्रीनारयण दास (दरभंगा) : सभानेश्री जी, अमानत को, डिपोजिट्स को, इन्शोर करने के लिये, उसका बीमा करने के लिये एक निगम की स्थापना करने के सम्बन्ध में इस सदन में जो विवेक पेश हुआ है, उसका मैं सहृदय से स्वागत करता हूँ।

यद्यपि पिछली शताब्दी में हमारे देश में बैंकिंग प्रणाली का धीरे धीरे बहुत विकास हुआ है और व्यापारिक तथा व्यावसायिक क्षेत्र में उसकी तरक्की हुई है, फिर भी यह बात सभी को जाहिर है कि अभी हिन्दुस्तान के बहुत से भाग बैंकिंग प्रणाली से बिल्कुल ही अछूते हैं और बैंकिंग प्रणाली से जिस तरह से फायदा उठाया जाना चाहिये, अभी हिन्दुस्तान की जनता का बहुत बड़ा भाग उससे फायदा नहीं उठा सका है। हिन्दुस्तान में अभी बैंक के इस्तेमाल का अग्र्याप्त, आदत, शायद दस पन्द्रह प्रतिशत से ज्यादा लोगों में नहीं है। इसके कारणों की कई बार छान-बीन की गई है और कई बार देश में बैंकिंग के विषय में जांच-पड़ताल करने के लिये एन्क्वायरी कमेटीज़ बँटीं। देहात में बैंकों के इस्तेमाल के बारे में भी एक एन्क्वायरी कमेटी बँटी थी। उन सभी ने इस बात पर जोर दिया कि हिन्दुस्तान में लोगों में बैंकिंग की आदत डालने के लिये यह आवश्यक है कि देहात में बैंक खोले जायें और इस तरह की योजना बनाई जाये, जिससे देहात की जनता, किसान लोग, जो कुछ भी थोड़ी सी पूंजी उनके पास रहती है, उसका इस्तेमाल बैंकों द्वारा करे। अभी भी अगर इस बात का अन्दाजा लगाया जाये, तो मालूम होगा कि बहुत से लोगों के पास गहने, नोट या कैश के रूप में धन की बहुत बड़ी मात्रा जमीन में ही पड़ी रहती है, जिससे कई तरह की सामाजिक बुरायाँ भी पैदा होती हैं।

इस सम्बन्ध में यह कहा गया कि हिन्दुस्तान में बैंकिंग प्रणाली का धीरे धीरे देहात में विस्तार होना चाहिये। इस के अनुसार स्टेट बैंक ऑफ इंडिया ने अपनी बहुत सी शाखायें सब-डिविज़नल हैड-क्वार्टर्स और डिस्ट्रिक्ट हैडक्वार्टर्स में खोल कर अपने कार्य का विस्तार किया है। फिर भी उनकी संख्या हिन्दुस्तान के लिये पर्याप्त नहीं है। इसका ख.ा कारण यह है

[श्री श्रीनारदन दास]

कि जो भी बैंकिंग की सुविधायें देहात में उपलब्ध की गई हैं, उस के वावजूद अभी भी बहुत से लोग अपने पास रुपया रखते हैं और बैंकों में जमा नहीं करते हैं। इसके कई कारण हो सकते हैं। बहुत तरह की गलतफहमियां भी हैं। देश में बहुत सी कम्पनियां चलती हैं, बहुत सी बैंकिंग संस्थायें चल रही हैं लेकिन अभी तक इन संस्थाओं ने देहात के एक बड़े हिस्से में इस बात का विश्वास पैदा नहीं किया है कि अगर वे लोग अपनी बचतों को बैंकों में रखेंगे तो उनकी वे रकमें सुरक्षित रह सकेंगी। इस वास्ते लोगों को यह विश्वास होना चाहिये कि उनकी जो अमानतें बैंकों में हैं, वे सुरक्षित हैं और किसी भी कारण से बैंक के लिक्विडेशन में चले जानें पर या कारोबार बन्द हो जानें पर उनका रुपया डूबेगा नहीं, वह सही सलामत रहेगा। ऐसा विश्वास पैदा करने के लिये इस निगम की स्थापना के लिये जो विधेयक लाया गया है, मैं इसका स्वागत करता हूँ और मैं समझता हूँ कि हिन्दुस्तान के लोगों में रुपये बैंकों में जमा करने की आदत को इससे बड़ा बढ़ावा मिलेगा।

15 hrs.

हमें देश के विकास कार्यक्रमों को कार्यान्वित करने के लिए आज पैसे की जरूरत है। यह जो तृतीय पंच वर्षीय योजना बनी है और इसके बाद भी जो योजनायें बनने वाली हैं, उनको पूरा करने के लिए हमें पैसे की जरूरत है। हम केवल बाहरी सहायता पर निर्भर रह कर या डिफिसिट फाइनेंसिंग करके उनको कार्यान्वित नहीं कर सकते हैं। इस वास्ते आवश्यकता इस बात की है कि देश के अन्दर जो लोग कुछ भी थोड़ा बहुत बचाते हैं और उस बचत को अपने घरों में रख छोड़ते हैं, उसको बैंकों में जमा करवायें ताकि उस पैसे का विकास योजनाओं को पूरा करने के लिए उपयोग हो सके। अगर ऐसा होता है तो देश बहुत आगे बढ़ सकता है।

माननीय मंत्री जी ने अपने भाषण में बताया है कि इस विधेयक का जो कार्यक्षेत्र है, जो सीमा है, वह व्यावसायिक बैंकों तक ही अभी सीमित रहने वाली है। हमारे देश में सरकार की नीति पंच वर्षीय योजनाओं को पूरा करने के लिए यह रही है कि देश के अन्दर छोटी छोटी बचतों को बढ़ावा दिया जाए, उनके जरिये से रुपया इकट्ठा किया जाए और उसको विकास कार्य में खर्च किया जाए उसकी यह नीति भी रही है कि कोआपरेटिव बैंक्स और कोआपरेटिव सोसाइटीज का विस्तार हर सम्भव तरीके से किया जाए। कई बार कोआपरेटिव संस्थाओं की जांच की गई है और देखा गया है कि उनके जो सदस्य हैं और वे भी जो सदस्य नहीं हैं अगर रुपया जमा करायें तो बहुत भारी रकम हमको अपनी योजना के लिए प्राप्त हो सकती है। निगम की जो इस बिल के द्वारा स्थापना होने जा रही है और जिसका कार्यक्षेत्र अभी व्यावसायिक बैंकों तक ही सीमित रहने वाला है, इसमें अगर कोआपरेटिव बैंक्स को भी शामिल कर लिया जाता है कोआपरेटिव सोसाइटीज को भी अगर शामिल कर दिया जाता है तो एक बड़ा काम हो जाएगा। जो जनता गांवों में रहती है और उसमें से जो कोआपरेटिव सोसाइटीज की मेम्बर हैं और वहां पर अपनी अमानत रखने की उसको आदत नहीं है, उन सोसाइटीज को अगर सुरक्षा प्रदान कर दी जाती है, तो यह एक बहुत उपकार का कार्य आप करेंगे। मैं अनुरोध करता हूँ कि इस बिल में इस वक्त इसकी गुंजाइश भले ही न हो लेकिन सरकार को इस बात की खानबीन करनी चाहिये कि कहां तक और कितने समय में और कितनी जल्दी हम इस विधेयक को जो कोआपरेटिव बैंक है हमारे देश में, उनको इसके कार्यक्षेत्र में ला सकेंगे।

एक बोर्ड की स्थापना इस बिल के द्वारा आप करने जा रहे हैं जिस पर इस निगम को चलाने का भार होगा। उसका जो संगठन है, वह मुझे बाकी सब दृष्टियों से सही नजर

आता है, सिर्फ एक कमी है जिसकी तरफ मैं आपका ध्यान दिलाना चाहूंगा। जहाँ पर बोर्ड के गठन का निष्पत्ति किया गया है वहाँ यद्यपि यह कहा गया है कि दो बैंकिंग या कामर्स या इंडस्ट्री इत्यादि के जो एक्सपर्ट होंगे उनको सरकार द्वारा नामजद किया जाएगा वहाँ पर अगर ऐसा भी प्राविजन कर दिया जाता है कि विभिन्न बैंकों में जो डिपॉजिटर्स हैं, उनको भी प्रतिनिधित्व इस बोर्ड में मिलेगा, तो इससे और भी ज्यादा अच्छा प्रभाव पड़ सकता था। इस बिल में शायद यह कहा गया है कि पांच या छः मॅम्बर इस बोर्ड में होंगे। अगर यहाँ यह भी कह दिया जाता कि एक डिपॉजिटर्स का प्रतिनिधि भी इसमें होगा, तो यह ज्यादा अच्छा होता।

अब मैं दूसरे विषयों की ओर आपका ध्यान खींचता हूँ। पहला विषय तो रेट आफ प्रीमियम के बारे में है। जीवन बीमा के सम्बन्ध में या दूसरे जनरल बीमा के सम्बन्ध में आपके विशेषज्ञों ने एक वैज्ञानिक ढंग निकाल लिया है और उस ढंग के आधार पर क्या बीमे की दर होनी चाहिये, आपने रख छोड़ी है। बीमे की दर का आधार क्या होना चाहिये, यह आपने वैज्ञानिक आधार पर तय कर दिया है। लेकिन यह एक नया ही विषय आप हाथ में लेने जा रहे हैं। जैसा कि बताया गया है कि एक नए ही ढंग की जिम्मेदारी हम अपने ऊपर लेने जा रहे हैं। मैं समझता हूँ कि बूकि अभी पूरे आंकड़े इस सम्बन्ध में सरकार के पास नहीं हैं पूरी जानकारी इस विषय में सरकार के पास नहीं है, इस वास्ते वह प्रीमियम की शरह को वैज्ञानिक ढंग से तय नहीं कर पाई है। लेकिन मैं समझता हूँ कि डिपॉजिटर्स की सुरक्षा के लिए जो प्रीमियम लिया जाए वह कम से कम होना चाहिये। एक अन्दाजा लगाया गया है कि अधिक से अधिक १५ नए पैसे यह रहेगा और कम से कम पांच नए पैसे होंगे। माननीय मंत्री जी ने कहा है कि अभी

विचार यह है कि कम से कम पांच नए पैसे प्रति सौ रुपया हम प्रीमियम लगायेंगे। मुझे नहीं मालूम कि किस आधार पर यह पांच या पन्द्रह नए पैसे की सीमा तय की गई है। अभी हमें कुछ पता नहीं है कि कितने बैंक फेल हो चुके हैं और किस हद तक उनमें कुल डिपॉजिट थे। अगर यह सब जानकारी और साथ ही साथ दूसरी और भी जितनी जानकारी है, उसको प्राप्त किया जा सके तो मैं कहूंगा कि प्रीमियम तय करने में इस बात का ध्यान रखा जाए कि निगम का स्थायित्व बना रहे, इसको चलाने में कोई घाटा न हो और प्रीमियम की दर भी कम से कम रहे। इस वास्ते मैं समझता हूँ कि सरकार ने पन्द्रह नए पैसे प्रति सैकड़ा अधिक से अधिक लिमिट रखी है यह ज्यादा होने वाली नहीं है और पांच नए पैसे प्रति सैकड़ा जो रखा है, इस पर भी उसको कायम रहना चाहिये। इस संस्था के कुछ दिन तक संचालन को देखने के बाद इसकी छानबीन होनी चाहिये कि कम से कम पांच नए पैसे जो रखे गये हैं, इसको क्या और कम किया जा सकता है या नहीं किया जा सकता है।

स्टेट बैंक आफ इंडिया जो एक तरह से सरकारी बैंक है, उस पर जो भार लादा जा रहा है और उस को जो इस में शामिल किया जा रहा है, यह ठीक नहीं है। माननीय मंत्री जी ने बताया है कि कानूनी सलाह ली गई है और बैंकों की एसोसियेशन जा है, उस की भी राय ली गई है और उन्हें दोनों की तरफ से यह सलाह मिली है कि स्टेट बैंक का भी इस में शामिल होना जरूरी है। मैं समझता हूँ कि स्टेट बैंक जो कि सरकारी बैंक है, उस की सुरक्षा के लिये सरकार खुद जिम्मेदार है और इस में डिपॉजिटर्स के डूबने की कोई आशंका नहीं है। इसलिये स्टेट बैंक को इस में शामिल नहीं किया जाता तो अच्छा रहता। उन्हीं बैंकों को इस में शामिल किया जाना चाहिये जिन के लिक्विडेशन में जाने का खतरा है।

Shri Tyagi: It is as good as your exempting Government grain shops from sales Tax.

श्री श्रीनारायण दास : माननीय सदस्य जिस बात की तरफ इशारा करते हैं, उन को उम के सम्बन्ध में मैं बतलाना चाहता हूँ कि यहाँ पर डिपॉजिट्स के डूबने का कोई खतरा नहीं है और जब ऐसी बात है तो बीमा कराने की जिम्मेदारी उस पर क्यों डाली जाय। अगर ऐसा किया जाता है तो यह एक एक्स्ट्रा एक्सपेंडीचर होगा। स्टेट बैंक को इस में लाने का मतलब यह होगा कि उस से भी इस निगम को प्रीमियम का कुछ रुपया दिलाया जाय। यह रुपया स्टेट बैंक के पास ही रहे तो वह अपने काम को आगे बढ़ा सकता है और और अधिक शाखायें खोल सकता है।

रूरल बैंकिंग एनक्वायरी कमेटी की रिपोर्टमेंटेशन के मुताबिक बहुत से स्थानों पर इस बैंक ने अपनी शाखायें खोली हैं। मैं समझता हूँ कि अभी और भी शाखायें खोले जाने की जरूरत है और बैंक को चाहिये कि और अधिक अपनी शाखायें खोले।

इन शब्दों के साथ मैं इस विधेयक का समर्थन करता हूँ और मैं समझता हूँ कि आगे चल कर जल्दी से जल्दी कोऑपरेटिव बैंक्स को भी इस में शामिल करने का प्रयत्न किया जायगा ताकि देश में कोऑपरेटिव बैंक्स का विकास हो सके और इन बैंक्स में रुपया जमा कराने की आदत लोगों में बढ़ सके।

Shri Ranga (Tenali): I am in favour of this Bill.

Shri Tyagi: Once in a blue moon.

Shri Ranga: I am not in favour of the suggestion made by some friends that it is high time that the banking system was nationalised. I would have supported it some years

back, especially before we became free because then we did not have the experience of the working of the nationalised organisations and institutions. Now that we have had all that experience, from the LIC to various other State enterprises, I am not, so very enthusiastic about it, and I hope the House also would not be too keen on nationalising especially this key industry and enterprise.

The only exception, if I may say so, to the general gloomy picture of the working of the State enterprises is the State Bank, but it was a going concern when it was taken over. Further, till now we have not had any careful and all-round examination of the manner in which it is being worked, whether the working expenses ratio has been going up or not, whether its management is efficient or not. We have not had any careful investigation made into it.

Shri A. C. Guha: You are getting the dividend every year.

Shri Ranga: In one respect it has not fulfilled our hopes, that is in regard to the development of rural banking. It was charged with a special responsibility in regard to this matter. It was expected to spare a portion of its own profits for this development. I think my hon. friend, Arun Babu was then in charge of the steering of the State Bank of India Bill when this assurance was given to Parliament. I do not think this assurance has been fulfilled.

Shri Tyagi: He has brought back the assurance with him.

Shri Ranga: Now, I am very glad that as a result of the working of this particular insurance scheme an opportunity would be given for our rural small depositors to begin to develop the habit of banking and also have confidence in banking and place their small deposits in various small banks that have the spirit of enterprise and daring to go to the

villages and open their small branches and run their banking business, with the assurance that their own banking business would be safe and the depositors would be insured and their deposits would also be safe.

Then, there is the other question raised by my hon. friend Shri Prabhat Kar who made a very learned speech today. That is, would not this insurance scheme induce quite a number of small banks to become less responsible than they would otherwise be? There would always be that kind of risk, that kind of opportunity for bad or inefficient people to become worse or more inefficient. But, generally speaking, a scheme like this is expected to help most of the small concerns to develop a greater sense of responsibility and to carry on their work more carefully than otherwise.

There are certain provisions in this Bill very carefully inserted. They are clause 45 and also the earlier clauses 36 and 37. They seek to safeguard the interests not only of the depositors in an indirect way but they seek to control the activities of small banks and supervise their activities through occasional inspections made by the Reserve Bank of India either directly on their own initiative or more generally on the initiative of this Insurance Corporation. Therefore, I think, public interest would be adequately safeguarded through the working of these clauses—as well as the interests of the depositors and the interests of the banking industry as a whole.

I am certainly glad that the State Bank is also included as one of the insured banks. And, to that extent, I am not able to agree with my hon. friend Shri Prabhat Kar when he wants the State Bank to be removed from the list of insured banks. I do not see any reason why the State Bank which has so far failed in one of its responsibilities of developing banking in rural areas should be

excluded from the list of banks to be insured. It must be expected to make its own contribution to the insurance fund so that small banks can be protected and their depositors could be insured. To that extent its contribution would come to be extremely valuable. If it were not to be included at all, then, I am afraid, the premium that would have to be charged might have to be increased very much and that would be a burden on the depositors who would be interested in these small banks.

I sincerely hope that as a result of this insurance scheme our people will come to have greater confidence in our banking system and would develop the deposit habit to a greater extent and the smaller and non-scheduled banks would begin to be adventurous, not in the way of lending money to all sorts of concerns, but in going farther and farther into the villages starting their own branches and inviting our people to make their deposits in their banks and in that way contribute their mite to the economic development of our country.

Mr. Chairman: We have to finish this Bill by 4 o'clock according to the time schedule. May I know how long the hon. Minister will take for the reply?

Shri B. R. Bhagat: A large number of hon. Members have spoken and made quite valuable points; and I think that even if I reply to them briefly, it may take 15 to 20 minutes.

Mr. Chairman: There are one or two other hon. Members who wish to speak. I would suggest that if they do not mind they might take their turns later in the second or third reading. The hon. Minister.

Shri B. R. Bhagat: Mr. Chairman, I am very grateful to the hon. Members who have spoken on this Bill for giving unqualified support to this measure. It is really gratifying

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that from all quarters this measure has got valuable support. (*Interuptions*).

Shri A. C. Guha: The Communists and the Swantarites included.

Shri B. R. Bhagat: I am also very grateful to the hon. Members who have made valuable contributions and raised certain important points during the course of this debate. I must confess that the observations were not only enlightening but were very stimulating as well. Personally, I have been very much benefited by the contributions made.

In the very beginning I made a promise to my hon. friend, Shri Tyagi, who raised the question whether the payment of premium by an insured bank would be declared free of income-tax. Has this point been considered? This was considered and it was found that according to the provisions of the Indian Income-tax Act, section 10(2) (xv), any expenditure which is necessarily required to be laid out for the purposes of the business will be allowed as expenses in calculating the taxable income. And, it is our belief that premia paid by the banks would be covered by this section.

Shri Tyagi: So, it will be treated as an expense?

Shri B. R. Bhagat: Yes; it would be treated as an expense; and I think this would satisfy my hon. friend.

Shri Tyagi: Thank you.

Shri B. R. Bhagat: The hon. Member who initiated the debate, Shri Vasudevan Nair said that although there is no crisis in the banking industry as such, because certain leaders of the banking industry met several times and pondered over the difficulties facing the banking system and gave their opinion, he came to the conclusion that all is not well with the banking industry.

I think it is not a fair conclusion to draw from the meetings of these banking associations from time to time or other organisations connected with banking. Because in a rapidly developing economy naturally, the monetary and banking systems have to be discussed in the light of the situation developing. It is quite proper that organised banking associations, when they meet, must give thought to the problems connected with the industry. So, this is rather a very encouraging or inspiring feature and not a pointer that there is something wrong with the banking system.

Of course, during recent months the question of the bank deposits has been raised in various discussions in the economic field or at various meetings. And, it is a very moot point and the bankers are naturally concerned. It is not a fact that the bank deposits are going down but the bankers are concerned that they should go up faster. It should rise faster and they are putting their heads together in devising ways and means and to see what incentives should be given, what structural changes should be made and what other things should be done so that the deposits of the banking system may be increasing more and more. As the economy is developing, the bank deposits should go up, and that is the very basis of the development of banking as a whole. So, it is another healthy sign. Therefore, I want to take this opportunity in making it clear that there is nothing wrong with the banking system. Whatever problem is coming up is a problem in the direction of development and it is a problem of dynamism in our economy. Naturally, the banking sector being an important sector of our economy, it must deal with the problems as and when they arise. So I think this point should be borne in mind by the hon. House.

The hon. Member Dr. Krishnaswami, made a very valuable contri-

bution to this debate, and apart from raising certain very pertinent questions concerning his measure, he has also taken this opportunity of pointing towards certain important problems connected with the banking industry. I would like to deal with them now. He has in mind an alternative system of deposit insurance. He said that it can be done by raising the interest of two per cent on the statutory balances required to be maintained with the Reserve Bank and by that the Reserve Bank can get enough money so as to insure the depositors to a larger extent than is visualised in the present scheme. This is a very pertinent point, but we should also consider that the Reserve Bank is entirely a different body, and as the Corporation is an independent body, a provision for payment of interest by the Reserve Bank and for transfer of the amounts so recovered to the Corporation will be inappropriate. This is the difficulty. The Bill, it is also relevant to add, covers the non-scheduled banks and as these banks do not maintain balances with the Reserve Bank, the suggestion, I am afraid, is not very practicable.

Shri Amjad Ali (Dhubri): What about the valuable suggestion made by Dr. Krishnaswami?

Shri B. E. Bhagat: The idea suggested by him is good, but it may not be practicable; some times it is not very practicable.

Then, the hon. Member said that there is no expansion of banks and that the banks are not doing anything for exports. I think this is not correct. For the last two years or so, the Reserve Bank has adopted a very liberal policy in licensing the establishment of branches and everybody knows that the State Bank and the subsidiaries during the second Plan had undertaken a very rapid development of the branches. I may also invite the attention of the hon. Member to the fact that the State Bank and its subsidiaries have proposed to start 300 new branches during the third Plan period, and

these will be mostly in the semi-urban or important rural areas. So, to say that we are staying out during this period and are not having a long-term policy of development of banking is not correct. It may be that this may not have been mentioned, in the form in which the hon. Member wants to be mentioned, in the third Plan report, but the fact is that we have been quite concerned about it, and from time to time we have given adequate and very careful thought to this matter. The result is that during the last few years, the number of branches has gone up, to about 5,000—this is by the end of 1960—from about 4,449 odd at the beginning of the first Plan. So, the charge that we have not been doing enough for the development of banks is not correct.

Similarly, the charge that we have not done enough or adequately for export is also not correct. As regards export business, it is true that this is comparatively a new line for our banks. Most of this work was being looked after by what are called the exchange banks. But increasingly, this is now being handled by our own banks, and they are paying special attention and giving more and more facilities to our exporters. It is very encouraging to see that they have managed to capture a substantial portion of the bill business in recent years. They have started giving packing credits, that is, credits against firm orders placed on our exporters, and they are advancing loans to exporters including in many cases new-comers who have taken out policies of insurance with the Export Risk Insurance Corporation. The question whether banks should be encouraged to extend term credits for exports has also been raised and is now under consideration. So, banks are taking care about exports as well.

Then the hon. Member raised another question regarding the regulation and control of indigenous bankers and the development of an integrated banking system in which both the integrated and the non-integrated banking sectors like

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shroffs and others might be taken care of. This raises larger issues which have been considered several times in the past. The private bankers may not agree to keep proper accounts and give up their non-banking business and submit to licensing and inspection by the Reserve Bank. Unless this is done, it is difficult to bring in these shroffs or *multaris* or others who, although who, although they are playing some part in our banking system, are charging higher rates. So far, this has not been possible, but I think we should not give it so much importance as is now sought to be given, because they cover only five per cent of the total deposits. So far, as our information goes, this non-integrated sector does not cater to more than five per cent.

Then the hon. Member raised another point as to why deposits outside India have been excluded, as otherwise, the Reserve Bank is entitled to inspect the foreign offices of Indian banks which are about 100 in all. The laws and regulations regarding the business of banking in these other countries are different, and Indian banks have to comply with those conditions. In the absence of any laws protecting the deposits in these countries, Indian banks cannot distinguish the Indian depositors in these countries from other depositors, that is, the indigenous depositors, who may be local citizens, and it will not also be proper for us to protect all depositors, Indian as well as local, in respect of Indian banks abroad. Therefore, it is not possible to take care of these accounts. As regards deposits in India by foreign companies, these deposits are made under special conditions, as for example, the PL 480, and the Governments take adequate care to see that the funds are deposited in banks of standing and reputation. Insurance, therefore, is not considered necessary for these deposits. These are the reasons why we have left out some of the special deposits.

The hon. Member, Shri N. R. Muniswamy, asked whether the insurance cover of Rs. 1,500 will not cause a dispersal of deposits. He said that they might split all the deposits and keep them in 20 banks. Sometimes it may not be possible for one person to split it up and keep it in 20 banks. He will have his own difficulties. But, take, for example, the existing position. When there is no insurance at all, people have large deposits in single accounts in many banks, and they have it because they have confidence. Even without insurance, they have large deposits and I do not think there will be any reason why they should undergo all the difficulties in splitting them up just for the mere coverage of accounts, although even today, without any coverage they can maintain large deposits. So, I do not think they will take the trouble of splitting amounts into 10 or 20 parts.

Shri Prabhat Kar: Even without any limit, it can be done.

Shri B.R. Bhagat: He also referred to bringing outsiders on the Board. This is the normal practice. Whether it is insurance, or banks or any other Board or corporation, we are associating in advisory or some other capacity some experts who are outsiders. It is a very normal practice and we are not making any extraordinary arrangement here.

Then, he said the Corporation's office should not be in Bombay. The Corporation will have to work in close association with the Reserve Bank and will be handicapped in its work, unless it is located at the same place at which the central office of the Reserve Bank is situated. In the initial period even the staff of the Corporation may have to be drawn on a part-time basis from the Reserve Bank. So, at least for a few years, to come, it would not be a practicable proposition to shift it to some place other than Bombay.

Shri A.C. Guha: Reserve Bank has got branches in other places also. They can draw the staff from Delhi also.

Shri B. R. Bhagat: It should be in close vicinity of the central office.

Shri Prabhat Kar: Why not in Calcutta?

Shri Tyagi: Take it to Patna.

Shri B. R. Bhagat: I am not for Patna.

Shri Prabhat Kar: But why in Bombay?

Shrimati Renu Chakravartty (Basirhat): Because the Finance Minister comes from Bombay.

Shri B. R. Bhagat: I think this controversy should rest, because hon. Members will realise that it would not be a practicable proposition.

Shri Guha raised a number of points. He said the bulk of the premium will be drawn from the private sector and the money will be invested in the public sector. That is quite obvious, this Corporation being a public sector Corporation. But the benefits accruing to the private sector are also obvious. People will be encouraged to deposit and their confidence in the banking structure will be strengthened. The objective is that the banking sector should grow. So, the benefits to the private sector are quite obvious and significant.

He said private sector employees who have been dismissed should not be on the Board of the Corporation. We could not provide it specifically in the Act, because when a public sector employee is dismissed, there is a well-regulated system or procedure. Charges are framed and specific grounds are given. But such a definite system or procedure does not exist in the private sector. If a man is removed or dismissed in the private sector, we would not know on what grounds he has been dismissed. But I can assure hon. Members that anyone who has been under a cloud and removed from a bank or private sector organisation will not be taken in. It is very obvious. The Reserve Bank will see to it that no such person

whose record is bad would be put on the Board. That will be taken care of without making any provision in the Act.

Then, he asked why this Corporation should not be organised on a mutual basis as in the U.S.A., so that it may provide rebate of premium as in the U.S.A. This question should be considered when the Corporation builds up a sizeable insurance fund. The fund in USA amounts to 0.85 per cent. of the deposits. Even if we want to accumulate to the extent of $\frac{1}{2}$ per cent. of the deposits that we are going to cover, we would need to have about Rs. 10 crores for which we would need 10 years, because the annual accrual of premium would be about Rs. 85 lakhs. At that stage, this can be taken care of.

Shri Bharucha raised the point as to why the capital is authorised and not issued. The answer is, it is not expected that the Corporation will really need a larger capital. We do not want to make it more than Rs. 1 crore. All of it is paid up. So, it is authorised and issued capital. It can borrow to the extent of Rs. 5 crores and that will take care of the need for resources for this Corporation.

Shri Naushir Bharucha: that would not be correct, when an institution borrows money, it has to pay interest. If it is capital, interest is not paid. That should not be lost sight of. Also a balance has to be maintained between the capital fund and the loan fund.

Shri B. R. Bhagat: I quite see the point, but our expectation is it will be run so well that not only we will not have to increase the capital beyond Rs. 1 crore, but also the contingency of borrowing may not arise, to that extent.

Then he asked why the insured bank's representatives are not on the Board. It is for the simple reason that this Corporation will have access to all the secret information about the

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resources and other positions of the other banks. If there is one representative of one insured bank, he might come to know all the secret information about the other banks and it will not be in the interests of the banking system as a whole.

Shri Naushir Bharucha: This will happen only when a bank is about to go into liquidation.

Shri B. R. Bhagat: The Corporation can have information about all the other banks. So, it would not be proper to keep persons connected with the banking industry on this Board.

One or two general points were raised which I would like to answer, because they are important, although I have exceeded the time which I promised I would take. One point was about the State Bank and its subsidiaries. As I explained in my speech, our original intention was not to include the State Bank and its subsidiaries, but on subsequent examination, we found that it would be better to include them also. Much has been said about the legal position. The legal position is, the State Bank would have paid that amount not by way of premium but by way of contribution. This could have been challenged. We are paying something without any consideration and any depositor of the State Bank would have gone to the court. So, that legal contingency would have arisen.

Apart from legal difficulties, the other points were more valuable and they weighed with us, viz., conditions should be created so that this Corporation may be launched in a more friendly and amiable atmosphere so far as other insured banks are concerned, because the other banks would have a grouse that they have been discriminated against and the State Bank is left out. All these considerations weighed with us and we found that it would be better to bring in the State Bank and the subsidiaries, so that this Corporation starts in a much better way and success may be ensured. I think the House will kindly

appreciate this point of view and will not bring in any other consideration.

Regarding the co-operative banks, I have explained the position. I would say that the co-operative sector is an important sector in our economy. The Reserve Bank and the Government have done enough to promote the growth of the co-operative sector. But it will not be possible to bring the co-operative sector also in this, because this concerns only the banking business over which the Reserve Bank has control of inspection and regulation. The Reserve Bank has no control over the co-operative banks or the co-operative deposits in various States which function under different heads. Also, the deposits are not much. It may be a little over Rs. 100 crores or Rs. 120 crores as against deposits in the banks amounting to Rs. 2000 crores. Again, although the deposit amount in the co-operative sector is low, it is distributed in tens of thousands of units. How is the Reserve Bank to know about them, much less to control and regulate over them? So it is not possible to bring the co-operative sector here. We can take care of it in a different way. If the House is of the opinion that the co-operative sector deposits should be taken care of so that there is growth in that sector also, well, the Government can think of other ways of doing it, but it cannot be fitted into this scheme.

A number of hon. Members asked, why are you keeping it at Rs. 1500, why not raise it to Rs. 3000 or Rs. 5000. Simultaneously, one hon. Member said that this premium rate of 15 nP. is 'scandalous'. My only point is, on the one hand he wants it to be raised to Rs. 2000 and Rs. 5000 and, on the other hand, he wants to restrict the premium rate also. Well, the two cannot go together.

Shri Naushir Bharucha: May I point out, Madam, that this is not a correct argument?

Mr. Chairman: The hon. Deputy Minister is not yielding.

Shri B. R. Bhagat: I have not completed my argument, I am still through it. When we were considering this, the question was whether it should be Rs. 1000 or Rs. 2000. Then we said that it was worthwhile starting with Rs. 1500 with a premium of 5 nP. This is one-twentieth of one per cent. In U.S.A. the premium rate is one-twelfth of one per cent. So the premium is not very high. It is reasonable. Some hon. Members asked, what is the basis of it. There is no basis; at least there is no actuarial basis as we have in the Life Insurance Corporation. But looking through various considerations—the rate should not be much, the burden on the banks should not be much and the maximum amount in the present context should be covered—we said that this one-twentyeighth of one per cent to start with would be a good beginning. In this we are fortified by the experience of USA. U.S.A. started with one-twelfth rate and covering 2500 dollars per depositor. It was asked, there it was 2500 dollars and here you are starting with Rs. 1500. It is not a very high figure if you compare the national income of the two countries. The difference is about 100 times. Therefore, Rs. 1500 to start with is not a very meagre figure or a very insignificant figure.

But see what happened there. The corporation worked in a manner that it was not only able to pay off the loans and capital but it also accumulated a sizeable fund. Similarly, here we expect that as the corporation works in a proper manner—we have taken other measures to strengthen the banking industry; we have taken powers under the Banking Companies Act to correct the working of the banks so that there are less and less failures, there are very few re-constructions or amalgamations, so that the eventuality of liquidation and reconstruction is very much minimised—the corporation is bound to have sufficient funds at its disposal and it will not only be able to return the one crore capital and it may not borrow or whatever it has borrowed

it will be able to return, but it will also be able to accumulate a sizeable fund.

Then alone we can take up the question of raising it from Rs. 1500 or to Rs. 2000 or Rs. 5000, whatever the hon. Members have in view, without raising the premium rate. That may be the position at that time. Hon. Members should appreciate that we are embarking on a new field, and we have taken care that we must proceed in a manner where all the favourable conditions are towards the success of the corporation. As the hon. Member there rightly said, the test of its success is that it goes ahead, it goes along and, we say, it goes along in an admirable way and all the expectations of higher coverage, lower premium rate and successful working is realised. That is our hope.

With these words, Sir, I am grateful to all the hon. Members for giving their support and for the valuable contributions they have made during this debate.

Mr. Chairman: There are two amendments to the motion for circulation. I shall put them first to the vote of the House.

Amendments Nos. 1 and 7 were put and negatived.

Mr. Chairman: The question is:

“That the Bill to provide for the establishment of a corporation for the purpose of insurance of deposits and for other matters connected therewith or incidental thereto, be taken into consideration.”

The motion was adopted.

Mr. Chairman: The House will now take up the Bill clause-by-clause.

Clause 2.— (Definitions)

Mr. Chairman: There is a Government amendment.

Shri B. R. Bhagat: Madam, I beg to move:

Page 3,—

(i) in line 28,—

omit "of sub-section (1)";

(ii) in line 30,—

for "sub-section" substitute
"section". (8).

It is a printing mistake. There is no sub-section (1), and that is why we have brought this amendment.

Shri Vasudevan Nair: I beg to move:

Page 3, line 23,—

omit "and include the State Bank and a subsidiary bank". (10).

Madam, I was eagerly waiting to hear what the hon. Deputy Minister had to say about excluding the State Bank and its subsidiary banks from the purview of this Bill. I am sorry to say that I was thoroughly disappointed with his arguments, because practically he had no arguments to put before the House.

What did the hon. Deputy Minister say? He said that previously the Government also did not want to include the State Bank but after second thoughts they wanted to include it because they wanted to introduce the corporation scheme in a cordial atmosphere and some bankers may have the grouse that the State Bank is put on a different level, is treated in a different manner. I really do not understand why there should be a grouse like that. After all, what is the reason for such a Bill? The reason is that there are banks which unfortunately behave in such a manner that they sometimes crash. There may be only a few, but it is astonishing to know that there are 297 banks under liquidation. That was the figure given by the Government in February 1961. When that is the

situation, and when responsible people who are expected to behave better do not behave better and there are chances of breakdown, as far as the banks are concerned, we are forced to have such provisions, especially when Government, unfortunately, do not take the other adequate steps which are proposed by us from time to time. That is the very reason why this Parliament is forced to bring such a legislation.

As far as the State Bank is concerned, if it is in the same position, then it should also be included and there is logic and there is reason behind it. If anybody can prove, with some force in their own arguments, that the State Bank also stands a chance of breakdown, then it should also be included. Otherwise, on some plea to see there is no grouse and simply to satisfy some people, why should the Government surrender? That is what we want to know. Now the cat is out of the bag after the reply of the Minister. It was sheer surrender of the Government before the pressure of the banking industry. That is the very reason why we want to oppose the inclusion of State Bank and we want the State Bank to be treated on a different level. Because, it is a national institution which has functioned with credit. Even Professor Ranga, who is totally opposed to all kinds of nationalisation and State sector, even he is forced to admit that, after all, the State Bank is a very nice institution. Now, simply to see that there is no grouse, just to satisfy some people, we are surprised to find, Government have surrendered themselves on this question, and that is why I want to press my amendment.

Shri B. R. Bhagat: I am sorry, the hon. Member has twisted my argument. There is no surrender. I have explained amply the reasons for a change in our opinion and what considerations weighed with us. I am opposing the amendment moved by Shri Vasudevan Nair.

Mr. Chairman: The question is:

Page 3,—

(i) in line 28—

omit “of sub-section (1)”;

(ii) in line 30—

for “sub-section” substitute
“section”. (8).

The motion was adopted.

Mr. Chairman: The question is:

Page 3, line 23,—

omit “and includes the State
Bank and a subsidiary bank”
(10).

The motion was negatived.

Mr. Chairman: The question is:

“That clause 2, as amended,
stand part of the Bill”.

The motion was adopted.

Clause 2, as amended, was added to
the Bill.

Clauses 3, 4 and 5 were added to
the Bill.

Clause 6.— (Board of Directors)

Shri Shree Narayan Das: I beg to
move:

Page 5, line 34,—

add at the end—

“otherwise becomes actively
connected with a banking
company; or” (5).

Sub-clause (4) of clause 6 prescribes some of the disqualifications. If any director nominated under part (d) of sub-clause (1) becomes subject to these disqualifications, he will cease to

be a member of the Board. In part (d) of sub-clause (1) it is stated:

“two directors nominated by the Central Government in consultation with the Reserve Bank having special knowledge of commercial banking or of commerce, industry or finance, neither of whom shall be an officer of Government or of the Reserve Bank or an officer or other employee of the Corporation or a director, an officer or other employee of a banking company or otherwise actively connected with a banking company.”

So, suppose a person is actively connected with a banking company, he will not be nominated as director out of the two directors that have been mentioned in clause (d) of sub-clause (1). Here, in clause (c) we have laid down certain disqualifications for being nominated as one of the directors under part (d) of sub-clause (1). I would like to point out that there is some lacuna. Clause (4) indicates that if a director becomes subject to any of the disqualifications mentioned in clauses (a) to (d) sub-section (4), then he will lose his seat in the board. Part (b) of sub-clause (4) says that if a member is absent without leave of the Board for more than three consecutive meetings, he will cease to be a member. Part (c) says that if a person becomes a director or an officer or an employee of an insured bank, he is removed from the board. But suppose a person is nominated as director under part (d) of clause (1). If he is actively connected with a banking company, he should lose his seat. Therefore, there seems to be a lacuna. I think that should also be covered. If my amendment is accepted, if a director nominated under part (d) of clause (1) becomes actively connected with a banking company, he will lose his seat. So, I have moved my amendment and I hope the Minister will accept it. It only seeks to remove a lacuna which is present in the Bill. If a person is nominated as a director under part (d) of sub-clause (1) be—

[Shri Shree Narayan Das]

cause at the time of his appointment he is not connected actively with any banking company, if he subsequently becomes actively connected with any banking company, he should lose his seat. This is the simple purpose of my amendment.

Shri B. R. Bhagat: I oppose this amendment because in clause 6(1)(d) it is mentioned that two directors shall be nominated by the Central Government in consultation with the Reserve Bank having special knowledge of commercial banking or of commerce, industry or finance, neither of whom shall be an officer of Government or of the Reserve Bank etc. We have specifically provided the disqualifications under which director cannot be taken in. Sub-clause (4)(c) refers to a person who is a director or an officer or an employee of an insured bank. These two are not on par. Both the clauses do not stand on the same footing.

Shri Prabhat Kar: The point is that in clause 6(1)(d) you say that two directors shall be nominated by the Central Government in consultation with the Reserve Bank having special knowledge of commercial banking or of commerce, industry or finance, neither of whom shall be an officer of Government or an officer or other employee of a banking company or otherwise actively connected with a banking company. Now, as it is, once he is nominated by the Central Government and he subsequently becomes actively connected with a banking company, he would not come under disqualification, because under clause (4)(c) the disqualification is only at the time of appointment.

Shri B. R. Bhagat: I do not think it is necessary.

Shri Prabhat Kar: Why? This sub-clause will become operative only at the time of nomination; not subse-

quently. You have not provided for a contingency where a person, after he has been nominated, becomes actively connected with a banking company.

Shri B. R. Bhagat: If he is actively connected, he is disqualified. I think a specific reference to it is superfluous, because he will not be nominated. That is my point.

Shri Prabhat Kar: Your provision bans nomination. But, after nomination, if he becomes actively connected with a banking company, he will not be disqualified.

Shri B. R. Bhagat: I think he is disqualified even then.

16 hrs.

Mr. Chairman: With regard to clause 6, there seems to be a little confusion as to whether a man, who is disqualified from being appointed because of a certain post that he holds, will not be disqualified if he holds that post after becoming a director. As it is 4 o'clock, we have to close this discussion at this point. I suggest that this point may be looked into in the mean time and this clause be voted when the discussion on the Bill is resumed.

Shri A. C. Guha: I think this Bill might have been concluded.

Mr. Chairman: There are 49 clauses and it is 4 o'clock. The time for this discussion is over. So it would not be possible to finish this today.

16.02 hrs.

MOTION RE: PRODUCTION AND SUPPLY OF COAL

Shri Ram Krishan Gupta (Mahendragarh): Mr. Chairman, I beg to move:

"That the position regarding production and supply of coal in