

12.50 hrs.

BANKING COMPANIES (AMENDMENT) BILL, 1961

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

"That the Bill further to amend the Banking Companies Act, 1949, be referred to a Joint Committee of the Houses consisting of 45 members; 30 from this House, namely:—

Shri C. R. Pattabhi Ramam, Shri S. Osman Ali Khan, Shrimati Sangam Laxmi Bai, Shri Kailash Pati Sinha, Shri Bhola Raut, Shri Chandra Shankar, Shri Suriya Prasad, Shri Liladhar Joshi, Shri P. Subbiah Ambalam, Shri S. M. Siddiah, Shri Hem Raj, Shri Harish Chandra Mathur, Pandit Krishna Chandra Sharma, Seth Achal Singh, Shri Raja Ram Mishra, Shri S. Hanada, Shri Prafulla Chandra Borooah, Shri Umrao Singh, Shri Kamal Krishna Das, Shri B. R. Bhagat, Shri K. G. Deshmukh, Shri V. P. Nayar, Shri Chintamani Panigrahi, Shri Khushwaqt Rai, Shri Motisinh Bahadursinh Thakore, Shri Karandas Parmar, Shri Premji R. Assar, Shri Prakash Vir Shastri, Shri S. M. Banerjee, and Shri Morarji Desai;

and 15 members from Rajya Sabha:

that in order to constitute a quorum of the Joint Committee the quorum shall be one-third of the total number of members of the Joint Committee;

that the Committee shall make a report to this House by the last day of the first week of the next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees will apply with such variations

and modifications as the Speaker may take; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee."

While moving this motion, I may say that this is clarificatory and amending measure within the frame work of the Banking Companies Act as it has already been enacted by Parliament.

Comprehensive and independent legislation regulating the business of banking companies, was first enacted in 1949. Since then, the Act has been amended three times. In 1950, it was amended to facilitate the speedy disposal of winding up proceedings; the amendments which were introduced in 1950 were re-enacted in a more comprehensive form in 1953. In 1956, a number of new provisions were introduced, extending generally the scope of the control by the Reserve Bank. These covered such points as the restriction on the voting rights of shareholders of banks incorporated before January, 1957, the prohibition of attempts to corner and hold shares in the names of companies controlled by the directors, control over the appointment and remuneration of chief executive officers, the extension of the Reserve Bank's powers to give directions to the banking companies, and the prevention of corruption on the part of directors, auditors, liquidators and other officials of a banking company.

The wording of the Act, as amended from time to time has, however, had to be reviewed separately, in the light of the decisions of the Courts, the suggestions of the Reserve Bank and the difficulties experienced by the banks. An opportunity has now been taken to carry out this comprehensive review and the results of this review are embodied in the present Bill.

[Dr. B. Gopala Reddi]

Hon. Members will find the individual amendments explained in detail in the notes on clauses attached to the Bill. I shall, therefore, confine myself to the relatively more important provisions.

The first amendment relates to the scope of the Act itself. The control which is exercised under the Banking Companies Act is restricted to the operations of incorporated companies carrying on the business of banking as defined in the Act. Individuals and partnership firms, registered or unregistered, carrying on the business of banking, have always been regarded as being outside the purview of the Act.

The existing provision in Section 5(1)(d) of the Banking Companies Act is, however, capable of an interpretation, according to which partnership firms with seven or more members may be deemed to be companies governed by the Act. As this is clearly not the intention, the definition of the expression "company", which occurs in this section and has led to some confusion, is being suitably changed in the Bill.

Although an individual or partnership firm will continue to be outside the scope of the Act, and can even use names like "bank", "banker" etc., the business which they can carry on will, in future, be restricted and defined. Clause 35 provides that after the passing of this law, no person other than Government or a regular banking company to which the Act applies, shall accept deposits withdrawable by cheques. This provision will establish a clear and workable distinction between banking institutions which are governed by the Act and institutions which are not so governed.

The second major amendment relates to the declaration of dividends by banking companies. Section 15 of the existing Act sets out the restrictions as to this matter. When there is a

widespread depreciation in the value of investments in Government securities, which may happen when there is an increase in the bank rate, the question arises whether the whole of this loss should be written off before a dividend can be declared.

There have been two views of the duty cast upon a banking company in these circumstances. One view common, I believe, in the United Kingdom, is that it is necessary for banking companies to undertake the onerous obligation of writing off the depreciation in full, partly because the general rule as to the maintenance of capital cannot possibly apply to the investments of a bank, and partly because till an investment is sold, the loss or gain which may be made on it is only notional. The other view is that the loss should be written off, and that the declaration of a profit or a dividend, before the loss in the market value of securities or other assets has been made good, may be illegal and irregular.

In order to place the legal position in this respect beyond any doubt, it is now proposed to amend Section 15 of the Banking Companies Act, so as to lay down that only an actual loss, if any, resulting from the sale of Government securities has to be written off, before a profit or a dividend is declared. The amendment will bring the provisions of the statute into line with the usage and practice which have been in force among banking companies.

Since the Bill was introduced in the House, it has been suggested to us that the scope of the proposed amendment should be made wider than it is, and that in regard to the depreciation in its investments in the shares of joint stock companies, and also in regard to doubtful advances, provision to such an extent as may be considered necessary by the auditor of the company should compulsorily be made, before any profits or dividends are declared.

We have considered this suggestion, in consultation with the Reserve Bank of India, and propose to amplify the provisions of Section 15 on these lines. An appropriate amendment clarifying the real intention of this section will be sponsored by Government in due course.

The wording of Section 17, which deals with the reserve fund of a banking company has created some difficulty. Banking companies have experienced some hardship in complying with the provisions of this Section, partly because it does not take into account the practice of utilising share premium accounts as statutory reserves which is widely in vogue, and partly because the circumstances in which or the extent to which, the statutory reserve can be used for the company's needs are by no means clear from the language of the existing Section. The Section has been redrafted to make the intention quite clear.

Sections 18 and 24 of the Act, as they now stand, provide for the maintenance of certain prescribed minimum amounts in the form of cash and liquid investments. The intention is that these amounts should be maintained in India. The Act does not make this clear, and the necessary clarification is now being made.

I will now turn to the next batch of two or three amendments which are intended to rectify some omissions in the Act.

Section 14 of the Act prohibits the creation of a charge on the unpaid capital of a banking company. This is designed to ensure that the un-called liability of the shareholders will be available to the depositors in case of need. It is now felt that the protection which is available to the depositors should be further strengthened, and it is, therefore, proposed to prohibit the creation of a floating charge on the undertaking or property of a banking company, without the prior concurrence of the Reserve Bank of India.

Section 35 of the Act provides for the inspection of banking companies by the Reserve Bank of India. A system of regular inspections was started by the Reserve Bank in March 1950, and on an average, about 400 inspections are now being carried out every year. A doubt has, however, been felt whether the law as it stands permits the inspection of branches outside the country.

There are about one hundred places outside India, where offices of Indian banks are being maintained. The deposit liabilities of the banks at these places are appreciable. Funds are also remitted from India, in order to maintain or increase the volume of business transacted at these foreign offices. In view of the size and importance of this business abroad, we have included in this Bill an appropriate amendment to enable these branches also to be inspected.

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I referred earlier to the powers which were conferred on the Reserve Bank in 1956 to approve of the appointment and remuneration of the chief executive officers of banking companies. This provision has proved to be most salutary. Between the 14th January, 1957 when this amendment came into force, and the end of December, 1958, the Reserve Bank disposed of 541 applications under the relevant provisions of the Act. We are now extending the scope of this section to provide that the remuneration of ordinary or part-time directors should also be subject to control, as in the case of the non-banking companies, and that post-retirement benefits which may indirectly nullify the very purposes of the control should not be granted to the chief executive officers.

Another important matter, to which I would refer, is the provision regarding moribund banking companies in the present Bill. Since the enforcement of the Banking Companies Act, the Reserve Bank of India has refused licences to 128 banking companies. As

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the House may appreciate, it is necessary to provide for the orderly management of these companies' affairs, after licences have been refused to them, and until such time as they can be wound up. Where the conversion of any of these companies into non-banking companies is possible and desirable, such a conversion has to be brought about in an appropriate manner, after the Reserve Bank has satisfied itself that the depositors of the companies concerned have received the maximum protection which it may be possible to offer them.

We are introducing some new sections in the Act in order to facilitate the Reserve Bank's control and supervision of these banking companies. The extent to which the Banking Companies Act applies to these institutions is, for example, being clarified. It is also being provided that a banking company, to which a licence for accepting of fresh deposits has been refused and which after such refusal merely carries on its old business, cannot be converted into a non-banking company, merely in order to evade or escape the control which is exercisable under the Banking Companies Act. In order to ensure that no attempt at evasion will in future be countenanced, a duty is being cast on the authorities, who are likely to be concerned with the affairs of any such banking company, to ask for and abide by the Reserve Bank's expert advice in regard to the future of the company.

I would now like to invite the attention of the House to a set of amendments regarding the liquidation and winding up of banking companies generally, which may be of interest. The conditions in which an application may be made to a court of law by the Reserve Bank of India for winding up a banking company at present are somewhat restrictive. Where it has become reasonably clear that a banking company is carrying on its affairs in a manner which is unsatisfactory,

the Reserve Bank gives it opportunities to improve its position in an orderly way. But this is not enough.

We are, therefore, amending section 38 to enable the Reserve Bank to apply to the court for the winding up of the banking company. We are supplementing this main provision by certain minor improvements in the procedure for liquidation and winding up, and in order to complete the picture, I would indicate very briefly the nature of these other provisions.

The duties and powers of the various liquidators appointed under the Banking Companies Act are now being clarified. The debts due to a banking company, which have already become time-barred before it is taken into liquidation, are being revived and kept alive for a reasonable period after the appointment of the liquidator in winding up proceedings. The procedure for making payments to preferential creditors is being simplified so as to avoid delay; and a fresh provision permitting the imposition of penalties on liquidators, in the event of non-compliance with the provisions of the law, has been included. We hope that these amendments will go a long way towards ensuring the most efficient and expeditious conduct of liquidation proceedings.

As I said in the beginning, this is a clarificatory and amending measure. It only seeks to restate the provisions of the existing Act, where experience has shown that such clarification has become necessary. It also fills in certain lacunae in the provisions which the working of the Act has disclosed. It does not raise any major issues of policy, and its only purpose is to improve the working of banking companies and the banking system, within the ambit of the present law. I would commend the motion for the consideration of the House. Sir, I move.

Mr. Speaker: Motion moved:

"That the Bill further to amend the Banking Companies Act, 1950,

be referred to a Joint Committee of the House, consisting of 45 members; 30 from this House, namely.—

Shri C. R. Pattabhi Raman, Shri S. Osman Ali Khan, Shrimati Sangam Laxmi Bai, Shri Kailash Pat. Sinha, Shri Bhola Raut, Shri Chandra Shankar, Shri Suriya Prasad, Shri Liladhar Joshi, Shri P. Subbiah Ambalam, Shri S. M. Siddiah, Shri Hem Raj, Shri Harish Chandra Mathur, Pandit Krishna Chandra Sharma, Seth Achal Singh, Shri Raja Ram Misra, Shri S. Hansda, Shri Prafulla Chandra Borooah, Shri Umrao Singh, Shri Kamal Krishna Das, Shri B. R. Bhagat, Shri K. G. Deshmukh, Shri V. P. Nayar, Shri Chintaman Panigrahi, Shri Khushwaqt Rai, Shri Motisinh Bahadursinh Thakore, Shri Karsandas Parmar, Shri Premji R. Assar, Shri Prakash Vir Shastri, Shri S. M. Banerjee, and Shri Moraji Desai and 15 members from Rajya Sabha,

that in order to constitute a sitting of the Joint Committee the quorum shall be one-third of the total number of members of the Joint Committee,

that the Committee shall make a report to this House by the last day of the first week of the next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee."

Shri Prabhakar Kar (Hooghly): I thank the hon. Minister for having brought forward these amendments to the Banking Companies Act before this House, in the light of the experience gained and the difficulties experienced by the Reserve Bank or the Government. But I feel that these are not sufficient. I do not know whether the present amendments which have been proposed will be sufficient to minimise the mischiefs of the banking companies or to help in the further growth of banking system in this country.

The Banking Companies Act was passed in the year 1949. It was passed with a view to give a different status to banking companies as apart from the ordinary companies, it was realised that more effective control should be in the hands of the Reserve Bank with regard to the working of the banks, and accordingly, the provisions were made. We cannot forget how before the Banking Companies Act was passed, these banking companies were functioning without proper control and check. The result was that just after the second world war, there was a spate of closure of the banking companies resulting in enormous losses to the public. According to the report of the Liquidation Proceedings Committee, about Rs. 100 crores of public money were lost. The reasons given for the closure of these banks, were, I may say, amazing, namely, that all sorts of manipulations that could be imagined were being carried on by the banking companies. This is not simply the statement of a layman, but it is the report of a committee which has gone into the question and given a comprehensive list of these malpractices, which includes the window-dressing of the balance-sheets, the interlocking of interests, the manipulations of accounts, purchasing of shares of companies which did not exist or in which the managers or managing directors were interested. And we know what happened as a result thereof. During the second world war, so many banks had come

[Shri Prabhat Kar]

into existence. Just after the second world war, particularly in the State from which I come, there were about 150 banks working, between 1939 and 1948. All of a sudden between 1947 and 1948, all the banks barring 20 or 25 which are still existing, went into liquidation, and during this period these banks collected nearly Rs. 100 crores from the depositors, all belonging to the lower middle class, most of them refugees from East Bengal. Their life savings were lost, and it was felt then that if the banks were allowed to function in this manner, it would not only create a situation so far as the common man was concerned, but it would hit hard the economy of the country itself. That is why the Banking Companies Act was passed and effective control given to the Reserve Bank. From time to time there have been amendments to the Act in the light of the experience gained, but this time there are certain comprehensive changes.

I wish to point out to the House that these amendments in the present are not sufficient. What is the present position of the banking companies since the passing of the Banking Companies Act? Are all the ills of the banks still there, or have they been minimised; if they have been minimised, to what extent?

So far as banking practices are concerned, the same old type of malpractices still continue. The only difference is that during the war period it was being done by the small banks which resulted in their liquidation, but now the same thing is being done by the big banks. Perhaps they can to a certain extent absorb the shock or the effect of these malpractices.

We know the affair of Shri Mundhra. It was brought before the House because, I would say, of his bad luck. He tried to spread his hands into the public sector, the Life Insurance Corporation. If he had not tried to enter into an understanding with the Life

Insurance Corporation by selling his shares, perhaps he would have been carrying on in the same way as he had done for the last five or six years. For the last five or six years it is the banks, one or other of them, that encouraged him to pursue all sorts of malpractices that have been found out.

It is not only one Mundhra. Very recently I know a branch of a foreign exchange bank, the British Bank of the Middle East, was closed in Calcutta. The reason why it was closed was that the head office found it impossible to keep the branch open since the collusion of the bank management and the customers had resulted in a loss of Rs. 1 crore by way of bad debt, which it was impossible to recover. It has been said that it will not only not be possible to recover it, but that if they want to keep the branch there, it will be necessary for them also to allow this sort of thing, as, without this sort of business, it is not possible to run the branch. It may be that the officers there give a wrong impression, but it is not the question of the British Bank of the Middle East alone.

We know many other cases, I can give some names. Cases have been filed, for example, by the Lloyds and National Banks against one Onkarmul Bhatia for Rs. 1 crore. Another case is that of Bhagwandas Goel where it is not only an Indian but an exchange bank also is concerned, and the amount is Rs. 150 lakhs. Will it be possible for one customer to take away Rs. 1 crore or Rs. 150 lakhs if there was no understanding between the bank management and the customer? It cannot be said that one particular customer can cheat a bank to such a heavy extent unless there is an understanding. Where is the check?

The hon. Minister said that so far as inspection outside is concerned, the Reserve Bank has been given the power. It is a good thing, no doubt, but what about inspection inside? No

doubt inspection is being carried out, but what positive steps have been taken after the inspection? I know that suggestions are being made to the banks, to the persons who commit these irregularities that have been found out, that they should try to change, but it is not only the irregularities that have been found in the books.

It is a fact that even in the big banks, books are manipulated. It is a fact that there are hidden accounts. Even today, if you try to go through the accounts of the banks for the last five or six years, you will find certain amounts which do not come under any particular heading, which are being kept apart. It is a fact, and we know it, that in banks, in the current account ledgers, certain accounts are being kept which are not operated by any customer. The account is completely the account of the bank management only. How this amount comes in nobody knows. Wherefrom the credit comes nobody knows. How the credit grows nobody knows. But these things are continuing.

The Reserve Bank comes and inspects. I have got nothing to say about the inspection, but it is still ineffective in the sense that they have not been able to check and stop all these malpractices.

There have been cases of frauds in the banks. The Reserve Bank has inspected more than once, and after seven or eight years the fraud is found out. It is in a big bank. The internal auditors are there, and they give a certificate. How is it possible to find out, let me say, this conspiracy to cheat a bank to the tune of Rs. 80 lakhs, when there was an internal auditor, and the accounts of the bank had been audited for the last eight years? During this period the Reserve Bank has inspected the books of accounts, but these things are continuing.

I know Government is somewhat allergic to the word "nationalisation", but you have got the Reserve Bank, you have got the Banking Companies Act, and you have got the Reserve Bank Act. It is in the interests of the nation that you see that the banks work in such a manner that the interests of the depositors, the interests of the customers and the interests of the shareholders also are safeguarded. I would like the hon. Minister to consider that point. That will be possible only if some more power is given to the Reserve Bank for exercising effective control.

Then the question comes of banking facilities. No doubt the State Bank, after its formation, has been opening new branches. If I am correct, up to this time they have opened more than 350 new branches, and they are going to open more. But if we look to the development of the other banking companies, what is the position? Today we know in India there is a concentration of banks in a very few places. In such a vast country like ours with 400 million people, roughly the banking branches may be near about 5,000 all over the country, out of which about 3,600 branches are concentrated in about 26 cities.

Now, banking facilities are not being given to the common man in different parts of the country. It is not only a question of rural credit. What about agricultural credit? No facilities are being given. Branches are being opened in the cities. Even today, here in Delhi, Government are granting permission to open branches to big banks in various parts of Delhi. I do not know why it is so necessary that a man who has banking facilities in Connaught Circus must have a bank somewhere near Parliament Street. I do not understand the necessity of allowing the opening of such branches in the same place when the country at large is being deprived of banking facilities. Government have got the power of granting permission to open branches. They will not restrict the opening of such branches. They will

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not tell the banks that they should not open branches here in Delhi but should open branches in the rural areas or outside the cities and towns. This is the position.

Today, even if we do not think of nationalisation, it is necessary that we should see that our banking operates to fulfil the purpose of Government's policy. We are trying to industrialise our country. In the interest of the country's economy, industrialisation should make rapid progress. Who can help in this respect? Banks can help. What is the position of the banks even today? Roughly—we take the average—for the last three years, you will find that so far as advances are concerned, 51 per cent is given to commerce, 17 per cent to industry and 3 per cent to agriculture. So far as agriculture and industry, the most important items so far as India is concerned, are concerned, the banks' contribution is minimum. The maximum of 51 per cent goes to commerce. Even advances to individuals will be much more than that given to industry. The figure comes to about 21 per cent. It is true that you encourage the private sector. You allow the banks to move in their own way. But is there no purpose behind it? The country needs proper progress under a proper plan. Will you not today impose certain restrictions to see that the money that banks have got at their disposal should be utilised not simply for commerce and for individuals, but should be utilised in the interests of the nation?

This is not only my complaint. Even the Federation of Indian Chambers of Commerce and Industry wrote to the Indian Banks' Association that facilities should be given to small scale industry. The Indian Banks' Association simply dismissed the plea saying 'So far as the normal business is concerned, we are carrying on'. Today if the Federation of Indian Chambers of Commerce and Industry make a complaint, you can very well see that

unless they have been put to difficulties so far as the small industries are concerned, they would have not done so, because it is those who are in the Federation are themselves in the banks. If they are complaining, there must be something very very wrong in regard to this particular matter of advancing money to small scale industry. This matter should be taken up. This is an important factor. I wish that in the Banking Companies (Amendment) Bill, we should have certain provisions to restrict and control in this respect, as otherwise simply by changing certain provisions here and there we will not be able to help in the growth of the banks.

Even today, after 1948-49, we are facing difficulties in regard to banking. Barring a few, most of the banks are in difficulties. How are you going to remove the difficulties the small banks are facing today? This can only be done if certain positive suggestions emanate from the Reserve Bank or Government. I know that today the Reserve Bank's licensing policy is that if there are certain difficulties in the way of fulfilling the provisions, it immediately says, 'You do it within such and such time, or else I withdraw the licence'. Closing down of banks is no solution. By simply closing down a bank you cannot say that you have eradicated all the evils. The evils do not disappear because the bank is not there. It should not be thought that if the bank is not there, nobody will be able to pursue the mischief. That is a wrong approach. Government have got to come forward with certain suggestions. There should be some provisions in the Banking Companies (Amendment) Bill with regard to that. But they are not there.

Regarding dividend, there have been certain questions posed. Government will not restrict the issue of bonus shares so far as banks are concerned. So far as the banks are concerned, the capital of the shareholders constitutes only 2 per cent. of the working capital.

The depositors' money constitutes 95 to 96 per cent. of the working capital of the banks; only 2 per cent. of the working capital is being subscribed by the shareholders.

Now, they pay dividend. Apart from that, you allow them to issue bonus shares. I do not know why this is done. I say this because the share capital in the banking companies does not play any part in earning profit or in supplying money to the institution. Under these circumstances, the question of restriction on the issue of bonus shares should have been considered and a provision to that effect should have found a place in the Bill. Very recently, the Indian banks have been trying for permission for the issue of bonus shares. On behalf of the All India Bank Employees' Association, we have been asking Government not to sanction it. The matter is still being pursued. I would like Government to bring forward certain amendments so that there may be a restriction on the issue of bonus shares so far as banks are concerned, taking into consideration the fact that the share capital of banks constitutes only 2 per cent. of the working capital of the institutions as a whole, and so the share capital does not contribute anything by way of earning profit to the banking institutions. Under these circumstances, the provision applicable to other companies under the Indian Companies Act in this respect should not apply to banks. An amendment to that effect should have found a place in the amending Bill.

I know that there was a suggestion from Government and the Reserve Bank about a Credit Information Bureau. I also know that the bankers are not very agreeable to this particular suggestion. The establishment of a Credit Information Bureau is essential if we want to stop malpractices and fraudulent transactions. We can also help the growth of banking if there is such a Bureau, as suggested by the Reserve Bank of India. I would

13.28 hrs.

[Mr. DEPUTY-SPEAKER in the Chair]

like the Minister to see that an amendment is put in to cover this particular item also. It may not be in a direct form, but provision should be there for some sort of a Credit Information Bureau as suggested by the Reserve Bank.

Then I have another suggestion to make. I feel that at this stage it is also necessary, particularly in view of the fact that the small banks are facing difficulties, to think in terms of deposit insurance. This is an essential factor, to which, I know the 'big brothers' in the banking industry will not agree, because there is keen competition amongst them to draw deposits from one bank to another. So far as the big banks are concerned, knowing fully well that they have got the monopoly of the business, they will not agree to the deposit insurance scheme which may be beneficial to the small banks. Many of the present disabilities and malpractices can, to a certain extent, be minimised if the question of deposit insurance is also taken up by amending the Banking Companies Act.

Then there is another thing. Yesterday Shri V. P. Nayar referred to one particular provision to the effect that the tribunal shall not force the Reserve Bank or the State Bank or any other banking company to produce the books of accounts and all those things. You know that today according to the Banking Companies Act and Reserve Bank regulations, balance sheets are to be published after making provision for bad and doubtful debts and other things. So, the balance-sheet which is published and presented to the public is not the correct picture of the whole working of the banking unit. On the very balance-sheet is written that it represents the position after making provision for doubtful debts and other things. If the books of the banks are kept so secret that they cannot even be produced before the judge,

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I do not understand exactly how we will be able to check all these malpractices which have resulted in the failure of the banks in the past.

It may be said that the Chartered Accountant has audited and the statement of accounts as audited is placed before the public and that surely he would have gone through them. I do not know whether he actually goes through them. We know, with all due respect to them, how these audited statements of accounts are manipulated. In spite of the existence of these Chartered Accountants, it has been found that these balance-sheets do not reflect the proper state of affairs.

I do not want you to say immediately that these must be made public. But they should not be kept secret even from the authorities of law. I want the Government to make that amendment. They should be placed before the law courts where they are going to decide what exactly is the position of the banking company concerned. Otherwise, if you make the law in such a way that even the law courts will not be able to inspect these books, then, you will be granting a concession to the banking industry which will not only create a wrong impression about the banking companies, as such but will result in the continuance of the malpractices which have been so much rampant in the banking industry. I would request the hon. Minister to consider this particular aspect of the matter and put in an amendment.

So far as the amendments are concerned, there are certain clauses which I really welcome. As I said, this is not sufficient. There is the question of prohibiting the banking companies from being secretaries also. We know there are so many secretaries nowadays instead of managing agencies. The suggestion made in the Bill is good.

I have not been able to understand what exactly is the implication of the change in section 10. It has been stated.—

“(b) any commission to any broker (including guarantee broker), cashier-contractor, clearing and forwarding agent, auctioneer or any other person, employed by the banking company under a contract otherwise than as a regular member of the staff of the company”

Generally, all the transactions of the banks are carried on either on the stock exchange or the foreign exchange or the foreign exchange market—even the question of call loans have all gone through the brokers. I do not know whether section 10 was at all considered as a bar for the payment of commission to these persons because they were never the bank's employees. They were persons who had a separate entity and they were being paid commissions—the stock brokers and the call loan brokers. I do not know how they will come under section 10. I think I am correct in saying that by no stretch of imagination can section 10 which deals only with employment under a banking company include these persons. Here the question is not of employment but of paying commission for a particular contract. Even if it is so, I would suggest that this clarification of section 10 which is made here should have retrospective effect because this clarification which you want to put should cover all that which has been done in the past. Otherwise, the clarification will have no meaning. It seems as if previously this was illegal or prohibited under section 10 and now it has been given a concession. That is my understanding of what the hon. Minister wants to do. So, it is necessary to give retrospective effect to this change in section 10.

Then clause 29 of the Bill deals with the preferential payment to small depositors. That is also a welcome

feature We know that in spite of the appointment of the court liquidator, the payment to the depositors has been delayed; and we know also how the poor depositors lose because of the malpractices of the managing directors We know how they have to write again and again and approach them for the payment of a small percentage which the liquidator has already declared It is a good amendment that has been put forward in clause 29

So far as the filing of the return is concerned, the only thing is whether the imposition will be strictly adhered to by the banking companies I want the hon Minister to consider this I think, along with this, he should agree to further amend it, because for ten years past, from 1949 to 1959, we have seen the development of banking, we have seen how more and more money is coming to banks as deposits Today in the year 1959, we have as deposits amounts to the tune of about Rs 1,500 crores It is a huge amount which, if properly utilised, can, to a great extent, go to improve the economic condition of the country I do not know whether it is because of their hesitation or because of their wrong policy, but we know that today the banks are not in a position even to utilise this big amount The advances in relation to deposits have gone down in 1958 as compared to 1957 This is an indication that the policy pursued by the bankers is not the proper or the correct policy In view of the economic development of the country, in view of the Second Five Year Plan and in view of the prospect of the Third Five Year Plan, more and more money which is coming into the hands of the banking companies should be properly utilised The fact that the percentage of advances in relation to deposits has gone down is a pointer which the Government should take into consideration in deciding exactly how the banks should function in future

With these words I welcome the Bill and I request the hon. Minister to consider all the points that I have placed before him.

Shri Nanshir Bharucha (East Khandesh) Mr Deputy-Speaker, Sir, while I welcome this Bill amending the Banking Companies Act, I must draw the attention of the House to the very misleading nature of the Statement of Objects and Reasons This Bill seeks to amend the Act by no less than 26 clauses But, here, in the Statement of Objects and Reasons, it has been stated that some minor omissions and ambiguities in the meaning of certain sections have to be clarified and the amendments are mostly of a non-controversial nature—for clarifying the position I do not know why a misleading type of Statement of Objects and Reasons is being put here when we know there are certain fundamental changes that are being made, which I shall presently point out

I would ask the hon Minister to see that the Statement of Objects and Reasons really reflects accurately and correctly what the changes are Otherwise, the Statement of Objects and Reasons instead of being a reflection of what is inside the Bill, tends to put the hon Members off the scent I would therefore, submit that in future our Statements of Objects and Reasons should be more informative, more accurate and deal exactly and precisely with the nature of the amendments and not minimise what the amendments are The fact that after amending the Act in 1956 in 1959 we have to come with 36 amendments—that in itself—indicates how hasty legislation on this subject must have been in the past and it continues to be the tendency now It is, therefore, very necessary that all such Bills must be referred to a Select Committee Most of the provisions are in the right direction There may be, here and there, slight differences to which, I am sure, the Joint Committee will pay attention

In the first place, the definition of a branch office is sought to be amended, by providing that whether they are called pay office or sub-office or by whatever name, if these offices deal

[Shri Naushir Bharucha]

with receipts of deposits, if they cash cheques, lend moneys, etc., then they will be regarded as banks. In that case I am not quite sure whether they will not include shroffs or firms where this type of business is carried on but which are not really banking companies within the meaning of the Act. That will require very careful consideration. But that is a comparatively minor matter.

The second point, which to my mind raises a question of policy, is contained in the notes on clauses, in the second paragraph on page 18. There are partnership concerns which carry on banking business. They do not fall under the heading 'banks'. The Companies Act applies only when there are a certain number of partners. These firms habitually carry on banking business. Now, we are told that it is not considered necessary at this stage to extend to partnerships and individuals the prohibition in respect of the use of words like 'bank', 'banker' etc. which now applies to all incorporated companies or to bring such partnerships within the scope of the Banking Companies Act. I think the hon. Minister must advance very cogent reasons to show why just because the form of a trading concern is only that of a firm in the eyes of law and not of a bank, it should not be brought under the salutary regulations and restrictions of the Banking Companies Act. It is an important question of policy because there may be firms which are so big and whose business is of such magnitude that they can eclipse many of the so-called banks and yet they may not come within the Act because they may be run by half a dozen persons and because they do not to be incorporated as a bank. I, therefore, think that the time has now come—it is not that it has not come—to lay down a definite policy whether these firms will not be incorporated as banks.

There are very salutary prohibitions which are sought to be strengthened.

Not only the managing agencies are prohibited but the banking companies cannot serve as secretaries or treasurers or carry out the functions or part of the functions of the managing agencies. Very rightly these are to be brought within the purview of this Bill. I am glad that they are being introduced now because they plug the loophole that was left in the earlier Bill.

There are other important questions which involve questions of policy. Prohibition to create a charge on unpaid capital is extended now to the creation of floating charges on the undertaking or any property of the company, in the interest of the depositors. It is a very good thing but it is a matter of policy. If the interests of the depositors are to be safeguarded this type of virtual mortgage of the undertaking has got to be guarded against such acts as creation of floating charge on the assets of the companies and I certainly welcome this amendment.

The banking company is required to maintain its capital intact, by making good from its profits any impairment thereof before dividends are declared. But I do not understand this. It is coupled with the proposal to exempt them from the requirements of depreciation on approved securities which are to be written off fully before appropriation of profits are made. In other words, they are sought to be exempted from certain depreciation charges. I think, that again is a question of policy and it requires to be looked into carefully. It is not merely clarifying this provision or that provision; it is an important policy question. As I pointed out when I was urging the matter in the case of the Railway Convention Committee report that unless depreciation has been properly set aside, it tends to camouflage the real nature and the character and true position of the companies. The financial position of all companies, whether it is a banking company or a railway company can be successfully camouflaged by setting aside inade-

quate depreciation and whether it is a mercantile company or a banking company good financial principles help. I am not in favour of permitting any sort of depreciation not to be provided for before dividends are declared. What may happen is this. Suppose a banking company carries on lending business of a rather speculative nature. Still, within the provisions of the Act they may carry on. They may lend on securities of a speculative character on securities of companies which themselves carry on business of a speculative character. In such cases, it must be provided that on a particular day, the securities should be revalued on the basis of the prevailing market price. If there is a fall in the security, depreciation must be provided for. It is no use saying that the nature of depreciation in an ordinary mercantile firm is totally different from the nature of depreciation in a company like bank. Depreciation in mercantile firms are more or less of a gradual nature, unless they result from obsolescence, in the case of banks, they will be sudden as in the case of depression or a very big collapse of the share market. They may vitally affect the holdings of a banking company. If their nature is different, it is all the more reason why this provision should be there. I, therefore, fail to see why exemption is sought to be given to banks in regard to setting aside adequate depreciation in this connection.

Of course, the provision regarding reserves upon which for technical reasons the bank cannot draw—all these require to be amended. There is a very good provision that the minimum reserve required for a non-scheduled bank must be held in India. I do not know why this factor was overlooked before. It is time for correcting it. There is also a provision for controlling the remuneration of directors apart from managing directors. This is also very salutary. All types of directors are appointed even though they do not know the A.B.C. of finance because they happen to be the nephews or the brothers-in-law of either the managing director or some

other persons. All these things are to be clearly checked and I am glad that the Government has seen its way to check these and also has made provision with regard to the payment to depositors in the case of liquidation. This is also a very salutary provision. Barring two or three points to which I have drawn attention and which are to some extent of a controversial character requiring decisions on questions of policy, on the whole the Bill is sound. I am not prepared to say that the Bill will plug all the holes in the Banking Companies Act. Nevertheless it is a comprehensive one and is a right approach in the right direction. I therefore, welcome it and hope that the Joint Committee will take steps to remove such omissions as might have crept in unwittingly in the Bill and take care of the Bill and bring it back in a much better form than the form in which we are sending in to the Joint Committee now.

Shri Shree Narayan Das (Darbhanga): Sir,...

Mr. Deputy-Speaker: He is in the Joint Committee.

Shri Shree Narayan Das: I am not in the Joint Committee.

Shri Naushir Bharucha: We are ahead of schedule. So, the rule may be relaxed. Otherwise the business will collapse.

Mr. Deputy-Speaker: Should we try to save business from collapsing or should we save the time if we can?

Shri Shree Narayan Das: Mr. Deputy-Speaker, the measure that is going to be referred to the Joint Committee is no doubt a very important one. The Banking Companies Act was passed in 1949 and since then ten years have elapsed.

Sir, I think, when an amending measure like this incorporating so many important provisions arising from the experience gained in the working of the Act is being brought forward, it would have been better

[Shri Shree Narayan Das]

If the hon. Minister had put forward before us a review on the working and the administration of the whole Act. As we know, Sir, the Banking Companies Act gives a variety of powers to the Reserve Bank of India, and the Reserve Bank of India has been performing its duties. I can't say that it has been performing its duties with all the necessary alertness and care that it deserves. But it is also a fact that every year a publication is brought out by the Reserve Bank entitled *Trend and Progress of Banking in India*. I have got a copy of that report for 1957 with me. In that publication there is a chapter where the Reserve Bank has pointed out some of the defects in the working of the various banking companies.

In this amending measure that is before us, the powers of the Reserve Bank are sought to be enhanced with a view to see that the standard of soundness and efficiency of service to the people is maintained by the various banking companies that are functioning in India. At the same time, since ten years of working and administration of this Act have elapsed, we would have been in a better position to appreciate the importance of the amendments proposed in the amending measure if the Government had put forward a review on the working and administration of this Act.

With the developments that are going on in the country, Sir, it is quite possible that the banking facilities have not advanced as much as they are needed. With the development works going on, the national income increasing and the money going to the community in a variety of ways, it is necessary that there should be banking facilities spread all over the country with a view to collect the savings and make advances to the people for various sorts of works. Therefore, it is all the more necessary that there should have been a review on the working of this Act,

not only in respect of the banking companies but also in respect of the several other institutions which perform the functions of a bank in different ways.

Sir, this is not the time to go into these things, but I would suggest that the time has come to look into this question. Although for rural population a committee was appointed some years back and a report was submitted in 1953—it especially went into the question of rural credit under the direction of the Reserve Bank—the banking development as a whole requires to be considered, to what extent the various banks that are functioning in the country have been able to cope with the work that has been there.

It is a fact that the State Bank of India has been formed. Now some of the associated banks are going to be made subsidiary banks of it. That will go a great way to remove the want of banking facilities in several sectors of the country. But, at the same time, it is necessary that a committee should be appointed to go into the question, survey the banking facilities that are now available and the banking facilities that should be made available in the country when the economy is fast developing. As far as I know, the Central Banking Enquiry Committee was appointed in 1931 and it submitted its report. The report is there, but that was done many years ago. Now, after the First Five Year Plan has been completed and the Second Plan is shortly going to be completed, I think it will be better if a high-power committee is appointed to go into the various aspects of development of banking facilities in India, both urban and rural.

From the publication *Trend and Progress of Banking in India during the year 1957*, it is clear that the Reserve Bank of India with its regulatory powers, powers of inspection and powers of licensing has been regulat-

ing the affairs of various banks. Those powers have proved very healthy. In this regard I would like to say that the Reserve Bank of India has got powers of licensing. I do not know to what extent it has been possible for the Reserve Bank of India to see that the applications for these licences are so considered that the areas where banking facilities are not developed are able to see that such institutions come into being there. Generally, Sir, when people form themselves into companies for such purposes they have in their view the profit motive. Therefore, they would like to start a business of this nature in places where there is a congenial atmosphere for making profits. But I think in giving this power to the Reserve Bank of India the intention is also that the Reserve Bank of India should see that in such areas as are not so very well developed or areas where banking facilities are not available in as large a measure as is necessary, the parties applying for licences to establish this business are persuaded to set up their business.

Dr. B. Gopala Reddi: Tribal areas?

Shri Shree Narayan Das: Not tribal areas, but areas where banking facilities are not developed. It may be a difficult task. It is very difficult to persuade a private agency to go to a particular area. But I think if some encouragement in the form of subsidies is given it may be possible for such private agencies to function in those areas also.

With regard to the provisions that are going to be incorporated by these amendments, as far as I have been able to see, they are all necessary. They are not of any controversial nature, and the measures that are going to be incorporated are in the best interests of companies or for the proper and sound functioning of these institutions. Therefore, I would not like to go into the details. But I would like to say that by the provi-

sion contained in clause 3 of the Bill the lacuna that was there in the previous Act is going to be removed. With all the regulatory powers and control being exercised by the Reserve Bank, this anomaly was there, that if the memorandum or articles of association of the company contained some of the provisions which prevented the exercise of the powers of the Reserve Bank or the Government it was not possible to make use of those powers. That lacuna is, therefore, being removed.

14 hrs.

With regard to the matter of cash reserves by non-scheduled banks, I think the provisions made are good. As far as I have been able to see, I do not find any discrepancies. The provisions that are going to be incorporated through these amendments, I think, appear to be necessary. Even if there is some defect, I think the Joint Committee will look into the matter.

With these words, I support the motion.

Shri Shankarajya (Mysore): I am not going to speak for long. I shall only make brief references to certain provisions of the Bill and suggest some points for consideration by the Joint Committee. The Bill no doubt is a very good measure. It has tried to remove many of the lacunae and put the banking companies in their proper place. Greater powers have been taken by the Government and the department to control these banking companies, particularly with reference to the prevention of the floating charges. That is a very healthy measure, and it was here that much of the abuse was being practised by the banking companies. Now, it has been prevented and it will thus help and create greater confidence in the minds of the depositors to put money into the banks in larger quantities.

Taking the deposits that have been made in the banks particularly during

[Shri Shankaraiya]

the last two or three years, I can say that the amounts of deposits are on the increase. It is on the increasing side. Perhaps it is due to the saving mentality on the one hand, and the amount of money that is being spared by the people on the other, that has enabled them to put heavy amounts of deposits. The other main factor in the matter of making deposits into the banks is that there has been a general shake-up, a sort of aversion for putting money in the shares of companies, particularly the private companies, as a good deal of want of confidence in those companies, particularly, due to the malpractices indulged in by the companies, in the past. The people have therefore found that their money would be safe in the banks. That is why they are putting more and more confidence on the banks, and deposit money into them. When such deposits are being heavily put up, more and more trust is placed in the banks, and it is but right that Government should put in these controlling measures, particularly, the prevention of floating charges. This will infuse greater confidence in the minds of the depositors

As regards profits, a provision has been introduced whereby a larger portion of the profits is to be ploughed back into the reserves than before. This is a good thing. One thing that the Government have to consider is, in disposing of these profits, greater and greater care should be taken to see that these bad debts which are shown as good and realisable debts or assets should be wiped off. In the balance-sheets bad debts are shown as good and realisable debts. The assets are thus inflated. Unfortunately, a large portion of them will be remaining for a longer period and many of them would be unrealisable, and the companies, in order to show their assets, will be showing the inflated figure and so many of the bad debts will be shown as good and realisable debts. Government should see

that the bad debts are wiped out. A provision should be made with regard to the number of years beyond which, if the debt is not realisable, the debt should be wiped off or shown separately. Now the bad debts are shown as assets and they are continued to be shown in the balance-sheets. When the bank begins to incur losses, then there will be double disadvantage. There would be the unrealisable bad debts on the one side and the losses on the other hand. Of course, when the banking companies make profit and issue bonus shares, it would be all right. But when once they begin to work on the margin, and when there is a greater wage-bill, and other things, they will not be able to manage properly and economically. There is agitation by the bankers also. So, in the larger interests of the banks themselves, it is better that these bad debts are not allowed to be shown for a very long time in the balance-sheets. At least one provision should be inserted by the Joint Committee to see that these bad debts are wiped off, off and on or shown separately. I am making this suggestion particularly in view of the decisions that are being taken by the association of banking companies. I may bring to the notice of the hon. Minister that recently the banking companies' association passed a resolution and they came to the conclusion that with regard to the granting of rates of interest to the depositors they should not pay a higher rate of interest than the agreed one. No doubt it was in the best interests of their banking institutions. But considered from the point of view of business and the investors, whether the power that is entrusted to them would be good in the larger interests of the depositors is a matter that has to be seriously considered.

For the present, they may have come to the decision only with regard to the fixing of the maximum rate of interest to be given by any bank. But

that will affect adversely on the depositors. Suppose this association, in their mutual interest, agree to and try to surpass, and come to some other conclusions which are adverse to the interests of banking but to their advantage, then the Government must have some powers to see that the resolutions passed by the association in their mutual interest will not affect either the banks or the depositors or the shareholders. The shareholders will be indirectly benefited, but the depositors, the clients and customers of the country as a whole should not be affected. The Government should see that they are not jeopardised.

One other thing with regard to this Bill is about the liquidators. Now, it is a good thing that the liquidator who is appointed under the Banking Companies Act has been empowered with the powers as those of an official liquidator. But taking into consideration the working of the liquidation proceedings and the delay that has been frequently caused I would request the hon. Minister to see that greater powers are given to the liquidator so that the proceedings may be expedited.

Now, the Companies Act, amendment Bill is coming. Either in that Act or in this Bill (the Banking Companies Bill) some provision should be inserted so as to confer some powers to the liquidator to see that that these proceedings are expedited and that the winding up proceedings are taken as quickly as possible and causing the least delay to the persons who have deposited their amounts.

The last point that I would make is about the inspection of branch offices in foreign countries. It is a good thing that the Reserve Bank which has not got the powers till now is now being conferred these powers. It is a good thing. But we have of late seen the misgivings on the part of the depositors arising from the

malpractices that have been practised by many industrialists and others who make use of these branch offices for the purpose of keeping unauthorised amounts in banks outside India. I hope the Government and the Reserve Bank will utilise the powers taken now to detect as to who are holding unauthorised deposits in other banks, and to bring such people to book and see that the foreign exchange position is improved and also see that the amount which they have kept secretly goes to the benefit of the country and not to their individual benefits.

Dr. B. Gopala Reddi: Sir, I am beholden to the hon Members who have welcomed the provisions of the amending legislation. I must congratulate Shri Prabhat Kar on the very valuable contribution he has made with regard to the banking administration as a whole. While he welcomed all these amendments, he felt that they are not quite adequate, they do not meet the situation and some more stringent measures perhaps ought to be taken or powers given to the Reserve Bank so that all the malpractices of the banks may be set right. But he must understand that since the passing of the original Act in 1949, things have greatly improved and the Reserve Bank from time to time, from their inspections, are having greater grip over the situation and most of the malpractices are being set right. Their inspection reports are being communicated and they are sitting tight on the banks in regard to the rectification of those defects. So, when we look in retrospect, we find that things are moving well and I hope that with the amending legislation and the lacunae being filled the Reserve Bank will be vested with proper authority to see that all the banking institutions work properly. Therefore I am really glad that all the provisions have been welcomed by various sections of the House.

Shri Prabhat Kar has complained as to why new branches are being allowed by the Reserve Bank in cities in-

[Dr. B. Gopala Reddi]

stead of allowing them to go into the rural side. The Reserve Bank has no right to compel them to go anywhere. The State Bank and the subsidiary banks can open their branches wherever the Reserve Bank suggests. The Reserve Bank can certainly dictate the policy there. But with regard to the commercial banks, it is up to them as to where they make their own profits or where they carry on their business. I am afraid, the Reserve Bank cannot come into the picture and direct where they should open their new branches and things like that.

Shri Prabhat Kar: Persuasion

Dr. B. Gopala Reddi: Persuasion is always there. But for the Reserve Bank's persuasion, even the few branches that we now opened in the rural side, in district headquarters, etc., would not have been there. Moral persuasion is always there but the legal compulsion is not there and it is not desirable.

Credit information bureau. Here again, we want the co-operation of all the banking institutions. It cannot be compelled by the amendment of the Banking Companies Act that everybody must give the information and things like that. It is in everybody's interest. After all, when a man goes on borrowing from each bank without the knowledge of other banks, it is to the detriment of the banks themselves. It is therefore in their own interest that they must all come together and come to an understanding of supplying this information. While it is desirable we do not want to do anything by compulsion. Certainly, in their own interest, they will come together and try to get this information from each other.

The question of bonus shares, of course is a very ticklish one. I am told it is just now being taken up by the Supreme Court. They have concluded their arguments and judg-

ment is awaited. When the judgment is delivered, we will certainly go into the question and see as to what can be done in the light of the Supreme Court's judgment. I do not want to touch it because it is a very ticklish question. It is better I leave it at that.

Banks after all are dealing with crores of rupees which is other people's money and is not necessarily their own. As Shri Prabhat Kar said, only 2 per cent represents the shareholders' money and 98 per cent is other working capital and things like that from depositors. They must also see to the question of profitability and also security is there. They must generally adopt a policy of conservatism in this matter because they are dealing with other people's money and not their own money. So, the question of security certainly must be there. Profitability also must be considered and they cannot waive these two sound principles of banking.

Shri Prabhat Kar: With the change in the concept of society, the pattern also should be changed.

Dr. B. Gopala Reddi: The question of support to agriculture also was raised both yesterday and today, that is, that these banking institutions are not coming to the support of agriculture also. This has been earmarked for the co-operative sector and the land mortgage banks and the various credit institutions in the rural side. They must develop in larger numbers. I know that the Reserve Bank and the State Bank are giving all encouragement to these land mortgage banks and I know that in the last few years more and more branches are coming into being.

I was also present at the All India Land Mortgage Banks' Conference at Hyderabad. Almost every State is having an apex bank. UP also is coming into the picture. Therefore

it is a field specially earmarked for the co-operative sector. If the co-operative societies or the banks, provincial or district banks, want further support from the State Bank or the Reserve Bank, certainly it will be forthcoming.

With regard to industry also, if, of course, there are more applications, subject to the principles of security and profitability, the commercial banks will certainly give them all the necessary fillip for their industrial activity. But if only commercial people come and ask for these advances then necessarily they have to utilise their money to their best advantage. The present percentage is roundabout 51.

But more and more is also being given to industry. I do not think they have any complaint because commercial banks are there to serve their interests, naturally, that is, the industrial interest also. But if there are not many applications which are completely secure then the commercial banks also are under a disadvantage.

Then there is the question that liquidators' powers must be more and that this dilatory process is causing a good deal of inconvenience. It is true that the liquidators' powers should be enhanced. Whatever could be done perhaps either in this Bill or in a subsequent Bill, we can always examine the question.

Therefore, once again I am thankful to the hon. Members for lending their support to the amending Bill.

Mr. Deputy-Speaker: The question is:

"That the Bill further to amend the Banking Companies Act, 1949, be referred to a Joint Committee of the Houses consisting of 45 members: 30 from this House, namely:—

Shri C. R. Pattabhi Raman, Shri S. Osman Aji Khan, Shrimati

Sangam Laxmi Bai, Shri Kailash Pati Sinha, Shri Bhola Raut, Shri Chandra Shankar, Shri Suriya Prasad, Shri Liladhar Joshi, Shri P. Subbiah Ambalam, Shri S. N. Siddiah, Shri Hem Raj, Shri Harish Chandra Mathur, Pandit Krishna Chandra Sharma, Seth Achal Singh, Shri Raja Ram Misra, Shri S. Hansda, Shri Prafulla Chandra Borooh, Shri Umrao Singh, Shri Kamal Krishna Das, Shri B. R. Bhagat, Shri K. G. Deshmukh, Shri V. P. Nayar, Shri Chamtamani Panugrahi, Shri Kushwaqt Rai, Shri Motisinh Bahadursinh Thakore, Shri Karsandas Parmar, Shri Premji R. Assar, Shri Prakash Vir Shastr, Shri S. M. Banerjee, and Shri Morarji Desai, and 15 members from Rajya Sabha:

that in order to constitute a sitting of the Joint Committee the quorum shall be one-third of the total number of members of the Joint Committee:

that the Committee shall make a report to this House by the last day of the first week of the next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee".

The motion was adopted.