

अनुकूल परिस्थितियों में हम इस पर फिर गौर कर सकते हैं, वे भी इसी नतीजे पर पहुंचेंगे और हम तब उस पर विचार कर सकते हैं और जरूर विचार करेंगे ।

आप यदि गवर्नमेंट आफ इंडिया की हालिडेज को देखेंगे तो आप पायेंगे कि वहां पर कायद कुल २२ या २४ हालिडेज होती हैं ।

इस के साथ ही साथ हमें यह देखना चाहिये कि स्टेट गवर्नमेंट्स की छट्टियां भलग हैं और हमारी छट्टियां भलग हैं । यह दोनों छट्टियां मिला कर बहुत ज्यादा हो जाती हैं । इसलिये मेरी धर्ज है कि इन दोनों छट्टियों को मिलाने के बाद, जैसा कि उन्होंने बिल में कहा है :

"National and festival holidays for all industrial workers."

हालिडेज के रोज बटाबर तन्खाहें दी जायें ।

17 hrs.

Mr. Chairman: The hon. Member may continue next day.

## HALF-AN-HOUR-DISCUSSION

### ADVANCES AGAINST FOODGRAINS

Shri Sadhan Gupta (Calcutta-East): I am raising this discussion to draw the attention of the House and the country to the failure of the Government to provide an elementary safeguard against speculation with our food.

It has been noticed that there has been a large amount of speculation in foodgrains as a result of which prices of foodgrains have recently soared very high, and it was quite apparent that bank advances had been utilised for the purpose of such speculation. It was, therefore, decided to restrict the amount of bank advances that might be made against foodgrains by raising the margins that are to be kept against foodgrains and also by issuing of directions to speedily reduce the amount of ad-

vances against foodgrains to a certain proportion of advances during the previous year.

The question naturally arises: what if these directions are circumvented? What if bank advances are abused? And there are two possibilities in which the directives can be circumvented and bank advances continued to be used for the purpose of speculation in foodgrains.

In the first place there may be fraudulent transactions by banks by which advances against foodgrains might be shown under other heads, and that way the directive might be circumvented. Secondly, and the more likely way, traders would take advances from scheduled banks against other commodities or other securities and utilise those advances for the purpose of speculation in foodgrains.

That is why I had asked a supplementary question on Starred Question No. 80 which was answered on 13th November, as to whether the Government had looked into the question of evolving a machinery which would guard against the misutilisation of bank advances for the purpose of speculation in foodgrains. The answer given to that supplementary, I would submit with due respect, was astounding.

The Finance Minister replied, and I quote his reply here:

"The process is a continuous one and efforts are being made, but, as I have indicated in my answer at that time to the hon. Member's supplementary question, it is not a problem that can be solved in a day or two; it will take years."

Now, I draw the attention of the House to this last sentence that it will take years, that is to say, it will take years to evolve a machinery to effectively check the continuation of speculation in foodgrains by utilising other advances or perhaps by having fraudulent transactions by banks.

[Shri Sadhan Gupta]

The supplementary referred to was a supplementary to Starred Question No. 841 asked on the 13th August of this year. The answer to that supplementary was on a slightly different note. It did not say it would take years; it said that before long the Government hoped to be in a position to do something about it.

Now I will read that supplementary and the answer to it. I asked on that day:

"May I know whether there is any machinery to see to it that the advances under 'Foodgrains' are not disguised by the scheduled banks as advances under other heads? If so, what is that machinery?"

And the Finance Minister replied:

"The human mind devises quite a lot of methods by which it can get over certain limits fixed by the Reserve Bank. The point that has been mentioned by my hon. friend, namely that you may get advances for some other type of goods and use them for foodgrains is one of the methods of evasion. As to whether there is any machinery to deal with it bank-wise, I am afraid, the Reserve Bank is not in a position to deal with it effectively in that way. But they go upon individual advances given by individual banks and watch the position generally. But we do hope that before long, we shall be able to keep a little more check on these advances. But to reach the position envisaged by my hon. friend opposite, I think it will take some time."

I should have thought that from 18th August to 13th November there would have been some progress, but instead of taking some time, on that date the answer is that it will take years.

These are two answers, but the answer to the main question on which

this half hour discussion is raised is even more strange. Part (c) of that question was: "whether it is a fact that other advances are utilised for the purpose of speculation in foodgrains;" then parts (e) and (f) were: "whether any steps have been taken to check this practice; and if not, the reasons therefor?"

The answer to part (c) is:

"I would invite reference to the answer given to the supplementaries to Starred Question No. 841 on 13-8-57. No evidence has been received to indicate that advances to industries etc. are being utilised for the purpose of speculation in foodgrains."

The answer to (d) to (f)—in this obviously (e) and (f) are covered—was: "Do not arise".

So that the Deputy Finance Minister's answer is that the question firstly of taking steps to check this practice, and secondly of giving reasons, does not arise, that is to say, the question of taking steps to check this practice does not arise.

That is a strange contradiction between the two supplementaries, and I think it would be reasonable to conclude that perhaps the Deputy Finance Minister's answer was more correct, more representative of the real state of facts because he was speaking from a prepared answer after having notice, and the answers given by the Finance Minister himself on both the occasions were impromptu, and therefore they did not perhaps represent the correct state of facts. Whatever it be, whether they did not take any measures to check this practice, or whether the measures they took were such as would take years to enable the Government to check this practice. In both cases it is a very strange story because we obviously cannot wait for years for the

purpose of having a machinery for such a check.

Now, our foodgrains position in any year is quite serious. Even in times of normal production the position is quite serious. The prices of foodgrains, even in so-called normal times, are beyond the reach of many, and as a result of speculation prices of foodgrains are shooting up much to the misery of millions of our countrymen. This year, in particular, the situation is likely to be worse as far as speculation is concerned because the foodgrains position is very desperate, particularly the position of rice, which is the staple food of large part of East and South India. There is no doubt that speculators and food hoarders will not sit idle while this prospect of profit remains. Speculation will be indulged in and means will be found to get money for speculative business. It is conceivable that many banks will be able to do a profitable business. In the way of promoting such speculation there is quite a likelihood that both banks and traders will try to evolve ingenious devices, according to the Finance Minister's picturesque description to circumvent the Reserve Bank directive. In these circumstances, no one can deny, that it is necessary to do something to check this practice.

The excuse of the Government is that there is no evidence to show that this practice is being indulged in. In these matters we do not need evidence. We go by human nature, we go by our experience of how trade has behaved during food shortages. We have experience of the famine in Bengal, we have experience of other food shortages, and it is quite conceivable that when such a golden opportunity presents itself of making profits by speculation, none can prevent speculators from evolving such devices. Therefore, we have to provide for such devices. So, the question is what provision are we making for these devices. Are we going to take it for granted that we must wait for years? Is it because we have no

machinery to keep control over the advances of banks? If that is so, is it because the Reserve Bank has no way of checking whether banks are really giving advances against what they purport to advance. For instance, whether advances against other things are not really advances against foodgrains and so on. If that is so, then it is a hard case for taking no risks.

If there is no other way to check it the biggest banks must be nationalised so that the evil may be reduced to a minimum. Otherwise, I want to know what methods the Government will follow to guarantee that this kind of bank advances will not be utilised in this way either with the collusion of the banks or by the ingenuity of the trade. This is the answer which I want from the Government very squarely and this is the answer which the whole country wants.

**The Minister of Finance (Shri T. T. Krishnamachari):** Sir, my hon. friend has given this House the genesis for this discussion. The genesis is two questions that he put in regard to bank advances.

He has now sought to draw a distinction between the written answer which was read by my colleague and the oral answer to a supplementary which I answered. May I set his doubts at rest by telling him that the written answers were framed by me, and if any responsibility attaches to those answers it is mine. So, I hope, it will be possible to set rest any doubts that he has in this regard, though my colleague's answers to the question were really my answers.

What he makes out at the end is to hang on this particular scene which happens to be unfortunately an extremely weak thread—a demand for nationalisation of banks. While the demand by itself may be good or bad, it is for the House to decide, but to connect this demand something like this with the answers to a question is a demand of ingenuity, and it

[Shri T. T. Krishnamachari]

I am not mistaken, I would like to give full credit to the hon. friend opposite for a display of this kind of ingenuity.

Now, I would like, before going to the question of figures, the House to realise this that he says that we know—I do not know quite so well—that advances given for purposes other than financing foodgrains are always and often used for purposes of financing foodgrains. I won't like to hazard a statement of this nature. It is likely, maybe the person who gets an advance for cotton, if he is a man who deals in foodgrains, who deals in jute, cotton and groundnuts might perhaps use the advance taken for one purpose for another. In this context, the hon'ble Member wants a machinery to be set up to see that a man who was getting advances on foodgrains does not use it for cotton and so on. Normally, the machinery will have to be the lending banks which happen to be larger in number in the private sector yet. The Reserve Bank does ask for this information and when they find a bank is over-trading, that the bank is not co-operating then Inspectors are sent to find out the position. But, for me to state in this House at any time that we would reach a time when we will know all about this kind of thing, will perhaps be something which will not be real. A degree of statistical perfection even of that nature would certainly take many years. I have no doubt about it to repeat. It might be a question of amending the banking law. It might be a question of getting information from time to time, and very quickly, from the banks.

Now, Sir, what happens? We got, for instance, the information that I have in my possession—or, rather that was in my possession on Monday—that was dated the 15th November. And, it comes from 20 scheduled banks. The rest we have to depend upon some information which is perhaps more than a month old and fits in the averages so that we get the

entire picture. So my information, when I got it, was perhaps a fortnight old and will be the only information for the coming week until I get fresh information. It is taken from 20 scheduled banks, reporting banks. And the other things are filled up by the past experience. So, to say that I can, at any time, say that all these advances are used for purposes strictly for which they have been given will not be correct. To make a statement of that nature in the House—well, I do not know if it will be possible for any successor of mine to say with any degree of precision—will not be possible. Even for that matter I can set at rest the doubts of my hon. friend. The facts of the situation are that even with all this information and all the facilities that we have—we will be able to get information from 20 reporting banks who will get it from their affiliated banks—it is very difficult for anybody to make a precise statement. All that one can say is that the trends are such and such.

Well, I have answered his point, the gravamen of the charge. Having said that, in the first question it will be very difficult for me to find out whether there is any switching over or to say that there is no switching over, I cannot say in the second that there is a machinery, because it will take us many years to perfect a machinery of that nature. That seems to be the gravamen of the charge. I can tell my hon. friend that even if you nationalise your banks, the very fact that they are functioning in various parts of India would make it very difficult to get any precise information within the period of time that you wanted. All that we have to do is to act on the basis of certain general information from which you draw certain conclusions. You may even call it, if you like, a sort of sample survey.

As the House would like to know the position of the advances on foodgrains, the total quantity pledged with the banks in June last is 517 lakhs of mds. of foodgrains. As a con-

sequence of the directives and warnings issued and also as a consequence of the normal off-take, by about the end of October, it came down to about 131 lakh mds., of which rice and paddy constituted 36 lakhs, as against 169 lakhs for the same time last year; rice and paddy for the same being 51 lakhs.

I have got some further information since then in respect of the end of the third week of November this year. The total advances against foodgrains happens to be 114 lakhs of mds. as a consequence of which the rice and paddy advances have risen slightly higher from about 36 lakhs to about 41 lakhs because of the new crops coming in. The corresponding figure for November, 1956 was 162 lakh mds. Therefore, the facts of the situation indicate that there has been a distinct improvement over the position last year. I think it would only be fair to allow some credit for this state of affairs to the institutions concerned.

The Foodgrains Enquiry Committee recognised this aspect of the matter when it said in its report that a factor of some importance which has influenced the very recent turn in prices of foodgrains is the stricter credit policy enforced by the Reserve Bank of India from early July, 1957. This question of advances generally and for other purposes, that position is also comparatively satisfactory.

I have a statement before me on 15th November from the reporting banks of the scope of advances including bills purchased and discounted by the reporting banks which had fallen by about Rs. 2.86 crores. In the fortnight ending October, 25, 1957, the advances came to a figure of Rs. 702.61 crores, which fell further by Rs. 22.19 crores and stood on 15th November, at Rs. 680.42 crores. There has been a sharp decline even in regard to advances on other commodities, including foodgrains as a whole.

The question of examining how much there is of deflation is a continuous process which is being done

by the Reserve Bank of India. The Reserve Bank sends out questionnaires from time to time to various banks which they think are advancing money on other crops which bank which they might be diverted to other purposes, even of foodgrains and it is their view that oftentimes it happens that a person who is interested in the business of cotton or jute or perhaps groundnut is not interested in foodgrains and the scope for a big scale diversion is not there. In fact, as I have indicated, along with the foodgrain advances, the advances on any other commodities also fell steeply.

So far as plain advances are concerned, which are perhaps slightly on the increase, the position is being watched very carefully. The Reserve Bank is asking for details in the case of those plain advances to find out not merely the question of foodgrain but also the question of speculation on other commodities so that speculation is prevented to a large extent.

But it is a fact that the industrial sector is needing much more money than it did before and therefore this question of fall in the advances which is indicated does throw a certain amount of pressure on the industrial sector. They have also assured me that in regard to advance in the pool market scheme which at the present moment is rather low, there is no such thing so far as advances to foodgrains are concerned.

Another interesting point which, perhaps, the House might be interested to know is this that a contraction was asked to be made and it was made, in some cases haltingly, but nevertheless all the banks fell into line. They found that in the cases of 11 offices of one bank where the constituents had to pay back about Rs. 20 lakhs which were advanced on foodgrains in order to conform to the new percentages fixed by the Reserve Bank, the credit was obtained from indigenous bankers, moneylenders and individuals. So the point that the hon. Member has made, that is the regulation of the banking system,

[Shri T. T. Krishnamachari]

alone will not completely cover the position is a thing which I would like the House to know. If after all this drop in the advances by the banks, still there is hoarding of foodgrains, which, perhaps, does exist in one or two places—and exists to my knowledge—it is due to the fact that there are several agencies and the agriculturist himself has got more of holding power which finances these transactions. As I said, this experimental test has revealed that other non-banking sources have been utilised for this purpose.

So, it is a question of seeing how far we can control this mechanism, whether a Banking Industries Act can itself control the mechanism when only the banking institutions are under the control of the Centre and money lending happens to be a State subject, and it should be considered at some great length. It may be that the mere fact that we want for a particular purpose control over the monetary mechanism as a whole may not be quite the proper thing for taking over control or for amending the Constitution for that purpose.

I would, therefore like to say that the overall effect of our restrictive regulations is bearing fruit. As I said, the overall structure of advances has come down rapidly. It has also helped to some extent to steady the gilt edged market.

Hon. Members might have seen a notice in the papers on Saturday that the Government have gone in for a loan of Rs. 30 crores, and they propose to issue a loan at 3½ per cent repayable in 5 years, that is in 1962. That was done merely because we felt that with a short-dated security bearing a low interest of 3½ per cent a certain amount can be had possibly from investors and from institutional investors. And the Government did authorise the Reserve Bank to keep on tap a loan of Rs. 30 crores. I had

been told that on Monday about 2/3 of that loan was taken and it appears it was a little more than it was expected.

These are factors which definitely indicate that the monetary position is getting under control; but, there is the other side of the picture. If my hon. friend, Shri Somani were to speak here he would say that the industry is not able to get any money because industry has used its resources, its liquid resources, its working capital for purposes of expansion either in that industry or in some other industry or probably by purchasing some other concern and they find that they are short of money. So, there is the conundrum; on the one side the industry does not find enough money and has to go and pay a high rate of interest;—to certain institutions the equity market is not very difficult so far as they are concerned, while certain industries are not able to get the money if they go to the equity market, on the other the general monetary position is very easy. But, so far as I am concerned, as a person who is in charge of the finances of this country, with the food price rising, a situation such as the present, namely, a greater degree of liquidity in the money market, is a thing which I would welcome, because they are definitely anti-social. That also indicates that the situation is under control.

So, I would like to assure my hon. friend who takes a lot of interest in these matters that I do not resent either his condemnation of me or his condemnation of my failure to give him a very satisfactory answer. I am glad he raised this subject but I would also like him to understand that an answer which is satisfactory will not necessarily mean an answer which would be possible of implementation. There are difficulties in the situation, but by and large, what we are doing is showing results. The House may be satisfied that the position which perhaps

but a month back looked somewhat grimmer than what it is today, is easy, and I do hope that that situation will get further easy as time goes on. And then it will be the time for us to see how we can help the industry. At the present moment, I would like those tendencies that are now showing, to develop, and get firmer before we can loosen our controls.

I may tell my hon. friend that even without nationalising the other banks,

we can, to the extent that is possible, try our best, but we will not be able—at any rate I will not be able—to precisely tell him, "That is the position, and everything is all right". I can only tell him what the trends are, and I am afraid we will not be able to go beyond that position for quite sometime to come.

17.32 hrs.

*The Lok Sabha then adjourned at Eleven of the Clock on Monday, the 9th December, 1957.*

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