

preme Court. The number game is still going on.

MR. DEPUTY SPEAKER: The subject is deferred.

We shall now take up the Legislative Business.

14.25 hrs

BANKING REGULATION (AMENDMENT)  
BILL

[English]

THE MINISTER OF STATE IN THE  
MINISTRY OF FINANCE (SHRI RAMESH-  
WAR THAKUR): I beg to move:

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

Mr. Speaker, Sir, as all of us are aware, the Income Tax Act, 1961 was amended in 1987 to provide for the financial year (April-March) as the uniform accounting year for all assesseees. The accounting year of the commercial banks and the financial institutions was also changed accordingly in 1988 to coincide with the accounting year as provided in the Income Tax Act. This change was effected through the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988.

However, the relevant provisions contained in Section 56 (s) of the Banking Regulation Act, 1949, relating to cooperative banks could not be amended at that time as the matter was still under examination. With the result, the cooperative banks have at present to close their accounts and have them audited twice a year firstly for the

period July-June to comply with the provisions of clause (s) of Section 56 of the Banking Regulation Act, 1949, and secondly for the period April-March for the propose of determining the tax liability under the Income Tax Act, 1961.

We have since completed necessary examination and consultation with the Reserve Bank of India and other agencies concerned in the matter. The Bill seeks to amend Section 56 (s) of the Banking Regulation Act, 1949 to empower the Central Government to change the accounting year of the cooperative banks by a notification in the official gazette. After the amendment is made, necessary notification would be issued to change the accounting year of the cooperative banks from the present period July-June to April-March. This will ensure uniformity in the accounting year of the commercial banks, cooperative banks and financial institutions. This would also obviate the necessity of closing the accounts and having them audited twice a year by the cooperative banks which is the case at present. As we have done in 1988, with a view to facilitate the transition from one period of accounting to another, the Bill also seeks to empower the Central Government to make appropriate provisions, by issuing an administrative order, for preparation of balance sheet, profit and loss account and other related matters for the changed accounting year.

I commend the Bill for consideration of the House.

MR. DEPUTY SPEAKER: Motion moved:

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

Now, amendments to be moved.

Amendment No.1, Shri Girdhari Lai Bhargava.

**SHRI GIRDHARI LAL BHARGAVA** (Jaipur): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 24th February, 1992".(1)

**MR. DEPUTY SPEAKER:** Amendment No. 2, Shri Dau Dayal Joshi-Not present. amendment No. 4, Prof. Rasa Singh Rawat.

**PROF. RASA SINGH RAWAT** (Ajmer): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 26th February, 1992".

**MR. DEPUTY SPEAKER:** Now, Amendment No. 7, Shri Bhogendra Jha - Not Present.

Amendment No. 8, Shri Rajendra Agnihotri- Not present.

Now, Shri Venkatagiri Gowda may speak.

**PROF. K. VENKATAGIRI GOWDA** (Bangalore South): Mr. Deputy-Speaker, Sir, I rise to oppose the amendment. This amendment seeks to change the last date in the banking year. That means that this change is not for the better. The preparation of the balance-sheets, profit and loss accounts and assessment of loans, advances, deposit accounts and the cash position are all attached to this date. The bank staff, the public, the depositors and customers are happy with this date. There is certainty and definiteness about the date. This certainly enables the banks to plan their operations

properly. The Bill seeks to amend this regulation. In the opening portion of each year ending with 30th of June, the amendment seeks to substitute the words: " or at the expiration of a period of twelve months ending with such date as the Central Government may, by notification in the Official Gazette, specify in this behalf ". If this amendment is accepted then there will be no definiteness or certainty about the last date of the banking year. Banking year is to close at the expiry of the period of 12 months ending with such date as may be notified by the Government in the Gazette. Date of expiry of the period may be end of June, end of July or end of any month in a calendar year. This leads to a lot of confusion in the banking circles and uncertainty in the business circles about the date of expiry of the date of beginning or the banking year. For this reason, I oppose the proposed amendment. The present regulation making 30th June as the end of the banking year is all right and must be left untouched. The amendment is not in order. This is not a change for the better. For this reason, I oppose it.

**SHRI SRIBALLAV PANIGRAHI** (Deogarh): Hon'ble Deputy-Speaker, Sir, I rise to support this Bill because it is a very innocuous peace of legislation and intended to change the financial year/ Accounting year in respect of the cooperative banks - and that again to fall in line with other commercial banks, etc. Undoubtedly there should be a uniformity in the banking year in respect of banks not only commercial banks or State Bank of India but all the banks. That way, it is a very simple and innocuous Bill. But I would like to know why there was delay in the matter I cannot understand - whatever the reason given by the Hon. Minister - for the delay in this regard. That is not convincing. It should have been done in 1988 when there was an amendment with regard to commercial banks. Sir, in that way, there cannot be any objection to this amendment. It is welcome; it falls in line and it brings

uniformity in the banking sector which is very much needed. Then Sir, it does provide us an opportunity for a general discussion on the banking sector.

I have some observations to make with regard to the banking year. I am rather confused as to why there should be so many kinds of years. In our system, we find that the financial year commences from the 1st of April and ends on the 31st of March next year. There is another year called the calendar year which is, of course, there through out the world commencing on the 1st January and ending on the last day of December. another year is the academic year, that is, from June or July to the Next summer vacation. Again, there is agricultural year in agricultural season and cooperative year, starts from June or July to April or May. Procurement year starts from the 1st of November or October which varies from State to State. I think all of them may not be integrated although there is a chance for integrating some of them. Earlier also, I had put questions and had made observations on the floor of this House that even in respect of financial year, the period of the year, which commences on the 1st of April and ends on the 31st of March, is not ideal at all. It should be changed.

**SHRI NIRMAL KANTI CHATTERJEE:** (Dumduim) Have you heard of L.K. Jha Committee during the time of Shri Pranab Mukherjee?

**SHRI SRIBALLAV PANIGRAHI:** Yes. Jha Committee had recommended for the continuance of the present financial year. He was finally of the opinion that the present financial year should continue. Shri L.K. Jha, is his wisdom, might have advocated the continuance of the present financial year. But I have my feeling that it should be changed, judging our position of monsoon, agricultural prospect and all that. sir, as you know, Indian economy is largely dependent

on agricultural production. Our country, being predominantly an agricultural country, agricultural factor cannot be set aside and it is the biggest factor. During the British rule, India budget was called a gamble on monsoon. Of course, now the British have gone away and more than four decades have passed. In spite of that, there has not been any spectacular structural changes. Probably, calling the Indian budget as a gamble on monsoon still has relevance. It does have relevance even today. More than two-thirds or 60 per cent of our land does not get the benefit of irrigation and so on. Therefore, I would submit that Government of India should give a fresh look at this issue regarding the change of financial year. I say this because in many States the monsoon is very strong during the period from July to October. In the States the budgetary process is over by the 31st day of March. With all the procedure in our bureaucratic system, it takes more than one month to pass on all those things to the down level. By the time, real developmental work in the financial year starts, monsoon sets in and then all the work has to be kept in abeyance till November till the monsoon is over. Therefore, the time that is available to carry on development work in all earnestness and in all seriousness is only about six or seven months, say from November to March. Then, what do we do? In order to complete the work and also in order to exhaust the allotted funds, everything is done in a great rush. This also results in a lot of wasteful expenditure. Therefore I urge upon you that the financial year should be suitably changed whereby we can get an effectively longer period for developmental work. It can be from October. Processing of budget and other paper work is over by that period and by the end of the monsoon, real developmental work also can start and there will be 10 months time available for this work.

Now I come to banking system. With regard to the primary cooperative banks, I find that there has been a good addition in

[Sh. Sriballav Panigrahi]

the number of such banks. As on 30 June 1991, the total number of primary cooperative banks is 1028. But I also find that the number of financially weak or sick banks is also increasing. As on March 31, 1991, the number of such primary cooperative banks is 230. This is very disturbing. I understand that the Reserve Bank of India had appointed a committee headed by Shri S.S. Marathe, Member, Central Board of Revenue to review the present policy of setting up of primary cooperative banks and also about the conversion of societies into banks. I would like to know the progress of this Expert Committee. I want to know whether its report is available. If so, what is the thinking of the Government in this matter?

Prior to nationalisation, the banking sector was considered as the rich man's arena. With nationalisation, there has been a spectacular change in this attitude. These commercial banks have shown a good account of themselves in the past two decades. At the same time they also face many challenges. They are now entering into the 22nd year of nationalisation. In the recent days there was a lot of talk about privatisation of banks. It has been set at rest when the Finance Minister announced that privatisation is not going to materialise.

The success of Indian banking, particularly in the field of social banking, has evoked a good deal of response from the third world countries. The experiment of Indian banking over the area of social and developmental banking is considered unique. With the nationalisation of banks, social and developmental aspects have been given a boost.

Banks are expected to play their role in the economic development of the country. Banks were organising Loan Melas and a large number of poor people have benefitted from them. It was not a greater success

because there was lack of coordination and also there was misuse of bank funds. Due caution should have been observed in this regard.

About four or five years before when Shri N.D. Tewari was the Finance Minister there was a proposal in his Budget speech that in every nook and corner of our country there will be at least one branch of a commercial bank which will cater to the entire credit requirement of that area. I think in respect of many areas, it still remains a proposal. In some areas there is undue competition in the matter of setting up of bank's branches. While there are some areas which are still not provided with the banking facility.

The performance of cooperative banks is far from satisfactory. I have come across a peculiar situation in some areas. Even in the interiors where there is a proposal to set up a branch of Bolangir Anchalik Gramina Bank (BAGP), which is operating in the three districts of Bolangir, Sambalpur and Sundargarh of Orissa, accommodation was not given for it. People decided to boycott that bank because it is not satisfactory and they want the branch of the State bank of India or of any other commercial bank. Same is the situation with regard to the cooperative banks in some areas. Therefore, a lot more has to be done to improve the lot of these cooperative banks. I may mention that in some places for example in Sason on Sambaipur-Jharsuguda road in any constituency there is a pressure on the authorities and me to set up a branch of the State Bank of India or of any Commercial Bank instead of BAGB.

There are reasons for this. There was a proposal earlier for integrating RRB with some viable commercial bank. I would like to know the Government's thinking on this. I raised a question in this House and the Finance Minister, S.B. Chavan, at that time, had clearly stated that there was a proposal

for integration of RRB with some viable commercial bank.

The problem with the Indian banks is that their balance sheet and the profit and loss accounts do not reveal a true financial picture in certain areas in certain banks. There was some study made which said that there was some lacunna in the Banking Regulation Act, which should be corrected after a proper study.

The frauds in the banks are on the increase. The Reserve Bank of India has estimated that the bad debt which is also on the increase today exceeded the figure of Rs. 1,10,000 crores. This is a fantastic amount.

This Bill is for a limited purpose. The limited purpose is to bring in uniformity in the financial year Accounting year in respect of all the banks. I support that. Taking advantage of the situation, whatever is happening today in some banks, I want to bring to the notice of the Government with a request to take corrective measures without further loss of time.

**MR. DEPUTY SPEAKER:** I would like to bring to the notice of the House that the total time allotted for discussion on this subject it may be very useful - is one hour and 30 minutes. Four Congress Party - 36 minutes; BJP - 19, Janata Dai - 9 minutes; CPI-M - six minutes; CPI - two minutes; TDP, ADMK, JMM, Janata Dal two minutes, one minute and all the small parties put together - three minutes This is for your kind information so that those hon. Members who get a chance to speak earlier, they should have a liberal attitude towards those speakers who will speak after them. That is why I felt the necessity of disclosing the allotment of time. Shri Mumtaz Ansari.

**SHRI MUMTAZ ANSARI (Kodarma):** Mr Deputy Speaker, this is an important Bill,

But this has been brought before the House for a limited purpose. Before coming to the Bill, I must go into the details and the background of the banking system, why this banking system was brought into existence.

First of all, when the barter economy failed, money was brought into existence. But, again, when the money transfer presented a number of difficulties, this banking system was brought into existence. But, again, the banking system also unnecessarily created a number of credits in the country; and when the credit creation became very much beyond the control, this banking system regulation was also felt necessary and as a result we find that the Banking Regulation Act of 1949 was brought into being or it was passed by the Parliament. So, now, this banking system is very important from the economic point of view; and this has played a very important role because this is a commercial organisation, no doubt. But at the same time this deals very sensitive item or commodity, that is, money. And that is not only dealing with money, rather, that is also creating a number of credits all over the country also, and that is why it is proper that there should be some sort of control over such banking institutions. Before the regulation of the Banks, it was left in the hands of private people who were carrying on the banking business and that created a number of troubles. As a result of this the Banking Regulation was also brought into being. I wish to say that the banking system must work keeping in mind certain important rules and regulations and the polices or principles which have been laid down.

First of all, this banking system that is working within the country, it must keep in mind the safety and security of the funds which are created by the public deposits. So, this is not the position with the entire funds of the Banking system itself. Rather, whatever fund is created through public deposits these public deposits must be safety and sound in

[Sh. Mumtaz Ansari]

the hands of those banks. So, this is also a very important point because, unless and until the fund is safe in the banks the people cannot deposit in larger quantities. At the same time, this deposit must also get some justice. In other words, I must say, that the deposit credit ratio must be very much justified on the ground that wherefrom it is being acquired or wherefrom it is being got, that place or that State must also get some sort of justice.

For example, in our Bihar, wherefrom I come we find that the credit deposit ratio is very much low. If Rs. 100 is deposited the investment benefit is Rs. 40 to 45. So, this type of credit deposit ratio is also very much objectionable. Because, if some sort of investment profit is not there, or matching investment is not coming, that State cannot develop to the expected standard.

Also the Banks are also liable to make grants or aid give financial assistance to those sectors which are very much needy or which are backward or neglected sectors. So, this banking system must be allowed to prosper for the achievement of that purpose also. But we find that in underdeveloped areas like Bihar or Orissa or other States which have been left in the lurch or left behind the matching investment is not being made or the banks are not able to play the role which they should play and they are not opening branches in rural areas or in unbanked areas. So, that is also expected from the Banks because that is also need of the economy and that must be fulfilled by the banks.

Similarly, there must be certain diversification of risk also because whenever the banks are making investments they are just purchasing some sort of a risk. So, that risk should also not be concentrated in a particular State or in a particular corner of the

country. And this must be very much spread throughout the country on a justified basis, and the quantity should also be justified, because, if that is not there, there cannot be a balanced growth or balanced development of the country.

Similarly there are certain services also and the banks should have this service motive also. There are also certain social responsibilities. Profit motive is not the only idea in the establishment of banks. So, the banks must be regulated with these purposes also in view. On the other hand, there must be certain national interests which must be kept in view in all the banks and financial institutions should keep them in view.

15.00 hrs

But the banking system is very much sensitive one and it has become a nerve centre for the economy. That is why, the national interests must be served to a greater extent. And in the light of the national interests, the banks must think that the credits or advances or financial assistance which are being extended to the people are genuine or not, whether they are engaged in proper business or not, whether they are inimical to the interests of the country or not. All these things must be taken into consideration.

Similarly, before the nationalisation of banks, we find that there were certain difficulties, there were certain mal-practices and there were certain unfulfilled purposes. Before the nationalisation, also we find that there was a concentration of this banking system in the hands of richer section of the society. Similarly, the banks were concentrated in certain cities, in greater cities. We find that now there is a spread of branches in the nook and corner of the country and in the rural areas also. Now again we find that there is a trend which is being adopted by our Government to allow privatisation of banks or the banking business should be left in the

hands of the private persons. This will create certain troubles which were present before the nationalisation of banks. So, we oppose such trend of the Government. At the same time, the Government is also inviting foreign banks and its branches. This will prove very much detrimental or injurious to the whole economy and this trend should also be held in check.

In regard to this Bill, there is nothing important to be opposed because you want to bring some sort of uniformity in the year. You are saying that the previous year must be the same and similar in the cases of all the banks. If it is adopted as 31st March then it must be 31st March in the case of all banks. If this is done, then for audits or income-tax provisions, it will be very much feasible and practicable. At the same time, it must be noted that if the previous year or the accounting year or whatever it may be called is changed in regard to cooperative banks, this will become rather unjustified unless and until you have wider consultations with all the States, where the cooperative banks are there, which are working on a sound footing. You must consult the State Governments also with regard to the change of the accounting year or the previous year. If you do not consult certain States or certain cooperative banks which have adopted certain norms and standard in regard to the accounting system, naturally they will be put to a lot of trouble.

In this respect, I would like to suggest that before making or bring out any sort of uniformity with regard to the accounting year or the previous year there must be wider consultation with the State Governments or with the Cooperative bodies or with the management of such banks.

With these words, I conclude.

[Translation]

SHRI GUMAN MAL LODHA (Pali): Mr.

Deputy Speaker, Sir, there can be no controversy on the question of amending the Banking Regulation Act. Even State Legislative Assemblies could have made amendments in their respective cooperative sectors. One has no objection if the Central Government takes the initiative. Since basic is involved we are forced to think over it. It is the need of the hour that we must examine the banking system thoroughly. With the nationalisation of banks the expectations of the people increased and it was assumed that banking system would benefit at least the common people like the farmers, labourers and the downtrodden. But unfortunately, nationalisation proved to be Governmentalisation and the result was that the widespread corruption further increased. A scandal of Rs. 122 crore took place in Bank of Maharashtra. In this manner, as per the prevailing situation, the nationalised banks are suffering a loss of about Rs. 20, 000 crore. Due to the nationalisation and politicalisation, Bank Melas at large scale were organised and the politicians squandered large bank funds in those Bank Melas to increase the number of their voters. Now the result is that Banking Industry has suffered loss of about Rs. 128 crore. About 12 Public Sector Banks are on the verge of closure. United commercial Bank suffered a loss of about Rs. 128 crore. The top Bank officials like Managing Director, Chairman, in connivance with politicians indulge in bunslung crores of rupees deposited by the common man, which include the hard earned savings deposited in Provident fund and received at the time of retirement as also the previous little money received by widows. This is done through advance to industries. Due to such malpractice our Banking Industry has landed in crisis. Now, the Finance Minister has taken an initiative with new enthusiasm, aspirations and the so-called liberalisation and by adopting the culture of Minu Masani. He wants to implement a new industrial policy and a new economic Policy in the country. Hence, I would urge upon him to check widespread corruption and plug the loopholes in the Banking system. Mr. Deputy Speaker, Sir I would like to draw your attention towards a very important point. At the

[Sh. Guman Mal Lodha]

time of budget-discussion almost every party had expressed its concern over the scheme of income-tax deduction at source on the fixed deposit and lowering of this limit to Rs. 2500/-. Due to this reason, the common man as well as employees will be state to deposit his money in the Banks which will hamper the fixed deposits schemes. Today the situation has come to a stage that the people are not just depositing the amounts in the fixed deposit schemes but on the contrary withdrawing their deposits from the Banks. Orders are also being issued that income tax raids should be conducted on the persons who are withdrawing their money from the Banks. Such action is certainly a misuse of power. And the financial condition of the country cannot be improved in this manner. Though it is some what late now yet I would like to request the hon. Minister of Finance to withdraw the provision for deduction of tax at source if the interest exceeds Rs. 2500 in case of fixed deposits in banks so that at least the conditions of the Banks in our country may be improved.

In this context I would like to submit that there are a good number of Rural Banks in India and their conference was held at Calcutta, in which it was decided to set up a Rural Bank of India at all India level. At present there are 196 different units of Rural Banks in the country, so they are not developing properly. In this way neither the Banking industry develops nor its employees get full benefits nor the consumers are benefited from these institutions. So I urge upon the Government that Rural Bank of India at the national level may be constituted. The Tribunal appointed by Supreme Court had also given an award in favour of employees of Rural Banks that they should be given salaries, benefits and categorization at par with the employees of the Commercial Banks. The Retired Chief Justice of Andhra High court, Shri Reddy gave this award after careful thought. The matter was discussed in two sessions. Ultimately, the Government of India

has agreed to implement this award. But, Sir, an effort is being made to implement this award in letter only and not in spirit or substance and as a result of it a peon or a clerk or a junior officer of these Banks is not getting its intended benefit. Hence, I would like to request the hon. Minister of Finance to implement the Tribunal award for the Rural Banks in toto and whole-heartedly so that the lakhs of Employees of Rural Banks may get it benefit.

Further I would like to say that a committee headed by Shri Dinesh Chandra at the behest of the Finance Minister had been constituted for the purpose of bringing about fundamental changes in the Banking industry. This committee was entrusted mainly with the task of suggesting fundamental changes in the working of these Banks. So, I request the government to lay this report here and discussed and its recommendation implemented.

Mr. Deputy Speaker, Sir, I would like the Government to examine as to how of customers and common man can be served by the Banking Industry be it the nationalised banks or private bank. The modal point is to benefit the bank customers. But today, even after nationalisation of these institutions, the situation had not changed much because even now the top 10-20 industrial Houses of the country are getting the benefit of loans amounting to crores of rupees from these institutions, which are never paid bank. Since we have not been able to find out a remedy of this malady, this system is still based on exploitation of the ordinary customer.

Mr. Deputy Speaker, Sir, it is my request that while submitting its recommendation the said committee should safeguard the consumers interests so that banking industry may prosper and develop in the country on healthy lines.

\*SHRI R. JEEVARATHINAM (Arakkonam): Hon. Deputy Speaker, Sir, I would like to share my views on the Banking Regu-

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\*Translation of the speech originally delivered in Tamil.



iation Regulation Act Amendment Bill. While welcoming the proposed Amendment I would like to add that this is an important measure. Hence I heartily welcome this Bill.

In Several Bank now we find the posts of Executive Directors have been left unfilled. This delays the functioning of such Banks. Hence I request the Hon'ble Minister to look into this and take immediate steps to fill those vacancies at an earlier date.

We also notice today in rural areas the delayed functioning of Banks because of inadequate staff strength to execute its functions in an effective manner. This directly affects the agricultural community for they could not avail in time the loan facilities intended for their upliftment. Hence I request you to take effective steps to fill these clerical vacancies in the Banks that are operating in rural areas. Such posts should be filled with the people available in such rural areas.

I would also suggest that government should contemplate constituting separate Recruitment Boards to each of the Nationalised Banks.

All Banks especially the Nationalised banks should have Regional Offices in every District Headquarters. I would like to point out specifically that there is no Regional office set up for State Bank of India in Vellore, the Headquarters town of North Arcot Ambedkar District. This causes delay and affects the operational efficacy of the Bank's branches spread through out the District. You must take concrete step to avoid these functional delays.

There should be certain concessions and incentives to those who come forward to deposit their money in the Nationalised Banks. For instance, deposits more than twenty five thousand rupees attract a tax of about two thousand five hundred rupees per year. And this tax on the deposit and the interest earned is deducted at the source. This ultimately results in poor deposit mobilisation by the Nationalised Banks.

If the same amount is deposited in Banks in private sector, the accruing tax is not deducted at source. Because of this our Nationalised Banks could get lesser amount of Deposits. At the same time private Banks could do a better job of Deposit Mobilisation. They could manage an increase in deposits.

I would like to suggest that it would be better to raise the tax exemption limit to those who buy National Savings Certificate. There should be total tax exemption to those who buy savings certificates for ten thousand rupees. Thereafter there could be slotted slabs based on which the next twenty thousand rupees should get fifty percent tax exemption. The tax exemption on NSC investment upto forty thousand should be forty percent. The grievances of the Bankmen should be addressed to as and when they arose to ensure that the neglect and dissatisfaction never give rise to strikes by the employees of the Banking Sector.

I would like to request the Government to reconsider extending loans through the Integrated Rural Development programme (IRDP).

We believe that people are benefitted by the loan assistance provided by the IRDP schemes. Majority of our rural people should share the benefits of these programmes. If it is found wanting Members of Parliament and MLAs should be included in the IRDP Committees.

Our great leader Smt. Indira Gandhi took the historic decision and then Nationalised several Banks. Hon'ble Finance Minister should categorically state in this august House that we are committed to the implementation of the earnest decisive action envisaged by our late leader Indiraji in Nationalising the Banks.

With this I thank the chair for having given me an opportunity to speak on this amendment Bill which I welcome.

[*English*]

PROF. SUSANTA CHAKRABORTY (Howrah): Mr. Deputy Speaker, Sir, The Banking Regulation (Amendment) Bill, 1991 proposes that the accounting year should be made uniform. I believe that the Government has done it not only with the purpose of bring uniformity in the accounting process but also with the purpose of improving the functioning of the cooperative banks in our country. The basic question is that will it improve the functioning of the cooperative banks in our country? The cooperative banks in our country work not only as an instrument for the economic development but as an instrument that will bring to our country a new philosophy of life, a new philosophy that will develop a new confidence in the people of this country. The most downtrodden people of our country, the workers, the land-less labour, the village artisans, the small farmers all these people who have built up the civilization, have not been given the fruits of civilization. They are the deprived section of the people. It is for them that the entire cooperative movement and the cooperative banks at the rural level, block level, district level and State level were brought up.

Now, if we look at the functioning of the cooperative banks, we will know that there are a good amount of bad debts.

15.24 hrs.

[SHRI SHARAD DIGHE *in the Chair*]

But all those bad debts have not been incurred by the poor farmers. But they are incurred by the big borrowers who have enough money. It is these big people who have misused this instrument.

What I see from the figures I have with me is that the share of the cooperative banks in agricultural credit and input distribution has been gradually diminishing. They are playing a limited role in meeting the other requirements of the consumers like the consumer credit and agricultural marketing in large numbers and are continuing to have

low borrowing membership and low business turnover and a high level of overdues.

The percentage of borrowing members declined from 55 per cent in 1960-61 to about 26 per cent in 1988-89 and the share of the cooperatives in agricultural credit has come down from 77 per cent in 1970-71 to 45 per cent in 1989-90. But the Government's participation in the share capital has been steadily rising from 9 per cent in 1965-66 to 66 per cent in 1988-89.

Sir, if we have these figures, these statistics, in our mind, what I would like to ask the Government and the hon. Minister is: Is the Government honest to the objectives for which these banks were set up? Is the Government honest in thinking that the philosophy of cooperative movement in the country should develop? I have every doubt in my mind. Doubts are there because as what I said earlier, the collection is mainly made from the small farmers. Again, from the statistics what I find is that deposit up to Rs. 10,000 which comes from the poor people normally form 66 per cent of the total deposit. It is these people who contribute much to the coffers of these banks, but as regards the loans and advances their interest is not looked into and these people do not get the benefit out of it. Then there is the attitude of those who run the management. Here comes the question of Government's involvement. The Government should give a direction and the Government should see that these cooperative banks are managed properly. In the functioning of the cooperative banks again, Sir, what we see is that the same age-old practice, the colonial legacy, the practice of red-tapism and favouritism, all these things are going on as usual. If the Government sincerely wants to build up cooperative banks in our country it should think of involving the people who are related to this movement. The village artisans, the poorest of the poor, the landless labour for whose benefit the ground level cooperative banks have been established, those people should be given the opportunity to be a part of the management. Sir, we often speak of workers' participation in management. In this case too, I

believe that the participation of the beneficiaries in all the levels of the cooperative banks should be ensured in order to make it viable, acceptable and profitable. Otherwise, this movement cannot be successful.

Sir, as I said, the defaulters are mainly the larger borrowers. So, may I request the Government to state whether the personal property of these larger borrowers can be attached. If that can be done, then the movement can be built up, these scant resources can be utilised properly and cases of default and bad debts can be minimised. Thus we can solve this problem in a better way.

The basic defects are that the members feel alienated from the cooperative banks. There is no solidarity organisation. The base level cooperatives which are in direct contact with the members are non-viable and inefficient. The policy relating to licensing of new urban cooperative banks and other related aspects should also be considered by the Government seriously. I have one apprehension. The Government very often come out with a statement—at least, I have seen it in the newspaper—that they are thinking of merging the banks. I do not know whether merging will also be extended in the case of cooperative banks. In that case, the purpose for which the cooperative movement has been started will be defeated. The Government should not move in that direction. Otherwise, the entire cooperative sector will be put to difficulties.

I have said at the outset I have no objection to the introduction of uniformity. There should be uniformity in accounting. But again I impress upon the Government to look at the functioning of the cooperative banks and to improve it and to run it in such a way that the benefit reaches the people for whose benefit it is meant. The role of the Planning Commission is to develop new outlook of life, new philosophy of life and that goal is to be achieved through this movement

SHRI BOLLA BULLI RAMAIAH (Eluru):

Mr. Chairman, Sir, the Banking Regulation Act, 1949 was amended by the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act in 1988 for changing the accounting year. They want to bring cooperative banks in line with this banking system and they want to bring the year ending, financial year along with other banks, as 31st March. Well, this regulation will help to unanimity for accounting purpose or for all practical necessities. But generally, in principle, there should not be much objection nor problems in following the procedure.

But there are certain things which are to be taken into consideration like the aspect of seasonal requirements or seasonal industries which may have to be considered like sugar industry and other systems. The banks have to follow along with those requirements.

On occasion like this, I would say, as others have mentioned, about the few points of the banking system and how it should really serve the purpose for the people. Especially for small scale industry and other units, there should be more liberalisation. This is one of the items which a number of people have made special request. The present interest rates which are so high should also be reduced in order to make the industries competitive in international and national markets and to increase the productivity and efficiency. The main purpose of the banking system, whether it is nationalised or private sector, should be to serve the people and the industries in a more efficient way and it follows all the Reserve Bank guidelines and priorities, whether it should be core sector of industry, agriculture or small scale industry or export-oriented. At the same time, they should keep the competition at both the sectors. Otherwise the inefficiency and corruption will increase to what is prevailing today. Even if it is necessary, you should give more branches, other competitors so that it can increase the competitiveness and the efficiency, keeping in mind the guidelines as per the Reserve Bank priorities.

[Sh. Bolla Bulli Ramaiah]

Even in cases where natural calamities have struck, as recently we had in the coastal districts of Andhra Pradesh, the existing loans of farmers should be rescheduled and they should be given fresh loans in order to see that they are able to cultivate further crops and they are able to survive.

In the case of NABARD, we found a number of times that due to restrictions, they are not able to finance even rural-oriented, agricultural-oriented, developments like poultries, fisheries and dairies which is one of the backgrounds and basic requirements of this country which is agriculture based. I am sure the banking system will be able to give them top most priority and make the banks serve the people in the rural sector as much as they are supporting the large-scale industry.

As a number of hon. Members have already mentioned about the deduction of tax at source, though the Finance Minister has given explanation by saying that up to Rs.22,000/- will be exempted and also there are provisions for exemption but unfortunately the investors are not properly informed or educated and the normal investors who are putting their deposits in the banks have started withdrawing their deposits. A number of people are being confused. Probably this should have been done after making it more provisional and after educating the depositors and the bank should also take interest in order to simplify the procedure and make the people understand on what principle they are doing this. Otherwise, the bank deposits are reducing and withdrawals are increasing and naturally the banking finance will get strained and it will affect the industry and agricultural and industrial production and also with high interest rates and working capital restrictions, the production will be affected and it will also cause lot of strain on the budgeting, excise and sales-tax revenues, if you do not take proper guidelines, proper corrective steps at the early stage. This point is one of the prime aspects. I have mentioned this earlier also on different

occasions. But unfortunately this matter was overlooked or probably it has not been properly followed by the banks.

One more important thing I would like to mention here is that banks are not simply for depositing and advancing. They should have lot of expertise. On whatever field you want to give guidelines on the priorities, people should go and guide them on how to utilise the borrowings and they should guide them at every stage whether it is agriculture, small-scale or large-scale. They should give them proper guidelines in various fields whether it is marketing or the quality of the product, in every respect, and if you are able to follow these things, I am sure the banks will serve the purpose for which they have been intended and the nation will benefit out of it and I hope the Finance Minister will take these precautions and do the needful to serve the people.

**SHRI PRITHVIRAJ D. CHAVAN** (Karad): Sir, I rise to support the Banking Regulation (Amendment) Bill, 1991. This Bill has a limited purpose which empowers the Central Government to change the accounting year of the cooperative banks from the present July to June to coincide with the uniform financial year from April to March as per the requirements of the Income-tax Act, 1961. Section 56 is sought to be amended to achieve this. In 1988, Government had passed an omnibus Act, which amended as many as 13 Acts in one go. At that time, the financial year of various financial institutions and nationalised banks was changed, but the financial year was not changed for cooperative banks. It is sought to be changed now. I think the whole House should support this measure. It will bring uniformity in the accounting year.

The cooperative sector has done a remarkable job in the last 100 years, particularly after March, 1961, when it was brought under the ambit of Banking Regulations Act.

The Urban Cooperative Banks in India have a unique flavour, particularly characterised by the highly personalised service

and they are playing a crucial role in the national development. I will restrict my speech to the Cooperative Banking Movement in India. The important thing about the Cooperative Banks is that more than 60 per cent of the advances are to the priority sector. Some banks have even achieved a sub-target of 25 per cent of lending to weaker sections within the priority sector target.

In June 1969, there were 925 Cooperative Banks. Today we have got more than 1400 banks, having 3400 branches although more than three-fourth of these banks are single-branch banks. There is a big issue about Branch Expansion Policy in the Cooperative Banks.

Sir, on account of the special role played by the Cooperative Banks, the Reserve Bank of India allows certain concessions to them. In particular, these Banks have a discretion to allow one per cent higher interest rate on term deposits and savings. Recently, this was brought down, in some cases, to half a per cent. I think in view of the role played by these Cooperative Banks, this step is not a good step. It should be brought back to 1 per cent as it existed before.

Secondly, the Reserve Bank of India allows a lower CRR and SLR margin at something like 28 per cent for the Cooperative Banks as against the 53 per cent for the nationalised banks. This should be continued. I think there was a move recently to increase the ratio from 28 per cent to 31 per cent. It should be kept at the rate of 30 per cent or even be brought down to 25 per cent. Also, some of the Special Cooperative Banks which have a working capital of more than Rs. 25 crores were allowed leasing finance. This is a good step. It should be even further enhanced. Although Cooperative Banks, by and large, are doing very well, there are some 230 banks which have been classified as sick or weak and about 40 banks are facing liquidation.

Further, I would like to say that the statutory inspection required to be carried out by the RBI is not being carried out in the

case of all banks. Out of all the banks, the RBI has been able to carry out inspection only in respect of 500 banks. This needs to be strengthened.

Sir, the whole financial sector and the country's Banking System is under review by the Government. The Narasimhan Committee had just submitted its report to the Government. We also hear that the World Bank have some urgent suggestions to make about the Indian Banking Sector. What has been reported in the papers is that the World Bank would like us to cut the subsidised loans to the targetted socially backward areas. The World Bank would also like us to give greater autonomy to banks finally leading to privatisation. The World Bank would also like us to have market-oriented interest rates. They would like us to reduce the CRR and SLR to less than 30 per cent. The World Bank also like us to have recategorisation of priority sector to exclude the rich farmers and the rich SSI Units and to reduce priority sector lending to 20 per cent in two years. They would also like us to have a foolproof method of financial reporting and balance sheet and all that. We could agree to some of these things. But definitely, issues like recategorisation of priority sector, to exclude the so-called rich farmers cannot be agreed to. Also, privatisation cannot be accepted at all. Further, the subsidised loans which are given to the targetted socially backward groups have to continue.

For the Cooperative Banks also, the RBI has appointed a Committee under the Chairmanship of Shri S.S. Marathe last September. The Committee is supposed to give its report in the next four months. This could not have come at a better time. The review of the Cooperative Banking System has been long overdue. The Marathe Committee has been asked to look at the present regulatory mechanism; the need to have a different criteria for States with advanced Cooperative Banking System like Maharashtra, Gujarat and Tamil Nadu and also to adopt a different policy for different States. I will also look at the policy for upgrading primary cooperative credit societies to full-

[Sh. Prithviraj D. Chavan]

fledged cooperative banks. The primary agricultural cooperative credit societies form the backbone of our rural credit system. There are about 1.3 lakh agricultural credit societies catering to nearly six crore members in 96 per cent of the village and covering about 80 per cent of rural population. Some of these societies are really doing good job. It is necessary to upgrade them to a full status of urban cooperative banks.

There is also the question of adequacy of capitalisation. And the need for upward revision is to be seen by the Marathe Committee. In order to continue the good work being done by these cooperative banks. I have some suggestions for the working of the cooperative banks.

Firstly, there has been a demand by the more successful cooperative banks for expansion of branches. The RBI has been very strict about not allowing branch expansion to urban cooperative banks, particularly in the States of Maharashtra, Gujarat and Tamil Nadu where the cooperative banking has really taken roots and has been very successful. There is need to follow liberalised policy on branch expansion. There is also a demand, and a just demand for giving permission to open branches in other States other than where the headquarter of the bank is located. This will certainly help in spreading cooperative banking culture to the States which do not have it, particularly in North India. Certainly, I recommend that Marathe Committee should definitely look at different policy for advanced States which have got advanced cooperative banking culture.

There has also been a very justified and genuine demand by the cooperative banking sector for allowing some bigger banks to enter the field of merchant banking, leasing finance, mutual funds, venture capital, portfolio management. There is also a demand to allow them get into bill discounting and factoring services and loan syndication. This is a very justified demand and in order to

further the growth of these cooperative banks, this should be accepted.

There is also a need to permit the weaker banks to amalgamate with the more successful and stronger banks. Merger of weaker banks with stronger banks should be allowed so that weaker banks could be weeded out. There is need to upgrade some of the primary cooperative credit societies to fall status of cooperative urban banks

Presently, there are only 38 Mahila Cooperative banks. And the present policy of the RBI restricts one Mahila bank for one district. I think, this is discriminatory particularly to States which have got the advanced cooperative banking culture. This need not be adhered to particularly in the districts of Satara and Sangli. There have been applications from many voluntary groups to start Mahila cooperative banks. The present policy of the RBI to restrict it to one Mahila bank for one district, should be reviewed.

To ensure better working, it increase financial discipline in the banks and to increase accountability, there needs to be certain strictness in the inspections to be carried out by the RBI. It is well-known that one of the main problems with most of the banks and particularly with urban cooperatives is that its balance sheet and the profit and loss statement do not reveal the correct financial position. The Banking Regulation Act permits banks to keep, both the provisions for bad or doubtful debts and the market value of government securities, confidential. And banks regularly show income from interest and loan repayments from doubtful and bad debts to inflate the profitability. Lack of strict accounting standards in preparation of annual financial statements allow them sufficient scope for window dressing and to have tailor-made accounting data. RBI has recently introduced a system of health code in the case of nationalised banks. This has been also extended to urban cooperative banks. But there is need to strictly follow the health code system so that window-dressing of balance sheet is not possible. There is also a need to con-

sider the minimum capitalisation norm in case of the cooperative banks from one lakh to something like Rs. 20 or Rs. 5 lakhs. The present limit is Rs. 1 lakh.

Sir, the nationalisation of banks has indeed been very successful. It had been cited throughout the developing world as a successful example. Its primary objectives to redirect the credit flow to priority areas, to widen the branch network and greater mobilisation of savings have been fully achieved.

I request the Hon Finance Minister that he should share with the House, the findings of the Narasimhan Committee which has already been presented to the Finance Ministry. I am sure, they will take sometime to consider the suggestions but whatever the Committee has to suggest, there should be wide ranging discussions throughout the country and the House also should discuss the report. It should not be kept confidential. Let us not give a feeling that something is being done behind the back of this House to please the World Bank and the international financial institutions.

I once again support this Bill and request the Government to take into consideration some of the suggestions to promote the growth of urban cooperative banks.

**SHRI CHITTA BASU (Barasat):** I do not like to oppose the Bill because this Bill is innocuousness the sense that this provides only for some change in the accounting year of cooperative banks. But, I would like to take advantage of this Bill to draw the attention of the Government to certain important issues. It is being widely circulated that the Government has agreed for the privatisation of the bank. The newspaper reports that appeared even today suggest that big industrial houses are wanting to open some branches and the RBI the Reserve Bank of India is favourably considering those proposals of having private banks to be opened by the Industrial houses. This is a reversal of the entire policy that this country had accepted on the nationalisation of banks. The Government should

take this opportunity to make the Government's position clear as to whether the Government is willing to go in for the privatisation of banks. There are also other reports in the press stating that the Government has agreed to expand the foreign banks and the Reserve Bank of India is considering those proposals of allowing the foreign banks to open about 200 branches in our country. This is also a reversal of the current policy of the country and this will be prejudicial to the interest of the economy of our country. I take this opportunity to learn from the Government as to whether these policies are under the consideration of the Government or not. Another important point that I want to raise is about the Narasimhan Committee's report.

**THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH):** Sir, I have said on several occasions that the Government has no intention of privatising any nationalised bank and I would like to repeat that.

**SHRI LOKANATH CHOUDHURY (Jagatsinghpur):** Does the Government have any proposal for having new private banks?

**SHRI CHITTA BASU:** How about the expansion of foreign banks and allowing them to open new branches?

**SHRI MANMOHAN SINGH:** I would say that foreign banks are already existing in our country and if some of the foreign branches come under the existing policy, they would be considered and they are not debarred.

**SHRI INDRAJIT GUPTA (Midnapore):** What about the other point? It has been reported that some of the big industrial houses are wanting to open private banks.

**SHRI MANMOHAN SINGH:** No such proposal is neither before me nor before the Reserve Bank of India.

**SHRI INDRAJIT GUPTA:** How about considering of such proposals?

**SHRI MANMOHAN SINGH:** Let me say that private sector banks already exist in our country.

**SHRI NIRMAL KANTI CHATTERJEE (Dumdum):** That does not make it clear. Private sector banks do exist; but the past experience tells us that after they have reached a certain level they have been taken over by the Government. In fact the nationalised banks of today we have got in two batches. Firstly there was nationalisation and then there was a separate notification when the banks grew up in size to take them over in the public sector. This time, is such a view existing or are you allowing the foreign sector to expand as much as possible without limit?

**MR. CHAIRMAN:** No debate like this.

Shri Chitta Basu is on his legs.

**SHRI NIRMAL KANTI CHATTERJEE:** Do you want to allow the private sector banks to grow and there will be no more public sector intrusion in this area?

**SHRI CHITTA BASU:** I also want the Finance Minister to make some points clear that I am going to raise. These relate to the Narasimhan Committee's report. In today's newspapers or yesterday's newspapers a news item appeared that the report was submitted to the Government on 20th November and that report has been sent to Washington to be discussed with the World Bank, it is suggested in the newspaper. I have got the names of the officers also; but it is not necessary for me to mention them. It is being said that this report cannot be placed before the Parliament unless it is agreed to by the World Bank. It is a shame. I don't know whether it is a fact or not. If it is a fact, would the Government make it clear in this House today that this is not correct and that it is otherwise motivated.

It is also said, as my predecessor was speaking about the recommendation of the World Bank, that the World Bank has recommended that there should be a reduction of advances in the private sector. It is at present 40 per cent. This is the recommendation of the World Bank. Would the Government accept that recommendation? There is

another recommendation of the World Bank I am told that they want that there should be a reduction in the number of public sector banks which is at present 28. They want it to be reduced to 10 or 12. I would like to know whether the Government is going to accept this proposal. There is a proposal that there should be a three tier banking system. Anyway, I would be very much glad if the Government clarifies its position on these points.

I want to draw the attention of the Government to the functioning of the Regional Rural Banks. There is also a certain proposal from the side of the Government. You know the important role played by these banks. The distinctive character of these RRBs in this country is that they are very close to the rural people and they have done a tremendous work for the development in the rural areas. There are proposals for the merger of RRBs with their sponsor banks. A proposal is also there to make the RRBs as subsidiary functionaries of the commercial banks. There is a proposal to bring down the number of RRBs by amalgamating all the RRBs into a particular bank in the State. There is also another proposal to amalgamate all the RRBs sponsored by the commercial banks into a single State level bank under one sponsor bank.

16.00 hrs

Sir, I hold that view and I think it is the view of all the bank employees in our country that these rural banks were established for a specific purpose of catering to the needs of the rural people, particularly for the development of agriculture. It has its own distinct character and if the Government decides to merge these RRBs with their sponsor banks the commercial banks then the purpose of these banks would be defeated and the agricultural development will suffer.

I want that the Government holds discussion with the trade unions of the banks so that an alternative à viable alternative - is evolved for the efficient functioning of the RRBs.



There is a proposal from the trade unions, to which I want to draw the Government's attention. Trade Unions' suggestion is that the RRBs should be delinked from the sponsoring commercial banks, they should be amalgamated into one single unit at the State level; the State level units should operate under some sort of a corporation or consortium at the national level; and this structure of the RRBs may resemble that of SAIL or GIC, etc.

So, I once again urge upon the Government not to distort the present structure of the RRBs which are doing enormous service for the rural and agricultural development of our country.

SHRI RAM NAIK (Bombay North): Mr. Chairman, Sir, I rise to speak on the Banking Regulation (Amendment) Bill, 1991, which has been brought to amend the Banking Regulation Act, 1949.

I welcome the Bill in general. I do agree that the accounting year should be uniform, if it is, on day, it helps in Income Tax, in Accounting, in Excise, etc. So, the intention of this Bill is laudable and hence I welcome the Bill, though there are some reservations from my side.

The most important aspect here is about the day when the new year should start.

Hon. Member, Shri Panigrahi he is not present in the House now has said that First of April or the end of the accounting year 31st March is not proper from the Indian point of view. As everybody knows, for all commercial transaction in India that is Bharat and according to Bharathiya traditions the new year or the financial new year starts on the First day of Diwali. So, I would suggest that the Government should have one day all over, from the accounting point of view and that, instead of having that on the First of April, it should be the First day of Diwali which also has a significance to our farming and commercial community. That is the proper period for having the accounts of the year. Of course, there is the other side of the

picture also. You know what is First April. It is "Fools' Day. It is really a ridiculous thing. When we have the Diwali Day, why should we start it on a Fools' Day? The Government has been changing certain policies and I would suggest that this Government should at least change this. It should change the accounting period to Diwali, instead of resorting to English traditions of First April. (*Interruptions*) Diwali is on the Diwali Day. (*Interruptions*)

SHRI INDRAJIT GUPTA: It is not the same day every year.

SHRI RAM NAIK: Every year, on the new year, Diwali day comes.

SHRI INDRAJIT GUPTA: But for accounting, you need a uniform day.

SHRI RAM NAIK: There is a uniform day. On our daily business order also, Indian days are written. (*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE: Does it mean that you want your year to be more than 365 days as well as less than that from year to year?

SHRI RAM NAIK: No, no; it is not like that.

SHRI NIRMAL KANTI CHATTERJEE: If you follow the lunar day, you cannot avoid this.

SHRI RAM NAIK: I think, you must learn the Indian calendars.

SHRI NIRMAL KANTI CHATTERJEE: I would.

SHRI RAM NAIK: Indian calendars are more scientific than the English calendar.

SHRI NIRMAL KANTI CHATTERJEE: I am not on that point.

SHRI RAM NAIK: There is only one calendar which we have established. (*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE: I want a clarification in this manner. Today in the lunar calendar, there is one day fixed, one day which is the Diwali day. We know that the next Diwali will not come in 365 days. That is my point. *(Interruptions)* In all the lunar calendars, one year will comprise more than 365 days, another year will comprise less than 365 days. What solution do you propose to that kind of problem?

SHRI RAM NAIK: This is because you are comparing with the English calendar.

SHRI NIRMAL KANTI CHATTERJEE: I am comparing 65 days.

SHRI RAM NAIK: That is English calendar.

There are 30 days in a month. Everybody knows *Charira*, *Vaishakha* etc. If you are not aware of it, I really feel sorry. You do not know this much. *(Interruptions)* Diwali comes every year. *(Interruptions)* It comes on the same day according to the movement of sun and moon.

SHRI NIRMAL KANTI CHATTERJEE: That is right.

SHRI RAM NAIK: It is the same day so far as Diwali is concerned. But if you compare with the Christian calendar, then you feel that there is a difference. That has been scientifically established.

SHRI NIRMAL KANTI CHATTERJEE: Number of days vary.

SHRI RAM NAIK: Instead of wasting time of the House, I will explain it to you later, outside the House.

SHRI INDRAJIT GUPTA: You explain to him outside in the lobby.

MR. CHAIRMAN : He has made his point. You have made your point. Go ahead please.

SHRI RAM NAIK: Sir, I am getting sup-

port from them. If I use the word "*Bharatiya*", they would definitely oppose it. That is what I had expected also. There is nothing wrong about it. *(Interruptions)* These interruptions are supporting my case that word '*Bharat*' is also an anathema to them.

SHRI INDRAJIT GUPTA: Now you are really getting derailed. You are getting provoked. *(Interruptions)*

SHRI RAM NAIK: I would not get provoked. *(Interruptions)*

MR. CHAIRMAN : These two points of you will never meet.

*(Interruptions)*

MR. CHAIRMAN: Please address the Chair.

SHRI RAM NAIK: But I am in a position to hear them. In any case, I know that there are people who support the Fools' Day-1st April. They want that. Let them have it. I have nothing to say about it.

So, there are two points. Now the cooperative year, as per existing Cooperative Acts in different States starts from 1st July and ends on 30th June. The purpose of this amendment Act is to see that all cooperative banks also end their accounting year on 31st March. That is the purpose for which this amendment has been brought. Because of this amendment, there would be a dual system of functioning.

I invite the attention of the Finance Minister to this dual system. How it happens? Though this original Act was passed in December, 1988, in the last three years, many States have not changed their cooperative year so far. I come from Maharashtra. In Maharashtra, the cooperative year starts on 1st July and ends on 30th June. To perform or to observe the regulations of that Cooperative Act, I must end my accounts on 30th June and for performing the Banking Act or the Income-tax Act, I have to close my accounts on 31st March. That means, I am

required to do same type of work on two occasions. Now, I object to this. If you want to make an amendment, then make it 31st March and let it be all over India and all over the States. At present, what is to be done about those States in which we have not changed? You will say that so far as Banking Act is concerned, you are changing and the States should take care of Cooperative Acts. In the last three years, this has not been changed. I want to know what the Government of India has done in this regard. We have seen nearly four or five Finance Ministers after the passing of 1988 Act. Mr. S.B Chavan was the Finance Minister at that time. What are the efforts made by us regarding changing of the accounting year by the States?

We will pass this Amending Act with the proviso for which I have given an amendment and my proviso is unless the relevant States change their cooperative year, for that particular State, this Act should not be made applicable. The advantage will be that some States will be for changing the cooperative year. The new amendment can work there and for those States which have not changed so far, Government of India should persuade such States to change the cooperative year and as soon as it is changed, this Act should be made applicable for that particular State which has changed. This will save unnecessary accounting and working for the same type of work twice. It would be duplication of efforts and duplication of efforts means naturally more money of the banks, more human hours being wasted. So, this is my suggestion on which, I hope, the Finance Minister, while replying, would pay proper attention.

Another point is this. Does it apply only to cooperative banks? My request is all cooperative societies should also be covered. That means, Cooperative Act itself should be changed. The cooperative societies in respect of housing, consumer, etc. also should have their accounting year to end on 31st March. If we make changes only for banking purpose, what will happen to other cooperative activities? There should

be uniformity in cooperative accounting year. There should be uniformity in banking structure, income-tax and everywhere. So, my suggestion is that Government of India should try to persuade all States to change their Cooperative Act for all societies, not only for banking, so as to end their accounting year on 31st March, if my suggestion of starting it on Diwali day is not acceptable to the Government.

The next important point is this system should work properly. Once this system work properly, what are you going to do about cooperative banks as such? Shri Chavan from Maharashtra has said so many things and I fully support them. My point is that cooperative banks are doing a wonderful job and are mopping the resources where the nationalised banks are not able to do. They are collecting more and more deposits and are giving loans to the much more needed persons than the nationalised banks. The nationalised banks had their loan melas. I am not going to comment on that as everybody knows about it. But the recovery of the loans by the cooperative banks given to the weaker sections is much more than the recovery of loans given by the nationalised banks to the weaker sections. I am not aware about other States. But I would certainly say that cooperative banks in Maharashtra are positively better than the nationalised bank in regard to recovery. In case, I am wrong, I would like to be corrected. But I am sure that with my knowledge of cooperative banks in Maharashtra, I cannot be wrong about this particular point. So, you must encourage cooperative banks.

You are giving new and new branches for nationalised banks where cooperative banks are already existing. My suggestion is that you must encourage the cooperative banks which are functioning properly, which are giving better results to the shareholders and which are working according to the pattern set out by the Reserve Bank. At least, such banks should be allowed to have more and more cooperative branches. This is my demand.

[Sh. Ram Naik]

With his, I would suggest once again to change over the new year to Diwali. At the same time, the cooperative banks should not be forced to change their accounting year unless the State Cooperatives Act is also changed. With these words I conclude.

**SHRI LOKANATH CHOUDHURY** (Jagatsinghpur): Mr. Chairman Sir, the purpose of this Bill is to bring in uniformity between the functioning of the cooperative banks and the other banks. The cooperative banks, as you know, were previously catering to the needs of the agriculturists. Therefore, their date of accounting was different. Now, the Government is thinking in terms of bringing uniformity with regard to the date of the accounting year. While I have no objection to this change, I want to bring to the notice of the Government, the functioning of the cooperative banks in different States. As has already been pointed out, the cooperative banks' activities in many states, rather in the whole country, are diminishing. Moreover, the functioning of these cooperative banks is more and more bureaucratised. It is bureaucratised in the sense that in many States, for example in my own State, there is no regular Board of Directors on the Cooperative Banks. The Board is managed by the bureaucrats. This means that it is not a cooperative bank; it is rather a government managed bank. That causes much harm to the development of these cooperative banks themselves. I agree that there might be some States where the cooperative banks are functioning well. But it is high time that the Government makes an assessment of the functioning of the cooperative banks in different States. There should be general guidelines as to how the cooperative banks should function. This is my first point.

My second point is that the Government must change the date as suggested by Shri Ram Naik. I am happy that you are in the Chair now. But, if the State Governments do not agree with it and if they do not amend their respective Cooperative Societies Acts, then what will happen?

**SHRI CHITTA BASU:** It is not going to fructify.

**SHRI LOKANATH CHOUDHURY:** In that case, what is the thinking of the Government? I want to know whether this fact has been taken into consideration by the Government.

Lastly, I ask the Finance Minister to make a statement today on all those things that are appearing in the press about privatisation of banks and so on. Privatisation of banks, as has been stated by the hon. Minister, may not be the privatisation of those banks which are presently nationalised. But is the Government contemplating to allow new private banks? I want to know one more thing. I want to know whether the Government would continue the same policy which is now existing with regard to those private banks, when they reach the particular limit set by the Government. If that is the accepted policy of the Government, those banks should be nationalised. I want to know whether further nationalisation would be there. If not, why? If the private banks are allowed to function even beyond the limit set by the Government, that will lead to some complications. Some hon. Members have stated that nationalisation has not brought any good. I do not agree with that statement. Nationalisation has brought immense good. The Finance Minister should make a categorical statement that they are not going to privatise the banks and that they are not going to allow the present private banks to function beyond the set limit. They should also not allow new private monopolists to open banks. These are the points on which the Finance Minister should make a clear statement. That will stop all these reports appearing in the press. If the Finance Minister will not do it, then it will appear as though they are going to bring in these things appearing in the press through backdoor methods.

**SHRI A. CHARLES** (Trivandrum): Mr. Chairman, Sir, I support the Banking Regulation (Amendment) Bill. It is not a controversial Bill. It has a very limited purpose, that is

to make the accounting year uniform. In 1988 an Act was passed to make the accounting year of the nationalised banks keeping in line with the accounting year accepted all over the world. Somehow, the cooperative banks were left out. So, to remove that anomaly this Bill has been brought.

The hon. Member, Shri Ram Naik, who is now in the Chair, made a very fantastic suggestion that the accounting year should start on the Deepavali day. This year Deepavali was on 5th November. I think last year it fell on 7th November. This Bill has been brought forward to make the accounting year uniform and if we accept your suggestion I do not know how the year will be calculated. Of course, we can calculate the year but it will not have any uniformity. After all, our economy is tied up with all over the world. We cannot simply say that we are an isolated country.

As a citizen of this country, I felt very sorry about one statement made by you. Please do not misunderstand me. *Bharat* is not your monopoly. I am very much a *Bharatiya* coming from the South. I request you to study the history of this great country. We have different religions and different languages in our country. Our culture is the only tie which binds this great country together. If you give wrong messages, at the time when the country is passing through a difficult time, it gives a wrong picture to the whole nation.

The Constitution of India starts with "India, that is Bharat, shall be a union of States." If you go through the discussion held in the Constituent Assembly on that particular clause, you will be surprised to see the different views expressed by members. One proposal was: "India shall be a union of States." Another proposal was "Bharat shall be the union of States." Then there was a compromise and they said that "Bharat, that is India, shall be a union of States" or "India, that is Bharat, shall be a union of States." finally, in their own wisdom they decided that

"India, that is Bharat, shall be a union of States."

Now, I come to the issues that face our country. One is the poverty of common man. How can we do justice to them? I would say that the former Justice Lodha should have shown more justice to the weaker section of the society. He was literally criticising the Loan Melas by saying that there was some sort of collusion between the bank officials and the politicians. This would have happened in his State but in my State Kerala, I must say that that was the first occasion when the weaker section of the society has had the privilege of enjoying the services of the nationalised banks. The amount given to them ranged from Rs. 500 to Rs. 5000. I would request the hon. Finance Minister to come with the facts as to what is the rate of repayment of these loans and what is the amount now outstanding against them. Also we would like to know the amounts that are written as bad debt. This information is not made available even to the Parliament. I do not know why such an information is kept secret. Every citizen has a right to know how much money is written off, on whose account and who are the persons who are benefited by that.

Sir, I know the time is very limited, So I am not going to deal with all those aspects.

One word 'privatisation' has created a lot of confusion in the House. I must say that intentionally, the Opposition, time and again, is trying to give a wrong message to the nation on this issue also. Even, in this House, in this Session, more than half a dozen times statements were made that there is no proposal for privatisation of the banks. Even the Prime Minister had also made a categorical statement that there is no such proposal. But some of the senior Members were more guided by the press reports and not by the assurances given by the responsible Ministers. I am sorry to say that again and again that wrong message is being sent. There is an old dogma and that is, if a lie is repeated hundred times, it becomes a truth. Kindly do not repeat that again and create problems

[Sh. A. Charles]

for the country. I remember, when the Prime Minister was replying to the discussion on the Motion of Thanks, he had stated categorically in this House that there is no question of privatisation of banks but at the same time, the style of the functioning of the banks will have to change.

The banks should be made more accountable. The fruits of the banks should really go to the weaker sections of the people. So, the performance of the banks, must change for the good of the people. One point that has not been mentioned here is the guidelines of the RBI for making a 'Service Area Approach'. In Kerala, this is a real problem. We know that Kerala is a thickly populated State. Banking network is also comparatively large. But payments of loans often depend on the style of the functioning of the different banks and often on the attitude of the Manager. Whatever legislation is made; whatever direction we give; whatever wholesale changes we make ultimately, the results depend on that particular Manager at the lowest rung. If he takes a decision, the poor man will get the money. If he does not want to give the money, nobody on this earth can force him to give the money. I know this because I am the President of an Association of the Sick and Small Units. I know the case of hundreds of units there. In some banks, Bank Managers or the lower level staff are very unhelpful. Because of the 'Service Area Approach' these small units are unable to get the benefit. I think, we should have a re-thinking on this issue and at least the 'Service Area Approach' in respect of Kerala has to be given up.

I would like to say something about co-operative banks' functioning. I fully agree with hon. Shri Lokanath Choudhary here. It is good that we are making a legislation for making a uniform accounting year. Kindly, think of the possibility of making a legislation at least to ensure a free and fair elections in the co-operative banks.

In Kerala, if I put a question, I will not get

the answer. I would request the Finance Minister to gather one fact from Kerala Govt as to how many elected co-operative banks and how many co-operative societies were dismissed and the administration taken over by the Government during the L.D.F. rule. One officer of the rank of an Under Secretary is managing the whole show. The poor people and the tiny sick units have no say on that.

So, I would request that at least the State Government there, should have some law for enforcing free and fair elections and elected Committees should not be unnecessarily dismissed by the State Government.

The cooperative movement is really the basis for the growth in the rural areas. So, I hope that all possible encouragement should be given to the cooperative banks including the land mortgage banks .

Now, small and tiny industrial sectors are facing a lot of problems; they are not getting any working capital or sufficient funds from the Nationalised Banks. So, the cooperative banks are the only hope for them. So, all possible steps should be taken for improving the performance of the cooperative banks. A legislation should be brought to make uniform policies for improving their performance.

With these words, I support this Bill.

[*Translation*]

SHRI MOHAN SINGH(Deoria): Mr. Chairman, Sir, I do not have much to say about this Bill. But I would like to say something regarding the suggestions which have been put forth by the Government side. There is one suggestion to bring a change in the Banking year. In this context, I would like to say that we should consider whether the calendar of the budget can be maintained on year to year basis or not.

Secondly, I would like to bring it to the notice of this House that many private finance and investment companies are ob-

taining various types of licences and are expanding their area of operation to villages. The people deposit their money in their small-savings scheme, which is often misappropriated by these companies later on and finally they wind up their business. So we should take this issue seriously. A complete list of the private finance companies which were issued licences by the Reserve Bank should be laid on the Table of the House. And all the details regarding the cases of mis-appropriation committed by such companies after declaring themselves as bankrupt must be tabled in the House. No more licences should be issued to such companies. This practice must be discouraged .

Next I would like to say something about the Amendment to the Banking Regulation Act. On 30th of the closing year of the Government Banks all outstanding amounts are deposited and against those deposits loans are also disbursed. It is my request that the Government should frame a rule that on the very date when outstanding amounts are deposited, loans would not be disbursed. Loans may be given one or two months later. Such instructions must be issued to the Public Sector Banks.

Thirdly, I would like to say that it would be better if the Insurance Scheme is implemented through Public Sector Banks . At present scheme does not under this scheme compensation is not paid on the basis of damage suffered by a particular village due to natural calamity but taking into account the damage in a district as a whole. Thus the compensation paid to a farmer is much less than what he should get . So in this regard I would like to suggest that it would be better if this scheme is implemented through the co-operative banks because the concerned branch of the affected area may easily make a reasonable estimate of the damages caused.

Besides, the Scheduled Banks which have been opened in some districts have some difficulties in opening new branches for transaction of business. For this they

have to obtain licences from the Reserve Bank for which they have to fulfill cumbersome formalities. So I make an earnest appeal that they be granted some special concessions and facilities for opening new branches in their concerned districts.

MR. CHAIRMAN: Shri Sarat Chandra Pattanayak, you were not present when your name was called. Please conclude your speech within five minutes only.

SHRI SARAT CHANDRA PATTANAYAK (Balangir): Mr. Chairman, I rise to congratulate the Finance Minister for bringing this Bill. It will not only ensure uniformity in the Banking Sector but it will also provide a true picture of co-operative banks, which function mainly in the rural areas.

Since agriculture is the main study of rural India, which depends on the monsoon. The functioning of the co-operative banks is also affected. The Banking system in India has to be reoriented and needs to revamping both structurally and function-wise. I congratulate the Minister for the Narasimha Committee report. It is hoped that the Government will take speedier action on the recommendations.

The liquidity position of some of the nationalised banks is not sound. After nationalisation the banks have moved the rural areas but the number of nationalised banks in Bolangir District of Orissa is very few.

The regional office of the State Bank of India which should function at Bolangir is operating at Sambalpur, 140 kms. away from there. Also, the State Bank's regional office has to be shifted to Bolangir without further delay. The proposal to open an evening Branch of the State Bank of India and also an Overseas Bank at Bolangir should be expedited.

With this I support this Bill.

MR. CHAIRMAN: Now I have three names with me. They should all complete

within three minutes each. Then only we can complete the debate in time.

Shri Hari Kishore Singh.

[*Translation*]

SHRI HARI KISHORE SINGH (Sheohar): Mr. Chairman, Sir, I would try to finish my submission within two minutes only.

This Bill is meant for changing the co-operative year. First of all, I would like to know from the hon. Finance Minister the consideration on the basis of which it was laid down to end on 30th June. As far as I know, the deadline for recovery of co-operative loans in villages is 30th June, the time by when crop is harvested. I am not saying that this date must not be changed. Rather I support this change. I think Shri Mohan Singh's suggestion for fixing the 1st January to 31st December as the financial year as well as the Banking Year is more appropriate and relevant.

Further, I would like to make 2-3 requests to the hon. Minister of Finance. The credit and deposit ratio has increased the regional imbalances in the country. Specially in our State Bihar, Eastern Uttar Pradesh, Orissa and Assam the credit and deposit ratio of the Nationalised Banks is very low. The and especially the Minister of State in the Ministry of Finance must be in know Finance Minister of things. So the Government should ensure that the regional imbalances does not increase in the country. Secondly, I would like to say about the lending rate which is now 30 per cent. The Banks pay interest to its customers at the maximum rate of 13 per cent only but it charges the rate of interest varying from 18 to 25 per cent from the persons who take loan from the Banks for the purpose of business or small industry etc. Besides, there is now one and a half per cent additional surcharge imposed by the Government on these loans. In these circumstances, how can the industry develop in the country. That is why many of the industries are sick. I have come

to know that the small industrialists under compulsion take loans even at the rate of 30 per cent. Naturally there would be increase in the prices in the country contrary to the Government's assurances of controlling it. And now only 28 days are left. . . .

MR. CHAIRMAN: You are taking more time.

SHRI HARI KISHORE SINGH: Lastly, I would like to request the hon. Minister of Finance to assure this House as well as the whole country that the American Banking and Insurance companies would not be allowed to intrude in this country. I had earlier also made this regular when he was presenting the budget and this time also I would like to seek an assurance from him in this regard.

PROF. RASA SINGH RAWAT (Ajmer): Mr. Chairman, Sir, the objective of this Banking Regulation (Amendment) Bill is very limited one. As many of the speakers have already made a request to fix the same period for both the financial year as well as the Banking year so that there may not be any inconvenience in regard to income-tax. I would like to request the hon. Minister of Finance to consider it seriously that the year may be fixed from January to December instead of ending on 31st March for everything on the Western-pattern. He should give a serious thought as to why this cannot be regulated from January to December?

One thing must be essentially taken into account in regard to the co-operative banks which have been constituted under the Acts passed by the concerned legislative assemblies and which are run according to the rules and regulations framed by the State Governments, so even if the Central Government enacts a law to make any change in the period of the working year, it would not be applicable to these co-operative Banks unless and until the concerned state Government's amend their co-operative rules through their respective Legislative Assemblies. So, for this purpose either some extra time must be granted or some transitional period must be fixed so that they may be able



to change their co-operative rules accordingly.

Further the Central Government is requested to pay some attention to the working of the co-operative banks also. The employees of regional Rural Banks in the villages in particular have been working efficiently providing loans, but for the last two three years, they also had to resort to agitations. The then Finance Minister had held talks of with them and had assured redressal their grievances and the Supreme Court had already given a decision in that regard. But that decision was not implemented. Similarly, there are lot of disparities in pay scales and other facilities provided to the employees of nationalised banks and the employees of Rural Banks. These disparities have also not been removed. The employees of Rural Banks are also doing important work. Therefore, through you, I would request the hon. Minister to say some attention towards them also.

I would like to make another submission. An All India Rural Bank should be set up at the Central level on the lines of Reserve Bank of India and a State Rural Bank at the State level should also be set up.

There should be various regional, zonal and other banks working in different fields under these Banks. I would also like to submit that the objective, with which the banks were nationalised, was fulfilled to some extent in the early years of nationalisation, but gradually the services of banks deteriorated from the point of view of efficiency and behaviour of bank employees. Red tapism and bureaucracy is gaining ground there. These banks were giving excellent service till they were in private sector and they continued to give excellent service for some years after nationalisation but gradually the trade unions became powerful and obstructions were created in the functioning of banks. My communist friends will excuse me, but they create hinderance in everything, even if it is a good measure. They create hinderance in the development of banks. Therefore, I would like to submit through you that the Government should safeguard the inter-

ests of the employees, but hindrances should not be allowed to be created in the services of the banks. The rural consumers should easily get the facilities and benefits provided by the banks. The present situation in this that the bank employees shirk their work. The Bank Manager is afraid to say anything to the employees. The employees do not submit themselves to discipline, but if any action is taken against them, the Bank Manager has to face a lot of difficulties. There are hundreds of such complaints, but no attention is paid towards them. I would request the hon. Minister to pay attention to it.

Some of our hon. Members had raised the issue of chit-fund companies. Private chit-fund banks start their business by taking permission from the Reserve Bank. Innocent persons deposit lakhs and crores of rupees with them and after some years these companies disappear with all the money. There is a company named 'Lakshmi Chand Baggaji and Company' which collected lakhs and crores of rupees from Ajmer, Gujrat and different cities and continued its business for three four years. Then it disappeared. This was a Bombay based company. The persons, who had deposited money with that company are not getting their money back. I hope the hon. Minister will pay attention towards it and with this. I conclude.

[English]

SHRI HARISH NARAYAN PRABHU ZANTYE (panaji): I stand here to support the Banking Regulation (Amendment) Bill. However, I would like to bring to the notice of the hon. Minister that whether the accounting year should be March 31st or December 31st or October 30th. It should be thought well before taking any decision because if it is March 31st, immediately after that monsoon starts in June and so many other things should be taken into account.

I would like to bring to the kind notice of the august House that urban cooperative banks are really doing wonderful work. We have to encourage them. Some hon. Mem-

[Sh. Harish Narayan Prabhu Zantye]

bers have said that no elections take place there. I would like to tell them that elections are held there regularly. Shareholders take part in elections with great enthusiasm. There the elections are fought just like our elections. Anyhow, the committee appointed by the Reserve Bank, will definitely go into the whole matter. And I feel that they will definitely recommend giving encouragement to cooperative banks.

Cooperative banks today are the need of the hour. I will give you one example of Goa. Nationalised banks have not 60,000 branches all over the country whereas urban cooperative banks have got only 3400 branches. Now Goa is a place where banks are in plenty. But see the results. The deposit in nationalised banks in Goa is of the order of Rs. 1400 crores but they have disbursed loans only to the tune of Rs. 450 crores, whereas the urban cooperative banks have given 70 per cent of loans to the priority sector. I will give you one more example. Bicholim Urban Cooperative Bank was started only in 1987 and it set up its branch in Phonda in 1989. Today it has got a deposit of Rs. 10 crores whereas Bank of India and Canara Bank have not got so far Rs. 10 crores together and it may take many more months for them to reach that figure though they are there for 10 to 15 years.

The cooperative banking should be encouraged because of two reasons. First, the shareholders are from that area. The Chairman and Managing Director is also from that area. They know everybody well. If the people are really in need of money, they can get the money within 24 hours, whereas it takes months in nationalised banks to get the money because they have to take the sanction from their head office. Moreover, so many nationalised banks are today incurring heavy losses. So I would request the hon. Minister to look into this and encourage urban cooperative banking to the maximum extent possible so that the cooperative movement spreads all over the country.

People at large - the poor people, the villagers, the agriculturists - all will be benefitted to the maximum extent and really the progress will be tremendous, if you encourage cooperative banking.

With these words, I support the Bill and conclude my speech.

[*Translation*]

SHRI ANNA JOSHI (Pune): Mr. Chairman, Sir, we should welcome the amendment bill introduced in the House to change the accounting year. The Government should seriously consider the expectations expressed by us here. The need is to change and implement the rules of cooperative credit societies, cooperative milk societies and other cooperative societies in every state. The Government should seriously consider the suggestions given in the House in this regard.

Mr. Chairman, Sir, there are other areas, also, where there is need to change the rules. These issues have been raised in the House several times and requests have been made for changing the rules but no initiative has yet been taken by the Government in this regard. Attention should be paid towards this.

Regarding the tax imposed on interests on fixed deposit I have said it last time also that it would create problem for the cooperative banks as deposits will be withdrawn. At that time, the Finance Minister had interrupted me and asked that where these deposits would go. I would like to bring to the notice of the Government that according to survey there has been 10 per cent increase in the withdrawal of deposits instead of any increase in the deposits. This has taken place in last one-two months. Therefore, I would request the Government to reconsider this rule.

This Bill has been brought to help the cooperative banks. Therefore with these suggestions I welcome this Bill and conclude.

**SHRI TEJ NARAYAN SINGH (Buxar):** Mr. Chairman, Sir, I support this Bill and would like to submit that there are still such areas, where there are no banks. As several places, people had to travel 10 kilometres for availing the facility of bank. Therefore, arrangements should be made for opening of bank branches in the areas where these have not been opened.

Similarly, the corruption prevalent in banks has not yet been checked. Even today, the farmers and the labourers had to pay a 10 per cent bribe for getting a loan. So far as I know and which was accepted by Rajivji also that out of Rs. 100, only Rs. 15/- reaches the villages and the rest 85 per cent is bungled away. Therefore, I would like to submit that efforts should be made to check the corruption rampant in the banks. Just now, Shri Rawat has said that the increase in the trade unionism in the country has led to corruption in banks. But it is not so. This corruption was not there when the people used to worship in the villages and in the forests. It was not there when Lord Rama was present everywhere. But from the day you have confined Rama in the mosque, this corruption has started in the banks. (*Inter-ruptions*)

**MR. CHAIRMAN:** Ram is sitting on this chair.

**SHRI TEJ NARAYAN SINGH:** I have not taken the name. The trade unionism has increased in this country to end the corruption and to fight against the atrocities and not to spread corruption. (*Inter-ruptions*)

Banks should be opened in the areas where there are no banks. 50 per cent of the amount deposited in a particular area should be given to that area for development. With these words, I conclude.

[*English*]

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESWAR THAKUR):** Mr. Chairman, Sir, I am

grateful to the hon. Members, particularly to Justice Guman Mai Lodha, Shri Sriballav Panigrahi, Shri Mumtaz Ansari, Shri Jeevarathinam, Prof. Chakraborty, Shri Ramaiah, Shri Prithviraj Chavan, Shri Chitta Basu, Shri Ram Naik, Shri Lokanath Choudhury, Shri A. Charles, Shri Patnaik, Shri M.M. Singh, Shri Hari Kishore Singh Prof. Rasa Singh Rawat, Shri Harish Narayan Prabhu Zantye, Shri Anna Joshi and other friends, for their active participation in this small legislation in which we have brought about a simple amendment which is of an enabling nature for the cooperative banks.

As I have stated earlier, all other banks and financial institutions have already changed their accounting year in accordance with the requirements of the Income-tax law and this was done in the year 1988. Only in the case of cooperative banks, it was not done because certain consultations and considerations were required. Consultations with the Reserve Bank of India and other agencies concerned have been completed and we are doing it now.

We been asked to say why there has been delay and why it was not done earlier. In this connection, I would like to say that when in 1988 other banks and financial institutions' year was brought in line with the requirement of the Income-tax Act of 1961, we had initiated this matter and about a year back, by the previous Government, a decision was taken at the Cabinet level in December, 1990 to bring this legislation. But for one reason or the other, the legislation could not be brought. We have now brought the legislation and I am happy to say this.

The question of a uniform year for all purposes is a different question which has been debated in this House and elsewhere in the past. The L.K.Jha Committee had gone into the matter and ultimately it was decided by the Government that no change is required at the moment and as and when any change is made it will be effective for all. At the moment, one thing I would like to make clear that under the Income-tax, there used to be one assessment year and one previous

[Sh. Rameshwar Thakur]

year. Previous year could be any day. It should be Diwali, it could be Dussehra or it could be any other day throughout the year. This had created problems and we wanted to have one accounting year for all assesses in India and one assessment year.

17.00 hrs.

That is why the amendment was brought about in 1987 and in consonance with that amendment, all these are now in the same category. Almost all cooperative institutions have accepted. But so far as the cooperative banks are concerned, there was a difficulty. This is sought to be removed. I would like to mention one thing that there will be no difficulty. There are some States where the cooperative laws have not been amended. A large number of States like Karnataka, Madhya Pradesh, Orissa, West Bengal, Assam...

MR. CHAIRMAN: Shri Rameswar Thakur. There is a statement to be made at 5 O'Clock by the Minister of Civil Aviation and Tourism Shri Madhavrao Scindia. He will now be making the statement.

SHRI RAMESHWAR THAKUR: I will be completing in a few minutes.

MR. CHIRAMAN: The statement is at 5 O'Clock. You will continue later. After the Ministers' statement you may continue.

*(Interruptions)*

MR. CHAIRMAN: There will be some more points and some questions. Let the statement be made.

SHRI RAMESHWAR THAKUR: I will go by the Chair.

17.01 hrs.

#### STATEMENT BY MINISTER

**Explosive Device Found on AI Flight 111 on 1.12.1991 at Delhi Airport**

[English]

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI MAADHAVRAO SCINDIA): On 1st. Dec, 1991 AI flight No.

iii Boeing-747 from Madras to New York via New Delhi and London arrived at New Delhi at 0705 hrs. The aircraft had 76 passengers and one infant along with 21 crew members on board from Madras. Out of these 12 passengers disembarked at New Delhi. 334 passengers including 4 infants and a fresh set of 22 crew members boarded the aircraft of New Delhi by about 0745 hrs. There were thus a total of 394 passengers, 5 infants and 22 members of the crew on the flight.

As per information available at present, while the catering carts were being positioned in the galley, a PVC bag was found. As the contents looked suspicious AI security person on duty was alerted who immediately removed the PVC bag from the aircraft to the high lift truck to be taken away from the site. The concerned authorities were informed and the bomb disposal squad of the Bureau of Civil Aviation Security located at the Airport rushed to the spot immediately.

The device on examination was found to contain the following items:

1. A 9-volt battery
2. Pyro technic substance
3. A torch body
4. An electric circuit connected with wires
5. 100 ml. bottle containing a liquid which smelt like petrol
6. One shaving cream can containing a substance which smelt like LPG.

The device was neutralised by the explosive experts.

By about 0830 hrs. the passengers on board were safely disembarked. The aircraft was removed to a remote place.

The matter is under investigation by the police and intelligence agencies.

Meanwhile, Commissioner, Bureau of Civil Aviation Security has been asked to investigate the nature and extent of breach that may have taken place in the prescribed security procedures, and recommend what further measures are required to strengthen security.

(*Interruptions*)

SHRI HARI KISHORE SINGH (SHECHAR): Sir, the hon. Speaker has . . .  
(*Interruptions*)

[*Translation*]

MR. CHAIRMAN: According to rules no question can be asked on this.

[*English*]

SHRI HARI KISHORE SINGH: Let us complete. The hon. Speaker has suggested during the zero hour that he would see how a discussion could take place on this statement. (*Interruptions*)

MR. CHAIRMAN: No, no. Discussion means that you can raise a discussion by other form. No question would now be allowed.

SHRI HARI KISHORE SINGH: I agree. Let there be a discussion. That is a very serious matter. (*Interruptions*)

MR. CHAIRMAN: Kindly give a notice so that the hon. Speaker will examine the notice and will decide about it.

(*Interruptions*)

MR. CHAIRMAN: Now Shri Rameswar Thakur to continue the reply.

#### BANKING REGULATION (AMENDMENT) BILL - (CONTD)

[*English*]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): Sir, I was stating that many States and the Union Territories have already changed the accounting year in re-

spect of cooperative banks from July-June to April-March. There are States and Union Territories of Karnataka, Madhya Pradesh, Orissa, West Bengal, Assam, Arunachal Pradesh, Rajasthan, Uttar Pradesh, Tamil Nadu, Pondicherry, Bihar, Goa etc.

I would like to make one thing clear to hon. Member Shri Ram Naik and others who have raised the issue by way of an amendment and other means that there will be no difficulty. This is an enabling clause. We are getting requests from these States, who have changed their accounting year through the Reserve Bank of India, that this amendment must be allowed to come. They should have only one accounting year ending 31st March every year. Now the other States, which have not been able to change so far, will have no difficulty. It is not binding. In any case they are now preparing their accounts for the year ending 31st March for the purpose of Income-tax. That is they are preparing two sets of accounts - one for the year ending 31st March and the other for the year ending 30th June. They are free to do it. I am sure, it is advisable for them also to follow this and go to their State Assemblies who can pass the law and do it.

We could not have done it through the State Law as Justice Ghuman Mai Lodha mentioned, because it is the Central Law where the amendment is required which we are doing it here.

As regards some other suggestions made generally about the banks and also the banking structure in the country, naturally on such matters some discussions have been made in regard to nationalisation of banks and also the cooperative banks and rural banks. We are all aware that the banks have performed commendably well, their net work has gone to the rural areas after nationalisation. There were some only 8,268 branches in 1969 including 1,832 branches in the rural areas, which have now gone up to 59,986 including 35,049 rural branches and deposits also have increased from Rs.4,646 crores to Rs. 1,92, 541 crores. Similarly advances of Rs. 3,699 crores have

[Sh. Rameshwar Thakur]

gone up to Rs. 1,16,301 crores. So, there has been vast expansion in a short period and taking into consideration the overall network, there have been certain inbuilt deficiencies and those deficiencies are well recognised, the Government is aware of that, the hon. Finance Minister has already stated in the House that we will try our best and the banking sector will try its best to improve its performance in all directions including its services to its clients and bring about more productivity, efficiency and profitability in the system and that is the need of the hour and that is what the hon. Finance Minister has already assured the House.

So far as the State cooperative banks are concerned, we have also a network of cooperative banks. The number of 28 has now gone to 30 with 625 branches with a paid-up capital of Rs. 21,273 crores and they have got the deposits of Rs. 5,883 crores, advances of Rs. 6,833 crores. Similarly, in the district cooperative banks also we have got a lot of increase, they have increased to 49 with 10,801 branches, paid-up capital of Rs. 8,229 crores and deposits of Rs. 9,338 crores, advances of Rs. 10,685 crores. There are in the system difficulties in the cooperative banks also. These also vary from area to area and from State to State where cooperatives in general are successful, working in a better position. The cooperatives are also working in a better way. But there are certain weak areas where the cooperative system has not worked well and cooperative banks are also not working well and this is a system which has certain deficiencies. On their request special committees were appointed and also the latest report of the Narasimhan Committee about which a reference has been made has been examined by the Government and the Government will definitely, at the earliest possible time, try to implement the basic recommendations of the Committee which would strengthen the banking system in the country.

SHRI CHITTA BASU (Barasat): Would you place the report of the Narasimhan

Committee on the Table of the House?

SHRI RAMESHWAR THAKUR: We were examining it the other day. The hon. Finance Minister has already announced that this is being examined and after the examination the Government would decide to make the report public or to place the report on the Table of the House.

17.09 hrs.

[SHRI SHARAD DIGHE *in the Chair*].

As regards certain other suggestions made, they are of a general nature in regard to rural banks. Shri Chitta Basu ji and others made the suggestions. We have got a net work of a large number of rural branches - 196 banks with 40,555 branches and deposits of Rs. 4,733 crores and advances of Rs. 3,599 crores. The banks work initially well but we find that in many parts, some of the banks are not doing well and certain inherent weaknesses have crept into them. Therefore, it requires improvement in all directions. It is a question whether they should be linked with the sponsored bank, whether they should be linked, as suggested by the hon. Members, with the Apex bank or we should have separate apex bank, independent bank with which all these branches should be linked. And through this apex bank, the matters of those banks functioning, diversification, empowering these branches to have wider network of banking can be linked. These are matters which are under the consideration of the Government and after taking into consideration of the suggestions made by hon. Members and suggestions from different sources, the Government will come to a conclusion and decisions will be taken in this regard.

There are many other suggestions brought about by other Members, particularly in regard to credit-deposit ratio. It is a fact that as Mr. Mumtaz Ansari has mentioned in the State of Bihar and some other States including Punjab, credit-deposit ratio is not equal. These are matters where a number of factors are there. Secondly, it is

the initiative of the State Government to bring about viable projects and also the banking sector to assist those projects to enable them to enhance the credit-deposit ratio. The national policy is very clear that up to 60 per cent of the amount raised by way of deposit should be re-invested in the States. In many areas, in many States, it has been done. In some areas, it has not been done. Efforts are being made to raise it.

Only a few days back, I have addressed this hon. House about the rate of interest. As I have said, one per cent rate was raised by the Reserve Bank on deposits in October, and 1 1/2 per cent we have raised in regard to advances in the various categories. Minimum limit has been raised on either side. Beyond the limit, earlier also they had the freedom and they still have the freedom to raise certain additional rate of interest, keeping in view the various types of clientele, various types of assesses, the viability of the project and various other projects which are generally taken into account by the bankers. That is not a new matter. There is no discrimination with anybody.

So far as the small scale industry is concerned, the Government have already given due consideration. (*Interruptions*)

MR. CHAIRMAN: Let him complete. Do not interrupt. Do not follow this procedure.

SHRI RAMESHWAR THAKUR: So far as the bigger projects are concerned, there must be some discretion. Otherwise, how do you make the banking system viable. You kindly appreciate, when we provide it at 7 1/2 per cent or 8 per cent or 9 per cent interest, naturally for higher projects, slightly higher rate of interest is taken. That goes to the banking system to strengthen the system.

So far as deduction at source is concerned, the hon. Prime Minister has mentioned it the other day. I do not think it is required to be further explained. The idea is those who are not taxable assesses they have to only give a letter to that effect. No

deduction will be made in their cases. In the system, there are certain persons who have got bank deposits and they are not in the taxable net and it is necessary to bring them into the taxable net and therefore, this system is there. I think, if there are any hardships, these are being examined by the banking system and the Government will take decision at the appropriate time.

About backwardness and backward areas, there is a network of bank branches. Certainly, whenever new branches are opened, the areas where there are lesser branches will be kept in mind and new branches are being opened and that policy is continuing.

The Government is fully aware of certain in built deficiencies. Efforts are on to meet them. The hon. Finance Minister has already replied to the basic issue of privatisation, and I have nothing to add. I think, there should not be undue apprehension or misgiving or such whisper. For instance, bank report has been sent to New York and some officers have gone - it is absolutely wrong, not factual. It is incorrect.

This is not the thing. We take decision on merit, according to necessities and according to the policy of the Government. We have experts in our own country, in our own Department and hon. Members of Parliament have always contributed. They will have the opportunity to contribute and, therefore, this kind of thing, if at all any unfounded news is given in some newspaper, senior Members should not give so much importance to it. That is what I would appeal. (*Interruptions*)

We always feel the difficulty. In the Seventh Plan, we have 93% our own money. It is a very massive plan of Rs. 2,20,000 crores. It is likely to be more than Rs. 7 lakh crores in the Eighth Plan also.

SHRI SOMNATH CHATTERJEE (Bolgpur): You have committed to help my unit.