

SHRI ANANTH KUMAR : Mr. Chairman Sir, I want to make a submission. Actually, when the debate was going on, there was reference to Almatti Expert Committee report.

MR. CHAIRMAN : Nothing will go on record.

*(Interruptions)**

MR. CHAIRMAN : Now I have taken up a different item.

*(Interruptions)**

MR. CHAIRMAN : This is not the time. Please resume your seat. There is an appropriate time, you can take it up then.

*(Interruptions)**

MR. CHAIRMAN : Kindly cooperate with the Chair. We are on a different item now.

*(Interruptions)**

MR. CHAIRMAN : I am not going to deviate from the rule. There is Lok Sabha sitting tomorrow also and you can take it up tomorrow.

*(Interruptions)**

MR. CHAIRMAN : Now Shri Amar Pal Singh.

15.27 hrs.

STATUTORY RESOLUTION RE: DISAPPROVAL
OF RESERVE BANK OF INDIA
(AMENDMENT) ORDINANCE
AND
RESERVE BANK OF INDIA
(AMENDMENT) BILL

[Translation]

SHRI AMAR PAL SINGH (Meerut) : I strongly oppose the Reserve Bank of India (Amendment) Ordinance, 1997 and its provisions in principle. This ordinance is destined to be withdrawn. I urge upon the Government to prepare the bill a fresh and make appropriate provisions in it. Thereafter the bill should be referred to standing committee of finance through the House. The ordinance should be brought for discussion in the House only after the standing committee has given its suggestions and recommendation. So long as this is not done, this ordinance bill not be acceptable to me. Hon'ble Mr. Chairman Sir, though you and the House, I would like to tell the hon'ble Minister as to why I am objecting to and opposing this Bill? As per the provision under Clause 15, nobody can take a loan from one's friend or any person from his village or town or a neighbour. Such a provision has been made that nobody will take

* Not Recorded.

a loan and if anybody violates this clause, he is liable to be jailed for a term upto one year. I would like to cite two examples in this regard. Sugarcane is grown in my constituency. When the sugarcane grower gives the sugarcane to the mill, he does not get cash payment when he requires money, he prepares 'gur' and takes it to the broker in the market. If the broker has no money left with him he makes payment to the farmer by borrowing money from his fellow broker. If the provisions of foreign exchange are made applicable they will not be able to receive loan through check and then they would carry on such activities clandestinely. Hon'ble Minister wishes to do away with the means of black money but this would once again encourage the same.

I would like to cite one more example. Suppose big private companies appoint agency holders after taking some deposits from them. Thereafter goods are supplied to agency holder on credit. The Dealer or sub-dealer of the company deposit the money and after depositing the money, when they sell the goods, they return it. But if this clause is made applicable, the agency holders will not be able to carry on their business. For example there is motor car industry, spare parts industry, medical equipment business, motor vehicle business tractors and motor cycle business. All these trades are being pursued by agency holders. There are several good points in this ordinance. Many finance companies used to close down their operations and run away with the money of depositors. Now they would not be able to do that any more. Shares were regulated only after share scam took place. There are certain good provisions in the bill introduced by the Minister to regulate the finance companies. Its good features are not visible due to provisions contained in 45(s). Due to this section, a person would not be able to borrow money from his neighbour. If he does so, he could be imprisoned for one year. This will bring the entire trading activities in rural areas and small towns to a halt. That is why I strongly oppose the ordinance.

Mr. Chairman, Sir, I beg to move :

"That this House disapproves the Reserve Bank of India (Amendment) Ordinance, 1997 (No. 2 of 1997) promulgated by the President on 9 January, 1997."

[English]

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : Mr. Chairman, Sir, I am grateful to my learned friend, Shri Amar Pal Singh for bringing out some points in opposition to the Bill that I will move now to replace the Ordinance. But I would most humbly request Shri Amar Pal Singh and other hon. Members

of this House to hear me patiently for a few minutes because, I think, what I am moving today is an important Bill. It is an important step in order to regulate financial intermediation in this country and will, to a large extent, wipe out what is perceived as a large scale evil present in financial intermediation in India.

Financial intermediation must be efficient. Efficient financial intermediation is a *sine qua non* for a healthy and vibrant economy. Given the twin needs of providing adequate protection to the depositors and maintaining the stability in the financial system, financial intermediaries all over the world are subject to varying degrees of prudential regulations. In India, the regulatory framework for banks has evolved over a considerable period of time. However, attempts to regulate the working of non-banking financial companies started only in the 1960s, with the introduction of Chapter 3 B in the Reserve Bank of India Act by the Banking Laws (Miscellaneous Provisions) Act, 1963. Since then, the operations of non-banking financial companies have increased manifold. The need of a more comprehensive regulatory framework for the working of the NBFCs was therefore acutely felt.

The Joint Parliamentary Committee, which inquired into the irregularities in securities and banking transactions had recommended that the Government should examine whether the legislative framework for regulating NBFCs is sufficiently wide. The Working Group on Financial Companies appointed by the Reserve Bank of India under the Chairmanship of Dr. A.C. Shah had suggested regulatory and control measures to ensure the healthy growth and operations of these companies.

Insofar as acceptance of deposits by unincorporated bodies are concerned, to which, I believe, Shri Amar Pal Singh, refers, these have so far been governed by the provisions contained in Chapter 3 C of the Reserve Bank of India Act, which was inserted in 1984. However, despite these provisions, some of the unincorporated bodies were found to have circumvented the statutory restrictions by floating different partnership firms as and when the firm reached the level of 250 depositors.

There are reports of several finance companies and unincorporated bodies having failed to repay the deposits collected from unsuspecting depositors who have been tempted by the attractive returns and incentives offered. Concern has been expressed in several quarters on the need to take urgent steps to regulate the activities of such companies and unincorporated bodies.

It is in this background that the Reserve Bank of India (Amendment) Ordinance, 1997 was promulgated. This Ordinance contains only two Chapters. One is

Chapter 3 B and the other is Chapter 3 C. I do not believe that anyone has any objection to the amendment that I am making in Chapter 3 (b) because that deals with Non Banking Financial Institutions. Objections have been expressed in respect of Chapter 3(c) because it is dealing with unincorporated bodies. I will deal with it presently.

The Reserve Bank of India (Amendment) Ordinance, 1997 provides several safeguards for the NBFCs so as to ensure their viability. These include compulsory registration of the NBFCs with Reserve Bank of India, stipulation of minimum net owned funds requirement, creation of reserve fund and transfer of certain percentage of profits every year to the fund and prescription of liquidity requirement. Reserve Bank of India has also been vested with powers to issue guidelines encompassing aspects such as income recognition, accounting standards, provision for bad and doubtful debts, capital adequacy etc., which are intended to ensure sound and healthy operations and the quality of assets of these companies. RBI is also empowered to issue directions to the auditors of NBFCs to order special audit of NBFCs, prohibit acceptance of deposits by NBFCs and to make application for winding up of NBFCs. Whereas earlier the only recourse available to the depositor was to approach the Court of Law for redressal of grievances, powers have been vested with the Company Law Board for directing the defaulting NBFCs to make repayment of the deposits/interest with a view to protecting the interest of the depositors.

Now, an apprehension has been expressed that this will interfere with indigenous banking or para banking as practised by money lenders and pawn brokers. I wish to meet this point quite headlong. I do not want to duck the issue. It is true that India has had a history of indigenous banking, money lending and pawn broking. It is also true that they fill a credit gap in the society. But there is no gain saying the fact that money lending and pawn broking is based on usurious interest rates. It can be nobody's case that money lenders and pawn brokers lend money at reasonable interest rates. The law that I am making does not interfere with lending. The law that I am making concerns with the other aspect of the business, namely, the funds which he uses to lend. Let me make it very clear that money lending is not affected at all. Let me also make it very clear that pawn broking is not affected. A man may lend his own money. A man may pledge articles and lend his money. I am not affecting lending. He can lend his own money. He can lend that money which he takes from 22 categories of relatives. I will read out the 22 categories of relatives. He can lend money which he takes from any commercial bank or scheduled bank. He can lend money which does not fall within the definition of deposit in Section

[Shri P. Chidambaram]

45 (i) (b)(b) of the Act. Therefore, there is a lot of money that he can lend. What he cannot do is take deposit from a total stranger and lend that money because it is the stranger who has been cheated, it is the stranger who has been duped and it is the stranger who has been defrauded.

So, this Bill, Shri Amar Pal Singh, does not interfere with lending. It interferes with deposit taking. I have had discussions with a number of people. I have had discussions with BJP's floor leader, Shri Jaswant Singh and I have had discussions with a number of hon. Members from the Congress Party, principal among them being, Shri Ramesh Chennithala, Shri P.J. Kurien, Shri Sontosh Mohan Dev and Shri Sharad Pawar.

SHRI MULLAPPALLY RAMACHANDRAN (Cannanor) : Please do not mention the names because it is going on record.

SHRI P. CHIDAMBARAM : I am only saying that I have had discussions with them. I am not saying anything else.

They have expressed some practical concerns. In response to those practical concerns, I am moving some amendments officially...*(Interruptions)* Let me complete.

Now, Sir, in response to these, I have made some amendments. I am moving official amendments to that effect. But before that, let me clarify some points. What is being prohibited is six activities which are contained in Section 45(I) of the Act and Section 45(I) (ii) of the Act plus the seventh activity, namely, principal business of taking deposits and lending. Now, there is a misapprehension that if somebody is doing business in cloth or paddy or hotel or steel, then he will be prevented from taking deposits. That is wrong. He can take deposits for doing his business but if his business is lending that money, then he cannot take deposits. Let me make it clear. If I am doing, say, paddy business and I am buying and selling paddy, I am a wholesale trader in paddy or a retail trader or a small trader in merchandise, then I can take deposits from somebody and I can do business of trading in paddy or steel. But I cannot take deposits for the sake of lending that money as a money-lending activity. That is what is prohibited. So, trading is not prohibited. Taking deposits is not prohibited. Taking deposits from relatives and taking deposits from banks are not prohibited. Lending with your own money is not prohibited. What is prohibited is taking deposits from third party, strangers who are not your relatives and using that for lending purposes. That is being prohibited...*(Interruptions)* Let me complete. You will get a chance to speak.

Now, practical difficulties were raised about two or three aspects. I am willing to concede to them. For example, what we have said was, hereafter if anybody wants to carry on the six activities referred to Section 45(I) or the seventh activity of taking deposits and lending, that is, purely money lending, then an individual, a partnership or an association of persons cannot carry on that activity. If you want to carry on that activity, then you must convert yourself into either a company or a corporation or a cooperative society or a *nidhi* or a chit fund. Why is this distinction? It is obvious. It is only because a company, a corporation, a cooperative society, chit fund or *nidhi* are legal entities under law. They can sue and be sued by their name. They have to report and comply with various laws. An individual, a partnership and association of unincorporated persons are not legal entities. They cannot sue and be sued in their names. Therefore, we are not allowing them to carry on these activities.

Practical difficulties were raised. How do we convert Rs. 50 lakhs capital? I concede that point. I am moving an amendment and reducing it to Rs. 25 lakhs. So, that should take care of a substantial number of grievances of including my learned friend from Kashmir. Rs. 50 lakhs has been reduced to Rs. 25 lakhs.

Then a practical problem was posed that we have given two years for him to return the deposits. I again concede that point. I am now moving an official amendment to make that two years into three years and to give powers to the Governor, Reserve Bank to extend it by a further period of one year. So, the Act itself will say three years but now, it is extendable by one more years, that is, four years. I am moving these two amendments. But I think that the time has come to bring a law of this nature. There were some companies in Kerala with major scandals. Thousands of people were cheated. In Tamil Nadu, almost one thousand crore of rupees have been cheated by finance companies. In Andhra Pradesh, some cheating cases have come to light. There is a demand from Andhra Pradesh that a law should be passed. Such companies are mushrooming now even in Bihar, UP and Madhya Pradesh. Nobody is different and nobody ought to become champions of these differences. Nobody is different. We are moving towards the 21st century. Para banking must yield way to banking. But I recognise that it will take some time. We are taking the first step not in controlling lending but in controlling deposit taking. Lending will be controlled by the State Government by its own laws. Kerala has its own law on money lending and pawn broking. Let lending be controlled by local laws. Deposit taking is a nation-wide phenomenon. A man in Kerala can take a deposit in Karnataka. A man in Tamil Nadu can take deposit in Uttar Pradesh.

Therefore, I have to make a national law against deposit taking from total strangers.

Sir, there is enough freedom to take deposit from relatives, from banks and your own money. In fact, the money lender must use his own money; the pawn broker must use his own money. Why is he taking somebody else's money and lending it and if he is taking somebody else's money at 36 to 48 per cent, how is he lending and making a living? It is on the premise that he would never return that capital, he would only give the interest. Thousands and thousands of people have been cheated out of their capital. *Goondas* have been hired in Tamil Nadu to beat away people who wanted the return of their capital.

So, the time has come, Sir, and I most humbly submit that the whole House should cooperate in this. We have spent many many months in making this law. There were two Committees; the Governor of the Reserve Bank of India has gone into this; we have gone into this and I think, the law has to be made. I am willing to deal with practical difficulties. I have dealt with practical difficulties. We would see if there are any other suggestions on this. I think, Shri Banatwalla has one amendment which I am inclined to accept if he presses for it and if he is not convinced by my reasons.

SHRI G.M. BANATWALLA (Ponnani) : I think, it is logical.

SHRI P. CHIDAMBARAM : I agree.

SHRI SHYAM BEHARI MISHRA (Bilhaur) : What is the position of the trader who wants deposit for his trading.

SHRI P. CHIDAMBARAM : I have said that it is allowed. Money lending is barred only for items under 45 (i) (VI). If you are trading in steel, in paddy, in turmeric, in merchandise, you can take deposits and you can use it. But you cannot use that money for money lending purposes. Let me make that very clear. Traders are not affected. A group of traders were brought to me by some hon. Member.

PROF. RASA SINGH RAWAT (Ajmer) : But a misunderstanding has been created amongst the trading community.

SHRI P. CHIDAMBARAM : Misunderstandings are created by us. I am clarifying so that the whole world knows about it. I think, Mr. Bhargava brought the traders to me. I have clarified to them and they were quite happy. They were satisfied.

Therefore, the time has come to make this law. I know that there are pressures. There are pressures from our constituents, from people who live in our constituencies, but we, as law-makers, must rise above these pressures. We must look to the future. We must

move away to institutionalise banking rather than this kind of para-banking.

Sir, with these words, I commend this Bill and I most humbly request the hon. Members to pass this as soon as possible..(Interruptions)

I beg to move :

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

MR. CHAIRMAN : Motions moved :

"That this House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1997 (No. 2 of 1997) promulgated by the President on January 9, 1997."

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

PROF. P.J. KURIEN (Mavelikara) : Sir, I just want a clarification.

MR. CHAIRMAN : Professor, just a minute. I will allow you. Now the hon. Minister has explained everything in minute detail and he has also taken into confidence every section of the House.

(Interruptions)

JUSTICE GUMAN MAL LODHA : No, Sir. He has not taken the whole House into confidence. It is fallacious...(Interruptions) It is wholly illogical and illegal ... (Interruptions)

MR. CHAIRMAN : Now, Shri Lodha, you are not even allowing me to speak. You first take your seat.

(Interruptions)

JUSTICE GUMAN MAL LODHA : Sir, it is something...(Interruptions)

MR. CHAIRMAN : You resume your seat first. You can talk only with my permission.

(Interruptions)

SHRI P. CHIDAMBARAM : Sir, if Shri Lodha wants to go on record opposing this Bill, let him go on record opposing this Bill...(Interruptions)

MR. CHAIRMAN : Shri Lodha, you are a senior Member of this House.

JUSTICE GUMAN MAL LODHA : Sir, how could you say that he has satisfied everybody when we are just not satisfied...(Interruptions)

MR. CHAIRMAN : If before I could even complete on what I wanted to convey you have jumped to conclusion, then how could you understand?

[Justice Guman Mal Lodha]

What I was telling is that time allotted for this Bill was one hour. Now, let the speakers confine themselves only to the points. Wherever there are clarifications to be sought from the Minister, let us do it and then get this measure adopted. This is what I wanted to appeal to the hon. Members of the House.

Now, I would call the speakers and later on, after the reply of the hon. Minister, if there is any clarification, the Minister would respond to that.

Now, I would call Justice Guman Mal Lodha.

PROF. P.J. KURIEN : Sir, I wanted to have a clarification from the hon. Minister. I wanted to ask when he was replying. He then said that I could do it after he finished his speech. I just want a clarification.

MR. CHAIRMAN : It is not his reply. He would reply after the discussion is over.

PROF. P.J. KURIEN : Sir, how could you say that? He himself had conceded.

MR. CHAIRMAN : He had conceded, it is all right.

PROF. P.J. KURIEN : Sir, this kind of an intervention is allowed in Parliament. When the Minister is replying, any Member could seek a clarification ... (Interruptions)

MR. CHAIRMAN : He is not replying to the debate. He has just moved the motion for consideration of the Bill.

PROF. P.J. KURIEN : I know that he has no replied to the debate. I just want a clarification on what he said. All right, if you do not allow me, I would not ask.

MR. CHAIRMAN : No, it is not like that. You see after the discussion, he would reply to the debate and at that time you could seek any clarification. I do not suppress that right of the Members of the House. If you seek a clarification, another Member would also want to seek a clarification and the discussion would not go ahead.

PROF. P.J. KURIEN : I do not know why are you adopting a different standard in case of this Bill.

MR. CHAIRMAN : No, it is not a different standard. Professor, that is not correct.

SHRI RAM NAIK (Mumbai-North) : I am on a point of order. These remarks are against the Chair. Such remarks should not go on record.

MR. CHAIRMAN : Yes, I will see.

SHRI RAM NAIK : He would not have meant it also. He might have said it in anger.

MR. CHAIRMAN : I know. It is all right. I will see.

PROF. P.J. KURIEN : I did not mean anything against the Chair. I said, he is adopting different standards and not bad standards. 'Different' may include good also. Why do you attribute motives? ... (Interruptions)

SHRI RAM NAIK : Let the remarks made by him then remain on the record. Let it be known to the world that a professor has spoken in an undignified language.

PROF. P.J. KURIEN : Let the hon. Member show any rule to prove that what I have said is unparliamentary.

SHRI RAM NAIK : Casting aspersions on the Chair is highly objectionable. He has said, "You are adopting different rule for different persons."

MR. CHAIRMAN : Please, let us hear Justice Lodha.

JUSTICE GUMAN MAL LODHA : At the very outset I must submit that yesterday and day before yesterday, two Bills were there for which one hour time was fixed. When the discussion started and Members started participating, it was felt that these may require much more detailed discussion and understanding. The whole country is observing these Bills. There have been widespread strikes, *dharnas*, deputations and demonstrations against these Bills. The whole country is observing as to how the legislators or the Members of Parliament discuss it. They are watching whether the Members of Parliament at all apply their mind or just cursorily bringing a Bill and getting it through. This way, we become the laughing stock. People ask us as to what we do in the Parliament. They ask us don't we read the Bill, understand it and then participate in its discussion. There are 543 Members, each representing about 5 lakh, 10 lakh or 15 lakh people. So, I would request you to kindly allow us to put our view point clearly and patently.

SHRI P. CHIDAMBARAM : Who is preventing you from that?

JUSTICE GUMAN MAL LODHA : The hon. Finance Minister has made an appeal that since there has been a lot of squandering of money, in the interest of saving the investors, let us go through this legislation. I agree with him but I may tell him that all these chit fund companies, the banking companies, are in the corporate sector. They are registered under the Indian Companies Act. They are not petty shop-keepers, like the *panwallas*, general mechants or *kabadiwallas* doing the business. They are organised gangsters who cheat the people and take advantage of the Indian Companies Act. You are not catching hold of such registered companies under the corporate sector but you are catching hold of the petty shopkeepers. You are leaving the head and catching the tail. You want to press the tail and leave all big persons who have made money.

To start with, I may bring to your notice a letter received by me just now from the Indian Bank Employees Federation in which it has been mentioned:

"According to the information available, Rs. 46,000 crore of money in public sector banks has been shown as non-performing asset."

You may kindly note that Rs. 46,000 crore has been shown as the non-performing asset which really is a bad or doubtful debt. While the money of a petty investor who goes to the bank puts his entire Provident Fund and Gratuity, which he has earned for the whole of his life in the bank I would respectfully submit to the hon. Finance Minister that the banks give this money in crores to people who squander it and never return it back. The hon. Finance Minister has absolutely no concern for that. On the contrary the letter says that in an image-building exercise, the Finance Minister went to a bank in Chennai and held a meeting of the Board of Directors. He asked them to settle the matter at 50 per cent of the amount. That means, an amount of Rs. 23,000 crore is written off straightaway. This is the state of affairs. Is it not hypocrisy that we talk of the poor, we talk of saving the investors, but we are not able to contain the guilty, the accused who are squandering money in these banks, not at one place, but at every place? You will find that we had requested the Minister in this House several times to come out with the list of persons. There are 100 big industrial houses who have taken Rs. 10 crore to Rs. 5 crore. There is a company which has taken many crores of rupees from Indian Bank in Chennai and all that money has gone. Now the Minister wants to settle for 50 percent or less, whatever it is. Is this not squandering of public money?

Then, take the case of a poor trader who runs a small business. The Minister says that he does not check the money-lending business. Very well! He is correct when he says that money-lending business is controlled by the State laws. But, why is it that these amendments have been made for individuals or partnership firms? Kindly note the amendments which have been made. The axe has fallen, not on the corporate sector, not on a Harshad Mehta, not on the Indian Bank, not on all those banks which have squandered money, but on the poor trader who is sitting in a small town doing a petty business to earn two square meals a day. It is easy to say that he can take as much money from the bank as he needs. May I know how money is taken from a bank? The hon. Minister probably has no experience of it because he moves in elite circles, fortunately for him, having a vast practice when he was a member of the Bar and otherwise. He never had the problem of going to a bank as a small businessman and getting the money he requires.

MR. CHAIRMAN : You have to conclude please.

JUSTICE GUMAN MAL LODHA : I have to mention certain things.

MR. CHAIRMAN : Sixteen minutes are allotted to your Party and four persons have to speak. That means, other Members are not going to get any time.

JUSTICE GUMAN MAL LODHA : I submitted that this is a matter on which you have to kindly be liberal. You have to allow some more time to understand the view of the people. Otherwise, if you have to say "yes, yes", we can also say "yes, yes" and go away. But people would laugh at us, they would curse us that we have become a laughing stock after coming to Parliament. Kindly listen to me for a few minutes.

MR. CHAIRMAN : You are elaborating one point for five minutes and there are a lot of points with you.

JUSTICE GUMAN MAL LODHA : I have not elaborated, I have just replied to his sermons and preachings which are hypocritical and fraudulent because they never reach the people.

AN HON. MEMBER : Let him substantiate it, Sir.

JUSTICE GUMAN MAL LODHA : Actually it is for the rich people. Big companies are made and the poor people are being victims. Since you are pressing for time, I would straightaway come to the provisions.

The Minister has said that he had made some amendments. True, after the Ordinance, certain amendments were made. But then, what is the amendment made? Kindly try to follow this. He says that 45(s) provision has been added. True, it has been added on the recommendation of some Committee. The Committee recommended for checking evil practices in big business houses which have got a big purse and not evil practices which are very rarely found in the transactions of a small trader hardly making two square meals a day. I am reading the text which has been amended by him. It says :

It was earlier subject to the provisions of chapter 3(b). No person other than a body corporate shall accept any deposit, provided that the individual may accept deposit from a relative and any other individual only for his personal use and not for lending business purpose."

This was the original.

16.00 hrs.

Now, he has amended it. The amendment is as under :

"No person being an individual or a firm or an unincorporated association of individuals

[Justice Guman Mal Lodha]

shall accept any deposit if he or his business wholly or partly includes any of the activities specified in clause (c) of Section 45(1)."

Now, it would be necessary to read Section 45(1) to know why this has been laid down in the Act. Business of the non-banking financial institution means carrying on the business of the financial institution referred to in clause (c) and includes business of the non-banking financial institution.

Sir, whatever has been mentioned in clause (c) is important. In section 45(1), there are six categories which the hon. Minister has mentioned. I would like to point out that the categories which he has mentioned are in clause (c). In the old Act, that clause (c) says :

"The financing whether by way of making loans or advances or otherwise of any activity other than his own."

Now, this has been prohibited. Kindly note, when this has been prohibited, how can money be taken by a person? The loan can be taken for his own activity. But if he gives it to some other person, then that is prohibited.

Secondly, the acquisition of shares, stocks, bonds and debentures means that if a person is doing a business of a stock broker or a card holder in the stock exchange, then he is covered by it.

Then, I will come to letting or delivering of any goods to a hirer under a hire purchase agreement as defined in clause (c) of Section 2 of Hire Purchase Act. Sir, thousands of persons purchase trucks and buses on the basis of loans which are advanced to them under hire purchase agreement.

MR. CHAIRMAN : Please conclude now.

JUSTICE GUMAN MAL LODHA : If they go to the banks, the banks charge exorbitant rates of interest. They want security; they want service charges; and the rates of the banks vary to a certain extent. There also if a person has got an 'approach' or if he is an influential person, then he can go and take money from the bank. Otherwise, for an ordinary person, to approach the bank and to take the money is almost impossible. So, this amendment which the hon. Finance Minister is bringing forward would result in completely stopping the hire purchase business by a trader or a firm. What he says is that if you want to do that, you form a company. If you form a company under the Indian Companies Act, then it would be permitted. If a sole trader wants to do it, it would not be permitted.

My respectful submission to the hon. Finance Minister is this. Why does he prohibit these small

persons? Corporate sector has been more fraudulent. Chit funds have been started by a chain of companies which have taken money from poor persons. The first 100 or 50 corporate sector or big industrial houses have taken money running into crores of rupees from the banks and spent it. Now they are keeping a non-performing debt. If a small person, if a trader wants to sent the money, then they say, it cannot be done. I would, therefore, submit that whether it is your Common Minimum Programme or whether it is the question of doing business, you must have some compassion, some consideration, some kindness for the small traders.

MR. CHAIRMAN : You should also have some consideration to me. So, please conclude now.

JUSTICE GUMAN MAL LODHA : I am concluding, Sir. I will not take much time. I am trying to come at the right point, that is 45(S) where the hon. Finance Minister says that he has not prohibited any money being taken by a trader.

I want to know from him whether he allows hire-purchase agreements and hire-purchase business to be done. This is my pointed question to him which he has to answer.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : My answer is 'no'.

JUSTICE GUMAN MAL LODHA : He says, No. You see, Sir, he has says no here.

MR. CHAIRMAN : Hon. Minister, you please reply later on. Now, Mr. Lodha, you have taken fifteen minutes and now from your Party no one will speak.

JUSTICE GUMAN MAL LODHA : I am very sorry that on a serious matter having the financial implications...

MR. CHAIRMAN : It is a serious matter and the Business Advisory Committee has allotted one hour for this.

JUSTICE GUMAN MAL LODHA : Only yesterday, you had given three hours to the other Bill.

MR. CHAIRMAN : Instead of arguing, you kindly conclude.

JUSTICE GUMAN MAL LODHA : If we want to be heard on these issues, where are we to go? You are the guardian of this House and crores of people are looking towards you and all of us as are looking at us to how we debate here. Are we here to raise our hands and say 'yes' and 'no' only?...*(Interruptions)*

MR. CHAIRMAN : Now, please conclude.

(Interruptions)

MR. CHAIRMAN : Sir, I am appealing to the hon. Finance Minister to be kindly gracious and not to

curb trading and business. He has made certain amendments which are good. I appreciate them and I welcome it.

SHRI P. CHIDAMBARAM : Thank you.

JUSTICE GUMAN MAL LODHA : Earlier even for a simple business, there was a prohibition. Then there was a question and in answer to that question he said he would make an amendment. He has made an amendment. But that amendment is very limited. What I want to ask is how a small trader can be asked to form a company. I may ask him. He knows what the corporate sector is. He knows what the Registrar of Companies is.

A Solicitor would take two thousand rupees or five thousand rupees or ten thousand rupees for drafting a prospectus, company's Articles of Association and Memorandum of Association. Another ten thousand rupees would be spent at the Registrar of Companies to get it registered. Then, a company is required to appoint one Company Secretary or a Chartered Accountant with Company Secretaryship. If it appoints one, he would take rupees fifteen thousand per month. Can a small trader afford all this? It would be completely wiping out the trading in this country.

I can certainly understand that he has got a problem so far as the chit fund companies are concerned. Actually, we are here to request him to make such laws, to ban them, to prohibit them and to punish them. But those are companies and not individuals. He has made the laws for individuals and partnership firms. I have got no problem so far as the provisions contained in Paras 3, 4, 5 and 6 are concerned, that is doing insurance business or doing a business of chit funds. The Sixth para is regarding the big advertisement to be put and prices to be given. The hon. Minister can ban them, prohibit them, and punish them. It is good and we do not object to it.

MR. CHAIRMAN : Now, please conclude. Please cooperate with the Chair, otherwise I cannot conduct this House.

JUSTICE GUMAN MAL LODHA : But regarding first, second and third paras, I would say that it should not be done.

A surprising thing has happened in the category of relatives from whom money can be taken. Twenty-two categories have been made. But father's brother is not included, mother's brother is not included; brother-in-law for whom it is said that wife's brother is more important than the whole world has not been included. Why? Who has drafted this list? So, that list also requires amendment.

In such a state of Affairs, I would submit that bringing an Ordinance first and then saying that now if

we strike off the Ordinance, it is not proper and therefore, it should not be referred to the Standing Committee is not correct. This is indirectly violating the decision of the Speaker. The decision is that after the Standing Committees have been formed, all the Bills would be referred to them. There is no hurry. Heavens are not going to fall. The business did not start today but it had started one fine night. It was there for a very long time. It is going on. Even earlier, you have put a check. I would submit that they must send it to the Standing Committee for a calm and composed scrutiny.

Here every time I am afraid of the bell because it is hanging on my head just like a sword. Due to this I am not in a position to develop my points. Every time I am feeling that you are stopping me. Therefore, I would submit that kindly agree to send it to a Standing Committee. Let the Standing Committee reply. Even your Finance Bill, your Budget would come after three weeks. What is wrong if it goes to the Standing Committee and after three weeks you can take it up again? So I am suggesting this in all earnestness. I am sure, the hon. Finance Minister would agree to it.

If he does not agree, then I would say that the people of this country are vehemently opposing this Bill. In this Bill, you will also find another thing which is antagonizing the small people throughout the country. In small villages, they are doing some business for agriculturists or something like that. All the people would be antagonized by this. Therefore, it is better that in your own interest, you send it to the Standing Committee and then take it up for consideration. That is all. If you are not sending it to the Standing Committee, then I vehemently oppose it.

SHRI SANAT MEHTA (Surendra Nagar) : Sir, my name is in the Resolution. It is always the practice that if somebody's name is there in the Resolution, then he should be given a chance.

MR. CHAIRMAN : I am sorry. Your name is not there.

SHRI RAM NAIK (Mumbai North) : That practice is in the Assembly and not in the Lok Sabha.

MR. CHAIRMAN : Once the first Member who moves the Resolution, immediately the name of the other Members will be cancelled. That is the practice in Lok Sabha.

SHRI RAM NAIK : He should be given a chance.

MR. CHAIRMAN : He will be given a chance. Shri Sanat Mehta, you are going to speak. Your name is there. We will call you.

SHRI RAMESH CHENNITHALA (Kottayam) : Sir, this Bill is going to have far-reaching consequences in

[Shri Ramesh Chennithala]

our rural financial system. First of all, I cannot agree with the manner in which the Bill is proposed to be introduced in this House. After a very long deliberation, we have adopted the system of Standing Committees. All the Bills which are originating from different Ministries and Departments should go to the Standing Committees and proper scrutiny should be there. After that scrutiny, with their recommendations, all the Bills and Demands for Grants of different Departments will be presented to this august House and deliberations will take place on the Bills or on the Demands for Grants. But unfortunately, we have been seeing for the last two weeks, 13 Ordinances have come before this House. Of course, I accept that in an extraordinary situation, an Ordinance can be tolerated. I do not find there is any urgent or extraordinary situation which has arisen in this context which warranted the promulgation of this Ordinance. So, it is not a good practice. In future, I think the Government will take care of this aspect and they will refer all the Bills to the respective Standing Committees. After the scrutiny by the Standing Committee, it should come with a proper report before the august House so that the Members can deliberate on this.

We are not against regulating the non-banking financial institutions which are existing in our country. Especially after the liberalisation, numerous non-banking financial institutions are coming up. As per the report of the Reserve Bank of India, there are more than nine crores of this type of institutions which are coming up in different parts of our country.

Sir, if you look at our rural credit system, different types of these systems can be seen in different parts of the country. It may differ from West Bengal to Kerala; it may differ from Karnataka to Tamil Nadu. Different types of age-old financial institutions are existing in our country. All of a sudden, we cannot say that these are not benefiting the rural people or a farmer or a poor man in our villages.

I am agreeing that depositor's interests should be protected. I also agree that somebody who is taking the deposits from others is laundering the money and one fine morning he is suddenly absconding. This practice we can see in different States. I am coming from a State where we have a bitter experience of such companies. After a long deliberations and through the wisdom of the Kerala Assembly, we had formulated the Kerala Moneylenders Act. Why was this Act made? It is because we can well regulate these small lenders, pawn brokers, non-banking financial institutions, etc.

I agree with the hon. Minister of Finance that numerous institutions are coming up and they are

creating troubles for the common man and the poor people. But there should be some regulations for the deposits accepted and when deposits are accepted, nobody can lend them. The whole problem is arising out of the present banking system of our country.

In 1969, Shrimati Indira Gandhi had taken a bold step to nationalise our banks. It had given some fruits and definitely we are enjoying them. But till now in the villages if a poor man goes to a bank, first of all, he is afraid to go to a bank and even if he goes to the bank, the bank people will not hear him. On the other hand, if a man comes in a car, then the bank manager will definitely come downstairs, receive him and take him to his cabin and give everything and whatever he wants.

SHRI RAM NAIK : Provided there is a branch of the bank in that village, else what can be done?

SHRI RAMESH CHENNITHALA : A poor man or a villager, if he wants to take Rs. 5,000 from a bank, the bank people will ask for collateral security, this security, that security, surety, etc. I am telling you the practical difficulties which we are facing in our rural areas. If a poor man wants Rs. 5,000 for helping his child to get an admission in the school, he will get Rs. 5,000 from a pawn broker or a man who is having these financial transactions. This is what is existing in our country. I entirely agree with the hon. Minister of Finance that we have to change the system. We are on the threshold of the twenty-first Century. First of all, he has to scrutinise the banking system. A lot of Committees were appointed to scrutinise our banking system.

Sir, a number of fraudulent activities are going on in our banks. As far as bank scam is concerned, more than Rs. 5,000 crore were mismanaged. However, nobody is held liable for this thing. This is a public money which was fraudulently twisted and it has gone to some of the pockets. So, definitely we have to check these financial institutions and non-banking financial institutions, but it should start from the banking system itself. I agree that it is a good beginning, but we have to see that the poor man in our villages should get the benefit and advantage of our banking system. Unfortunately, today, we are not getting that benefit. How to rectify this?

In the Khanna Committee Report itself, at point 9 on page 3, it is well mentioned: "As regards unincorporated bodies, enforcement of provisions contained in Chapter 3C of the Reserve Bank of India Act should be left to the State Governments and the Bank may extend support to the Government as and when called for. "The Finance Minister has rightly pointed out that in Kerala, the system is managed by the Kerala Moneylenders Act. Of course, lending is a State Subject but a deposit-taking is a Central Subject. I do not

understand why we have to make certain rules and regulations to regularise their deposit-taking.

Then, the Finance Minister's contention is that RBI cannot look after crores of non-financial institutions throughout our country. So, my point is that it should be left to the State Governments. The State Governments will be able to keep an eye on these institutions very effectively than the RBI. So, as per the Khanna Committee Report, the time has come to delegate this power to the State Governments so that they can be better administered by the State Governments and the State Governments can have a better look at the numerous activities of these institutions. So, my humble request to the hon. Minister is to leave this money-lending activity to the State Governments so that it can be properly regulated.

In the Kerala Money-Lending Act, it is very well mentioned that the deposits shall be accepted only in accordance with the provisions of the Reserve Bank of India Act, 1934 (Central Act 3 of 1934) and at such rates of interest not exceeding the rates fixed by the Reserve Bank of India for the non-banking financial companies. So, we have to have a system which will be beneficial to the poor people of our villages and the pawnbrokers or other financial institutions should not act as a Shylock and they should not exploit the poor people in the villages. At the same time, if the banks' attitude does not get changed by this amendment, I have an apprehension that all our rural credit system which has been existing in this country for the last so many years, will be affected. That is only my apprehension. I am not against this Bill and I am not against the laudable objectives which the Finance Minister is expressing in this august House.

16.23 hrs.

[SHRI P.C. CHACKO *in the Chair*]

I welcome that he has accepted some of our suggestions for making it a company. He was telling us that the representatives from different parts of the country are requesting him for converting an organisation into a *Nidhi*. But I was told - I do not know whether it is correct or not - that it will take seven to eight years to convert an organisation into a *Nidhi*. Lot of bureaucratic hurdles are there for making a company also and the man who has applied for converting an organisation into a *Nidhi*, will have to undergo a lot of unnecessary formalities and finally he will get the certificate after eight years of waiting. So, this should be avoided. Of course, an organisation can be converted into a *Nidhi* or a company but, at the same time, the Finance Minister should ensure that those who are giving the application for converting an organisation into a *Nidhi*, should be

able to undergo a smooth procedure. They should get easy access to the procedures and they should be able to get an organisation converted into a *Nidhi* without inordinate delay.

I have only one or two more points to mention. I have heard some experts expressing their opinion that it is a violation of the Constitution and if it is passed, it may be challenged in the court. I do not know about that.

The Finance Minister is one of the best lawyers available in our country. He has to go into that aspect also. My only contention is that our people, especially those people who are in the villages, should get some benefit out of this system. If, all of a sudden, it is stopped, there will be far-reaching consequences in our system. It should be rectified. I welcome that. He had agreed that for registration of a company the amount was reduced to Rs. 25 lakh. It is a welcome step. He had given three years' period to wind up this activity and the R.B.I. has been given power to extend it by one more year. This is the beginning of controlling the non-financial institutions. Of course, there may be problems which may arise out of it. Different types of problems may come up. I would urge upon the hon. Finance Minister that as and when such problems come up he should see to it that they are solved. If there are any possibilities of rectifying their grievances, he should extend his possible help.

This is definitely a good beginning. The apprehensions which I mentioned here should be taken care of and the poor people should not be affected by this.

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : Mr. Chairman, Sir, I am always impressed by the assertions of our former Justice, Shri Lodha, though seldom I am able to agree with him. I am also sure that the issues raised by our young Member are quite important. There is no doubt that there are lots of problems in the banking system and we make reference to them, including in the report on the Indian Banking which has been circulated widely. But since when have we started arguing that if you do not catch a big thief, you should not catch a small one? Is this a valid kind of approach that we are adopting in our society? One of the weaknesses, if I have understood it clearly, is about this.

JUSTICE GUMAN MAL LODHA : They are crocodiles not thieves.

SHRI NIRMAL KANTI CHATTERJEE : Even when the National Planning Committee was preparing this report, they were concerned of the scene regarding rural lending. In a certain sense the public sector banks performed yeomen service by trying to curb the range

[Shri Nirmal Kanti Chatterjee]

and intensity of money-lending in the countryside. Everybody knows that such a society progresses - in our language it will be a society advanced towards industrial stage - from the earlier feudal or agricultural stage. The pattern of lending also changes. It is changing all over the world. It is in that context that you must permit another three years. He is amending that also. In fact it is already provided that it will be three years plus an additional period of three years. I would like to get it standardised three years plus one year in both the areas. I do not know why is he wavering that way. But it is certainly a failure of development of our banking system that these things are still continuing. I have no doubt on this.

Shri Ram Naik was mentioning about the culture of the banking system, the spread of the banking system. Have we been able to establish the banking system as such in all corners and also the culture of accommodating individuals? Then, the culture in the banking system would have changed. Then such problems would not have arisen. Even without any Bill or any law they would have faced *euthanasia* or they would have died.

But given the conditions and in three years' time, we shall not only cross into the next century, but will step into the next millennium also.

JUSTICE GUMAN MAL LODHA : It is not for coming into force. But even within three years you can refund the amount.

SHRI NIRMAL KANTI CHATTERJEE : You can also get in time for incorporation in three years in order to arrive at your network.

JUSTICE GUMAN MAL LODHA : It is not for incorporation, but for refunding of the amount.

MR. CHAIRMAN : Lodhaji, let the Finance Minister reply to all these points.

JUSTICE GUMAN MAL LODHA : No, Sir. I am just correcting him.

MR. CHAIRMAN : Shri Chatterjee, there are many speakers to speak on this Bill. Please address the Chair.

SHRI NIRMAL KANTI CHATTERJEE : Therefore, I extend my general support despite the fact that it originated as an Ordinance. We have all indicated our objections in issuing Ordinances unless there is an emergency. There was no emergency in the last one month which needed an Ordinance in this regard. There are one or two Ordinances which were called for due to some emergency situation. But by introducing many Ordinances and escaping the scrutiny of the

Standing Committees, we have turned the Budget Session into an Ordinance Session and we are now short of time.

Sir, I have several comments to make about the Bill. The first point is, if I remember correctly, the Jha Committee also suggested that there should be one class of non-banking financial institutions and as we know, today there is another class governed by the Reserve Bank of India which is residuary non-banking financial institutions. The distinction is, they can collect deposits. It is partly in consonance with that approach that they should be standardised as this Bill says. But in that case, I want the Finance Minister to see whether or not these two are really standardised and brought to a common place.

The other point is, he has also agreed to make it Rs. 25 lakh. I was suggesting Rs. 20 lakh and being a firm believer in the metric system, I thought that 10, 20, 30 would be better. But it does not really matter. It says that provided that the period allowed to continue business under this sub-section shall in no case exceed six years in the aggregate. If he is tightening, the first three years is all right, but he is providing another three years subject to certain considerations. If he wants to control, I do not think that another three years should be provided for and here also it should be one year which is being introduced as an amendment from that side. This is the second comment I want to make.

The third point is, as far as drafting is concerned, the Standing Committees are not in confrontation with the Government. They improve the drafting. I do not know whether there are some loose ends here also. For instance, on page 5, line 14 it says "to the extent such amount exceeds ten per cent, of (a) above."

It is regarding accumulated balance of losses, etc. and all these things are there. Now, together it has to be 10 per cent or individually, it has to be. Somebody has to clarify this. Please do what the wisdom suggests.

Now, look at the explanation on page 5 under sub-section (b) (1). It is repeated. It says :

"Investments of such company in shares of its subsidiaries."

Why could we not say there itself the debentures, bonds, etc. and re-draft the whole thing? But anyway this is not the stage for all these things. The point which I want to underline is that had this Bill gone to the Standing Committee, such improvements, even in the draft, could have been possible.

The next point I want to mention is regarding Section 45 IC sub-section (2). I want a clear answer to this. It says :

"No appropriation of any sum from the reserve fund shall be made by the non-banking

financial company except for the purpose as may be specified by the Bank from time to time and every such appropriation shall be reported to the Bank within twenty-one days from the date of such withdrawal."

Now, my question is, if I withdraw the money and refund it within that period of 21 days, what would happen? This is what has happened during the scam. You take the money and return it before the reporting time. So, one has to be clear in the formulation of what exactly, he has to control. Are you providing this 21 days elbow room so that such funds can be utilised as they please? Or you want to put a check there ...(*Interruptions*). I am not opposing.

MR. CHAIRMAN : Please conclude.

SHRI NIRMAL KANTI CHATTERJEE : Sir, he is also from Kerala. I thought, that will generate some indulgence from you.

MR. CHAIRMAN : I have no interest. We have taken more time than allotted. Please conclude now.

SHRI NIRMAL KANTI CHATTERJEE : I now come to audit. The auditor is being appointed. The auditor will check this incorporated entity. Now, the problem is, he has its subsidiaries, he has its group companies where he gives loans etc. But who would check them? Is it a common auditor? What answer does the Finance Minister has if these are independent auditors? Something must be discovered either by the Ministry of Finance or by the Reserve Bank of India.

The next point that I want to make relates to Section 45NB sub-section (2)(b) at page 9. It says :

"the publication by the Bank, if it considers necessary in the public interest so to do, of any information collected by it under sub-section (1) in such consolidated form as it may think fit without disclosing the name of any non-banking financial company or its borrowers."

Now, this is a secrecy clause against which all of us are fighting. Why can you not bring out the names? Why do you want to introduce this kind of a restriction? If certain things are happening, let it be in full public glare. The Common Minimum Programme is very important, at least, for one reason that it underlines and emphasizes the need for transparency. So, please consider this aspect of the matter also.

Section 45NC says that it will be published in the Official Gazette. My earnest request is to introduce an amendment to say, 'it will also be laid on the Table of the House' because the Official Gazette does not always draw our attention.

Then I come to the amendment regarding relatives and partners. Now, we are battling for the Women Reservation Bill.

And this is an archaic reference of relationships, put it squarely. Why only step-mother and not step-father? This is against the empowerment of women. There has to be an amendment to that effect. Secondly, what about the 'in-laws'? From the wife's side, as the writing goes, you have referred to 'mother' and 'father'. But what about the 'mother-in-law' or the 'father-in-law'? Why are they not included? Therefore, I propose that here also there should be an amendment (1) in terms of 'step-mother' and (2) in terms of 'in-laws' both of the 'son' as well as either of the 'spouses'.

MR. CHAIRMAN : I think you may not get time to go to this extent.

SHRI NIRMAL KANTI CHATTERJEE : I will extend my relationship with the Chair as well as with others.

Now, I will come to page 11. Section 4AA says :

"If any auditor fails to comply with any direction given or order made by the Bank under section 45MA, he shall be punishable with fine which may extend to five thousand rupees."

This I consider to be ridiculous. The Finance Minister should consider increasing the amount. And also the story of auditors, as came out in the Scam Committee Report, is not a very glorious one. So, more punishment should be meted out.

My last comment is this. The Finance Minister said that deposits are an all-India affair, but this is a kind of argument which is not acceptable. In fact, he is trying to control lending as well by providing capital adequacy and all other things. Therefore, those who will collect the deposits, their lending will also be of an all-India nature. Therefore, restrictions should be there.

I extend my support and I will be happy if the Finance Minister can give consideration to the points that I have raised.

MR. CHAIRMAN : Before Shri Brij Bhushan Tiwari starts now, I have to inform the hon. Members that we have started the debate at 3.25 p.m., and the time allotted was one hour. One hour is the time allotted by the hon. Speaker, but we have taken more than one hour and ten minutes. There are eight more speakers who want to speak.

SHRI NIRMAL KANTI CHATTERJEE : May I make a submission on this? All these time schedules are like our planning systems. They are indicative in nature. All these are indicative and they are not binding. Show me

[Shri Nirmal Kanti Chatterjee]

a single example when we have functioned within the time limit? We can only indicate that one should take less time.

MR. CHAIRMAN : I am only requesting that you should not take too much time.

SHRI RAM NAIK : I want to make a submission on this. Though one hour was fixed, normally it is extended. That is the normal practice. In addition to that, that one hour was fixed because the discussion on the Motion under Rule 184 was to be taken up today and tomorrow. Now that it is not being taken up, we have enough time.

MR. CHAIRMAN : The Finance Minister has to reply to the Budget.

SHRI RAM NAIK : I only want to say that you can restrict the speakers to speak for four or five minutes. But those who want to speak, let them, speak. That is what I want to say. You can restrict them to speak for only four or five minutes.

MR. CHAIRMAN : Before I could make my point, you have started speaking. I am only requesting you to confine your speeches to ten minutes. This is all I request. There are eight more speakers and at this rate it may take more than two hours. We have the Budget discussion and the reply after this.

[Translation]

SHRI BRIJ BHUSHAN TIWARI (Dumariganj) : I won't take much time. I rise to support this bill. As has been felt earlier that a committee should be sought. This bill was drafted after seeking the opinion of experts and it serves a major purpose. All sorts of depositories and non-banking companies are proliferating throughout the country. What my friend here has said is very much true. Poor and needy people are unable to get loans because of the faulty functioning of banks and corruption prevalent there. That is why the number of non banking companies is rising. Unemployment is yet another prominent reason. Such companies attract the unemployed youth of rural areas by promising them the post of General Manager. In hope of getting a job, they co-operate by mobilising funds from relatives and acquaintance it has been found that mostly poor people are trapped. They invest their hard earned money in these non banking companies which in turn utilise this money to purchase shares, create properties and expand their trading activities. Without maintaining proper accounts. Finally one comes to know that such and such company has been closed down overnight consequently depositors are left in the lurch. This bill would enable the Government to check the fake companies and safeguard the interests of depositors.

The companies will be registered and under the provision of this bill, Reserve Bank is proposed to be empowered.

MR. CHAIRMAN : Sir, I would like to request the Finance Minister that besides imposing a check on such companies and making stringent provisions for monitoring, their working the functioning of banks should also be monitored as they are not working properly. You had admitted in a meeting and also gave a statement to newspapers that banks are more or less useless. If they are unable to carry out trading activities do not give loans, do not attract more and more customers and jail to provide satisfactory services, they should not have the right to continue functioning. My second submission is that the poor or the honest people once trapped in the vice set up by such banks are unable to free themselves.

I, myself had been a victim of such policy. One of my family members had taken a loan of Rs. 60 thousand later on deposited a sum of Rs. 1 lakh and ten thousand but so far he could not get a clearance from there. Therefore, I would like to say that functioning and management of banks should be examined to check such activities.

Mr. Chairman, Sir, I thank the hon. Minister of Finance for bringing this Bill for safeguarding the interests of the depositors.

SHRI SATYA PAL JAIN (Chandigarh) : Mr. Chairman, Sir, while joining the views of the senior member of my party Shri Lodhaji, I rise to oppose this bill.

There is resentment and several apprehensions in the minds of traders community in the country about this Bill. Hon. Minister of Finance has tried to say something about this bill but, I feel he could not clarify totally the prospective impact of this Bill. Just now our friend Shri Ramesh from Kerala was also saying that. It is correct that there had been disorder in transaction of money at local level which creates problems. But in spite of all this banking transaction is going on smoothly without any complaint. Such type of problems can be anywhere. As just now he has told that Rs. 46 thousand crore has been put in the non-performing debt. There are several big business houses which are not returning loans worth crores of rupees but you cannot close down all the companies and banks for this reason. The Government should have tried to understand and solve the problems of common man and small industrialists in this regard. I myself have received several memoranda and telegrams from Finance Companies of Haryana and Punjab since this Bill has been taken for discussion. Hon. Minister of Finance has also admitted that just now a delegation of traders came to meet him in this regard. I would like to say that in place of making haste

on this issue it should be debate seriously. Issuance of ordinance on such an issue is really unfortunate. Ordinance is issued on such an issue which cannot be postponed further. These are our old conventions and it had been better if the Bill is brought after a thorough discussion in case the Government wanted to change this system. I would like to say that it should be taken seriously. The two announcements made by the hon. Minister of Finance are praiseworthy. In the first the ceiling of 50 lakh has been reduced to 25 lakh and secondly the time limit for winding up has been increased upto 3 years from the earlier 2 years and 1 year has been given to Reserve Bank of India for it. But I would like to draw your attention towards the amendment made in last item on page 11 of this Bill :

[English]

"Provided that if the Bank is satisfied on an application made by any person to the Bank that such person is unable to repay a part of the deposits for reasons beyond his control or such repayment shall cause extreme hardship to him, it may..."

[Translation]

I feel that residuary power and over adding power should also be given under the Third clause, like

[English]

"if under the facts and circumstances of the case, the bank is of that opinion"

[Translation]

Otherwise some peculiar and genuine situation may arise and that will not be covered under it, which means that,

[English]

"The situation will be beyond their control and it will cause extreme hardship."

I think if the intention is to give overall power to the Bank, then you have to say this also i.e.. "If under the facts and circumstances of the case, the Bank is of that opinion, then the Bank should be given the power also." I request you to examine that point also.

[Translation]

Sir, as Shri Chatterjee and other members have also mentioned, I would like to say that so far as the issue of relationship is concerned some more relations like—wife's brother, husband's brother, maternal uncle and Father's sister are considered near relatives and these should also be included under the list of 455\$.

In the end, I feel that this Bill should be referred to the Select Committee so that different point of views could be discussed at length and apprehensions and fear in the minds of the people could be allayed. Thereafter, the bill can be passed unanimously. With these word I thank you for allowing me to speak.

[English]

SHRI SANAT MEHTA : Mr. Chairman, Sir, I am very happy that the hon. Finance Minister has brought forward this Bill to the House. Since 1985, I have been watching the situation in Gujarat. Before the compulsion of registration came in the earlier amendment to this Act, it was said that if more than 250 depositors are there, they will have to register as a Company. Before that, one company in Gujarat had swallowed Rs. 12 crore of the small depositors. At that time, this amended legislation was not there. This amendment was not there with the result that the State could not do anything and the money was swallowed up. The money was siphoned off to other areas. Then, this amendment came fixing the limit of 250 persons and the aspect of compulsory registration. After that, I am associated with one case where from rupees three-and-a-half lakh depositors of four States, Gujarat, Rajasthan, Madhya Pradesh and Maharashtra, had collected Rs. 80 crore. Out of that, they siphoned off the money to various industries. It is not that they collected deposit only for lending. They collected money by offering attractive interest rates, by offering some presents. They thought that some villagers would subscribe to this fund. What they do is that they will give them some utensils.

Today even those Rs. 25 crore has remained unpaid. At that time, there were only two ways. I took this case to the then Finance Minister Shri Madhu Dandavate. There were two options. Either to declare this company liquidated under the company law or some scheme of revival is worked out. The experience of taking into liquidation was not proved good in the earlier cases, though a scheme was submitted to the Bombay High Court by the depositors saying that let all the properties which the company is having, be transferred to a Committee of Depositors and money given back to the depositors. The depositors largely consist of farmers, widows and pensioners. Even after that scheme which was approved by the Bombay High Court, very valuable properties are lying there, like some 30 acres of land is lying in Surat. I may bring to the notice of the hon. Finance Minister that some 22 acres of land which is adjacent to the Indira Gandhi Open University in Mehrauli, is lying vacant. Our Committee cannot indulge in selling it against black-money nor can we transgress the rules of the country because this land comes under the Green Belt. I have moved from pillar to post but no

[Shri Sanat Mehta]

permission is being given. Everybody says that it is under Green Belt. The Committee cannot get the permission. Twenty-two acres of land is lying as it is. And nearby there is a Sainik Farm where all illegal constructions have taken place, not by poor, not by slum dwellers but by millionaires. Some of them are also former Ministers. The law is not coming under their way, with the result, even though the land is very costly near the Indira Gandhi Open University, yet, fortunately, it is not occupied by any slum dwellers. Two days back a jeep came with weapons and they told the watchman that they had purchased that land. Nobody has the right to give power to the depositors. I am told in Mehrauli, there is a most valuable land and if this criteria about the Green Belt is removed as happened in the case of Indira Gandhi Open University, that will help the situation. The depositors cannot indulge in illegal construction like the multi-millionaires as they are much stronger. In these circumstances, in spite of the 12 years of struggle, no pie has been paid by these people. Money was siphoned off into different parts. Otherwise we have to take away some money and they have started a business of land and will be there. If somebody is told that this legislation is very strict and harsh, I do not agree with that. The Parliament of the country has to decide with whom it has to stand. Do they want to stand with those poor depositors? My dear friend is right when he said that this money was collected through 1500 employees all over the place. They gave a wrong direction to the poor and rural people and collected money.

Somebody said, cheating is taking place in banking. Does it mean that we are allowing such things to go on unregulated? I cannot agree with it. My friend Shri Ramesh said that it would adversely affect the rural people. The Money-lenders Act is sufficient. I have been in politics for the last fifty years. I heard the same argument in the Maharashtra Legislative Assembly when the Cooperative Act was introduced. At that time also, it was suggested not to bring in the cooperatives as money-lenders were doing an excellent job. Have we progressed further? The Money-lenders Act is also there. It is also very plausible and a good Act. Nothing could be done to these people under the Money-lenders Act. If somebody is worried about the rural people, I would suggest them to follow the path of Prof. Mohammad Yunus and start the Gramin Bank with the help of the Finance Minister.

17.00 hrs.

My experience of five years is, of course, that also nobody is helping. I am running a Gramin Bank. I had collected Rs. 25 lakh from my friends but neither

NABARD nor the Mahila Kosh come or inspect my organization. Nothing is being done.

Sir, 35 per cent interest is being charged from the poor people. Are we going to protect that charging of high rate of interest under the names of Moneylenders Act? I feel, on the contrary, that even the provisions which have been laid down here will not be sufficient for such people to be booked. Some harsh measures will have to be taken. The fellow who is running this company, is running a very good office in the posh area of Bombay. Even if he sells his office, a few crores of rupees will come to him. We are not able to touch him at all under any Act. The Reserve Bank of India did only one job because at that time the amendment was very limited. As we agitated with the two Finance Ministers, the Reserve Bank passed the orders that they are not allowed to collect any further deposit and whatever they will recover out of the old deposits, that will be only used for paying back to the depositors.

In these circumstances, Sir, I appeal to this House that let us start. Here somebody is worried that why have I not named such a relative. I am asking that if the main depositor is not getting any money in spite of 12 years, why am I to worry whether his mother-in-law or father-in-law or the step-mother will get the money or not? So, in these circumstances, I support this Bill. Not only that. As this Bill has come into operation, now I seek its help. It is because when I went to the former Urban Development Minister, Shrimati Sheila Kaul, she said one thing that 'if you cannot sell that land in Mehrauli, the DDA will acquire it.' That means, it will acquire at throw away prices. They will construct the houses and make money out of it. What will happen to the poor depositors?

Mr. Chairman, there is one theatre. We wanted to take the possession of that theatre. It went to the court. In the lower court, you know how the stays are given. The theatre is worth Rs. 1.5 crore. Somebody else has trespassed into the theatre and in the court of law, we are fighting it. We are not able even to pay the fees to fight for it. The only thing which we could, was that we paid a sum of Rs. 7.50 lakh to the bank which we had collected from different small properties. But one fine morning, the bank which had a claim over this money, took away that money without our permission. We could not give that money also to the depositors. So, such is the plight of the depositors in this non-banking finance companies.

My dear friend Dr. A.C. Shah headed this Committee. I had a hope that the legislation would come soon because he had, I think long back, submitted the report. I had approached him that 'kindly see that such kind of companies are restricted.' I hope that we will not defend the money lenders in this House because

their interest rates are very high. We will not evade. The real question because frauds are being committed in the banks. We will have to set that right in a different way. We can ask the hon. Finance Minister to be more strict with the banks. That is the right way instead of opening the doors for unregulated deposit collection in banking which cannot be tolerated.

I would appeal to Shri Chidambaram that wherever such cases are existing today, he should ask the Reserve Bank to go into the details. At present, the Reserve Bank is only asking the Committee about the work done by them. In these circumstances, it is very difficult. If once money is siphoned off, it is very difficult to get back that money.

With these words, I strongly support this Bill. I hope that, all those who stand for the moneylenders, there are parties in the countries who are only thriving with the help of moneylenders. Let them oppose this Bill. All those who are standing for the poor should support this Bill strongly.

SHRI AJAY CHAKRABORTY (Basirhat) : Mr. Chairman, Sir, I can assure that I shall conclude my speech before the ringing of the warning bell.

Sir, I support this Bill which has been introduced by our hon. Finance Minister before this august House. This Bill has been introduced with the object to regulate the functioning of the non-banking institutions, and to render suitable and adequate protection and relief to the small and poor depositors.

Sir, there is a law in our country in this regard but that was not sufficient to regulate the functions of the non-banking institutions, the business activities of the non-banking institutions and to provide adequate protection and relief to the small and middle-class depositors. These unscrupulous non-banking institutions were advertising through various media for soliciting deposits from public by offering them some attractive incentives by declaring so many lucrative schemes and high rates of interests in comparison with other sectors like LIC, Scheduled banks, etc. So, having been attracted by their offers, thousands and thousands of people had deposited their money by selling their movable and immovable properties, to these unscrupulous non-banking institutions. Ultimately, the people have been cheated and now they have been ruined and became paupers. These long unscrupulous non-banking institutions are liable to be prosecuted under section 420 of the Indian Penal Code and various other sections of the IPC. These institutions have cheated thousands and thousands of poor people of our country. They have not got any relief, any redress from any authority. Ultimately, many of them have committed even suicide.

In this present Amendment Bill some provisions have been laid down for the safeguard, for the protection and for the relief of the poor and small depositors. Some provisions have also been laid down for the safeguard of the non-banking institutions also to ensure their viability. I have no time to discuss the various aspects of the Bill. But, I draw the attention of the House to the points raised by my hon. colleague Shri Nirmal Kanti Chatterjee, particularly, in respect of the relations. That is a matter of consideration. I hope our hon. Finance Minister will consider this aspect.

Lastly, I welcome the hon. Finance Minister and the hon. Minister of State for Finance also to have brought forward this Bill. This Bill has been introduced at an appropriate time for the benefit, for the protection and for the safeguard of thousands and thousands of people of our country who have been cheated by this unscrupulous agency. The people are calling them Cheating Funds. Cheating is included within the purview of the Indian Penal Code. I thank the hon. Minister for introducing the Bill to protect the small and middle-class depositors from the hands of these unscrupulous and bad non-banking institutions.

[Translation]

SHRIMATI SUMITRA MAHAJAN (Indore) : Mr. Chairman, Sir, I have no two opinions about it that this Bill has been brought here with good intentions. Though the purpose of an ordinance is good yet sometimes an unpleasant atmosphere is created by such things. It is the duty of the ruling Government to pay due attention towards such things if it wants to run the affairs smoothly and take up developmental work. Through this ordinance, an inequitable atmosphere is created to do justice to a class. This ordinance has caused upheaval in trading circles of the country. It is better that this Bill has been brought here with some amendments. Just now Mehtaji was mentioning the name of a company. People of my area are also terrified of such financial companies.

I contacted Shri Dandavate and hon. Minister of Finance on this issue. It is really a fact that there are so many people, who have deposited their hard earned money and savings of their whole life with such companies. Now, situation is that at a later stage of their lives they do not have money for medicine even. Action should be taken against such companies. Mehtaji has not mentioned the name of that company but I met Shri Chidambaram to discuss the issue pertaining to this company. Some finance companies are non-banking and are engaged in banking business like the company mentioned by Shri Mehta. In my constituency people are so agitated that they are after the lives of the agents of this company whereas the main culprits are leading a luxurious life in Mumbai. This Bill seems to be

[Shrimati Sumitra Mahajan]

good but, its certain aspects need to be clarified, even after moving these amendments.

My city is a trading centre where a number of industrialists are working. Lending and borrowing money from each other is a common thing in trading areas, as one businessman needs 3 lakh to deposit for releasing goods sent through railway receipt and he has only Rs. 2 lakh with him and so he borrows Rs. one lakh for one month or 15 days from his neighbouring businessmen, under which category you will place him. As most of the businessmen run their business while borrowing money from each other. How this will be dealt?

People have apprehensions and doubts about this ordinance and it will be better if it is clarified. A manufacturer can borrow money to run his industry but when he gives the prepared goods to some agents for sale who needs money to set up business. The manufacturer lends some money to the agent which is recovered later on from the commission to be given to him. Under which category this borrowing of money will be counted because the industrialist also does not own the whole money. Such petty clauses should be clarified. The issue regarding hire-purchase and such other petty aspects are not explained clearly in these amendments. People of my area have telephoned me to clarify several such points therefore, I would like to say that there should be some clarity in it.

So far as the issue of relationship is concerned, I would like to say that now a days sentiments regarding family relations are diminishing and family is extended to mother-father and their children and in this way this situation will aggravate further. Now, I will not repeat that but attention should be paid towards this aspect also.

I would like to say one more point. There is no two opinion that motive for bringing the Bill is good but proper attention should be paid towards the situation and condition prevailing in the country for which this legislation is being made. Some members have criticised the present banking system and pointed out lacunae in it but I would like to say as to whether such legislation should not be enacted to improve the system.

Our banking system has not reached our villages, therefore, it is not in a position to help the poor villages. Leave the villages aside and go to the Cities, you will find that though Prime Minister Rozgar Yojna (PMRY) has been implemented but if you approach a bank to get the loan, to say, of Rs. one lakh, you will not get the full amount of your loan. A few thousand out of that amount has to go somewhere. I am not siding with the

money lenders in our villages but the bungling is everywhere.

You have referred to relatives that they receive deposits only from relatives but business flourishes on mutual trust. Ours is a different culture which has to be taken into account. Mutual trust is a must for running a business. A brother can deceive his brother but a friend can not deceive his friend. All these factors have to be taken into account. It seems that overall situation of the country, for which we are enacting this law, has not been taken into account. I do not think that we can liberate our poor villagers from the clutches of money lenders overnight by enacting this law in a hurry. It will take time, therefore, instead of enacting it in a hurry, we should send it to the select committee for a full fledged discussion thereon. That would be the proper way. Thank you.

SHRI MANGAT RAM SHARMA (Jammu) : Mr. Chairman, Sir, many hon. members have expressed their views on this ordinance.

There is not much railway service available in the State of Jammu and Kashmir and other important Northern States like Himachal Pradesh, Punjab, Chandigarh and Haryana etc. Therefore, most of our goods are carried by road transport like buses and lorries. Much of our burden is on road transport. Most of the people, engaged with the transport business, purchase old vehicles and get them financed by the private financiers because banks do not lend them money. There are around 45,000 such private financing companies in these four or five states. I think lakhs of people have got employment in these companies. The people who are owning vehicles have drivers, cleaners and other personnel. There are nine crore such companies in the entire country. From this, you can gauge the amount of money of the depositors deposited with these companies. They are harping on this and running their business. Therefore we should not take any such steps which may ultimately harm to our common man.

I do agree that many frauds have come to light about these companies but we should not forget that there are several such companies whose performance has been outstanding. We have received no complaints in respect of those companies. Your proposed restrictions might create problems for them. These companies lend money to the people and run their business. Some people take loans from these companies to run their business and some take for hire-purchase and some for other purposes. Except for these companies, there is no other agency which can make the money available to these people. If any other alternative to this has been found out by our Finance Minister then it is O.K. otherwise these measures may affect the transaction of

lakhs and crores of people. I think implementation of these measures may trigger off resentment among the people in the whole country.

So far as regulation is concerned, we do agree with that. Impose restrictions on the fraudulent companies so that they do not misappropriate the money of the depositors. The measures proposed by you for such companies are good enough. We want and this House want that money of the poor depositors are not swallowed by these fraudulent companies. It is also true that the depositors earn interest on their deposits in these companies and the amount of their money is used for the progress of the country. Had there not been these companies this money would have been of no use for people. Therefore such companies should be allowed to function. But as far as fraudulent companies are concerned, you must impose your proposed restriction on them so that no more cases of fraud do take place in the future again. You have taken several measures and accepted the norms of Rs. 25 lakh. You have also accepted the time period of four years in place of two years and, I think, it has certainly improved their condition but it still requires some more improvement. Many people have got a job in these companies, people are earning interest on their deposits, therefore, these companies should be allowed to function but take action against the fraudulent companies so that such cases do not take place again in the future. It is praiseworthy that you have imposed certain restrictions on such companies. Further, I would like you to and as the hon'ble Members have demanded, you should expand the definition of relation. Name of their relatives for they have to run the company. If you impose excessive restrictions that will create a vacuum. Instead of this, we can resort to other measures so that work goes on smoothly. Give a little bit relaxation, if you can. I welcome the proposed restriction on fraudulent companies.

I would appeal you to ensure that these companies are not wind-up. Non functioning of all companies in the entire country will create a vacuum. Make such laws which do not affect the people who are working in these companies in the country and which ensure that these companies are not wind-up. I extend my support to such laws and whatever amendment you want, you can make therein. You should pay your attention towards them. With these words I conclude and support this Bill.

[English]

MR. CHAIRMAN : Thank you, Shri Bhagwan Shankar Rawat.

SHRI NIRMAL KANTI CHATTERJEE : How many more hon. Members are there to speak?

MR. CHAIRMAN : There is one more hon. Member to speak after him.

[Translation]

SHRI BHAGWAN SHANKAR RAWAT (Agra) : Sir, In my view, this Bill has been brought in a hurried manner which will have far reaching consequences, therefore, the same should be forwarded to the standing committee so that its pros and cons can be discussed hairbreadth. I view that there are three or four lacunae in this Bill. I am a great fan of Shri Chidambaram ji. I am not going to change my views right now. Last time when he was the Finance Minister, he understood the economy of the country and increased the income tax slab under H.U.F. system very smartly for which I am thankful to him. He has done a great job. He understood the nerve of the Indian Economy.

17.27 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

I am a member of this House since 1991. But in my knowledge, no other Minister ever made any effort to feel that nerve. Therefore I am congratulating him for this great job he did. I say again that I am a great fan of his functioning style. But at time he deviates from his path and it seems to me that, in this matter, he has again deviated. His deviation is that he is not encouraging the HUF system.

The HUF system is the oldest and the biggest system of this country. This system gave birth to operation flood in our country which was also based on this system. I will explain this system to you in a very plain rustic language but I do not know as to how the interpreters will explain it to Shri Chidambaram ji. Anyway, the rural women call it Korcha in villages i.e. women in villages used to sell their grains secretly to the Sabjiwalas or vendors by evading the sight of their husband and mother-in-law and in return they used to purchase some goods and also some money. Rating money in this way they brought milk revolution in the country. This is the story of Uttar Pradesh and Haryana. This is not the water gate system. This is a very good system. That way, they used to save their small amounts. Likewise, during harvesting time, they also used to collect some corn ears which were carried back home unknowingly alongwith the grains. The women, after separating the grain from those corn ear, used to sell those grain. The head of the family never enquired about these corn ears.

Whatever gold we have today in our country was accumulated by women, not by men. The credit goes to women. Today gold is beyond the reach of common man. But still you can find some quantum of gold in old families-even in the poorest of the poor families among them. Today it is being politicised in the name of

[Shri Bhagwan Shankar Rawat]

Mangalsutra. The old Dadi Ma of an old family still have some amount of gold. I am dwelling on these points because I want to bring it to the knowledge of Shri Chidambaram ji, for, it seems, as if either his attention has been diverted towards somewhere else or he has not got 'its' knowledge at all. In villages, money is deposited with the money lenders and he pays interest thereon. That money becomes the source of his income. That money lender runs also several kind of business in the villages be — it a foodgrain business or textile business or any other rural business and meets the requirements of the people in the villages. Thus he saves a lot of money. It is everywhre in India which means a lot of money is saved in this way in India. But Chidambaram is not aware of such savings. Might be he does not have adequate knowledge of our villages which has derailed him.

My another point is in respect of service sector. I hope he must be having some knowledge about Kerala where money comes from foreign countries through Pass books. He must be familiar with some English speaking people in Kerala and they must have told him about this. But what about the rural Girbitiya labourers who carries concretes in CPWD in order to earn their livelihood? He also works like this and is known a weekly labourer. He gets his wages every week.

After that he either sends money to his wife through the person who is well known to him and living in the villages. Sometimes he feels that his money may be stolen. He wants to keep it secret and does not want to bring even to the knowledge of his family members. He deposits his money either with the moneylander of the village or with the brokers of the market who are also engaged in the moneylending business. Similarly, when even a small trader or a small farmer goes to the market to sell his product he thinks about his future requirements. He finds that there is no Post Office or Bank in the village and if there is any banks, bungling may take place therein. Therefore he goes to the money lender sitting in the market and deposits his money with him who fulfils this future requirements as per his need. The money lender will never say that he cannot get money as the time is over. That is the thing which I want to bring to your notice that whatever these small farmers save or earns as a result of selling their products, they deposits it with the brokers and thereafter whenever they need they take it from him. Not only so their requirements are fulfilled by this moneylender even when sufficient amount is not deposited in there name. Therefore this system proves a social umbrella. They are running a parallel economy in the country. Even today if we have a look on the term of money lending, we find that this system constitutes 45 percent part of

the whole economy of the country. The Government is trying to take over money lending though in each state the Money Lenders Act already exists. Chidambaramji you do something great. You are in the Union Government and you are Finance Minister of the Country. If you involve yourself in such petty things, it will creat confussion. Therefore, I want to say that if you have any problem with money lending and you are warned about it, I agree with you on this issue. Every state has enacted its Money Lenders Act and it has enforced and regulated it accordingly. Work goes smoothly but now you have put a check on lending. Whenever I require money, my neighbour will not lend me any money. I will be in trouble. Even the Banks will also not lend me any money. I therefore, request not to disturb this private financing system or customary system which is in vogue on a large scale. Simultaneously you should not **interfere** with the system of H.U.F. The banking system existing in the country does not fulfill the requirements. There are so many short comings in this system. I do not want to go into the details. You also know, how much this banking system is defective. I talked about service sector, problem of women, service people, operation flood and about the agricultural revolution. All these involve a part of small lending. Now I come to the issue relating to the traders and firms on which you want to put a check. But it is not justified. I, therefore, would like to say that you should exempt all these three items money lending, share brokage and hire purchase from your purview, if you do not exempt it from the purview of the Bill, social fabric will be disturbed. Today your attention goes to the higher people only. In fact, you are also a big person. But the common people living in the cities, take the example of Delhi itself, are facing a worst situation. What to think about the condition in other cities, the condition is all more worse there. There is lot of consumerism in the society by taking the goods on hire purchase basis. The trade on hire purchase basis is increasing rapidly, when a child watches an advertisement on T.V. he asks his father for the same. Father does not have money but he purchases the item on hire purchase basis and maintain his status in the middle class. It has become his necessity to maintain his status and he maintains it on the basis of new culture of consumerism.

Sir, with these words I would like to say that you should refer this subject to the Standing Committee for their suggestions. There is no hurry in it. It is a mini Parliament. Most of our friends express their feelings from the political point of view, I know it as I am just coming from Finance Committee meeting. Two members of the same party were speaking from their heart today. The chairman was surprised to hear two members of the same party talking in a different tone. I told him that

they are speaking from their heart here but when they enter the House their whip will speak. Therefore, I want to say that the Government should bring a Bill in this regard after having considered all the aspects so that the society is benefited in the long run and it is not detrimental to our economic interests and does not have an adverse impact on the economy. It should also serve the objective for which it is meant. With these words I conclude my speech.

SHRI SHYAM BEHARI MISHRA (Bilhaur) : Mr. Chairman, Sir, I am thankful to you for giving me an opportunity to speak. Today a Bill has come forth on which members have different views. The Ordinance is related to the traders and small scale entrepreneurs. It is a fact that the right to promulgate an ordinance is given in the Constitution but it should be promulgated only when there is dire necessity. Promulgation of this ordinance created confusion among the traders and small scale entrepreneurs of the country. There was total bandh throughout Rajasthan for a day Jaipur observed total closure. There was no trade activities in U.P. There was same situation in Madhya Pradesh also. Today some relief has been given. There is a tradition in our country and as Shri Rawat rightly pointed out even today 45 percent of our economy depends on rural life.

Sir, just now some of our friends stated that some companies had indulged in irregularities, but that does not mean that we should change the whole economy. It is not possible. One of our friends from Kashmir has said something very good. I would like to draw your attention towards what he said. Your railway department has stopped small bookings. No small booking is being made by the Railways all over the country. The small load is being carried by the trucks and buses. The bank is not financing the trucks and buses which have become obsolete. When somebody goes to purchase them, there are these small companies who ...*(Interruptions)*

SHRI RAMENDRA KUMAR (Begusarai) : Do you oppose it?...*(Interruptions)*

SHRI SHYAM BEHARI MISHRA : Yes, I am opposing it...*(Interruptions)*

[English]

MR. DEPUTY SPEAKER : No intervention please. Let him conclude. You please address the Chair.

(Interruptions)

[Translation]

SHRI SHYAM BEHARI MISHRA : Secondly all the big companies are giving their products on hire purchase basis. Similarly Tata Company is giving money on hire

purchase basis. Bajaj scooters are available on hire purchase basis. The trade will come to closure due to this hire purchase system.

I would also like to submit as to what shall happen in case we feel any urgent need of money today? I am a businessman but I require money and I took Rs. 1 lakh from my friend for a period of 15-20 days, I think that this is not in any money lending transaction. Suppose he was having the deposit of somebody else but under this act he cannot give money to me. Now under such circumstances if he does not give me money, my bank drafts would not be realised, our consignments would not be released and thus there will be a breakdown in our business.

I want to say one thing more and it is an important point. The big traders appoint their retailer and finance them to set up their shops. They make a contract with their retailers that the amount of Rs. one lakh which they have given them as finance will be deducted from their commission. They cannot give this money in advance because if they do so it will come under money lending. Small farmers purchase their tractors and machines under hire purchase system and if you put a ban on it they shall not be able to carry on their work.

I want to say about seasonal business that the paddy business lasts for six months in a year and pulses business lasts only for four months in a year. Now the seasonal industries, small traders hoard these products and after six months they earn a lot of money. They give this money to other traders. Now this seasonal business will also be covered under Money Lending Act and as a result of that, these traders shall not be able to carry on their business.

Under such circumstances I request you to put a check on those who are running fake business. But this Bill has been brought in such a haste that due to it all these small traders, small businessmen, who influence the economy will be adversely affected. I, therefore, request you that instead of taking such action in a haste, this Bill should be referred to the standing committee.

Even the minor points may be discussed there. Moneylending Act which is in force in U.P. is also applicable in other states as well. All these acts may be reviewed and analysed. Following that, the Bill which will be brought will be a comprehensive and effective Bill in the interest of the commercial world as well as small industries.

I request that after due consideration the Bill may be referred to the Standing Committee and we may act in accordance with the consensus that may emerge thereafter.

[English]

SHRI P. CHIDAMBARAM : It is over now. They requested to allow Mr. Mishra to speak. The Chair said that he will be the last speaker. That is what the ruling was. After Mr. Rawat, they requested to allow one more speaker. That is all. I did not accept anything.

[Translation]

MR. DEPUTY SPEAKER : I have a list of names. I was about to close the debate. It was at your instance that he was allowed to speak. I have got names of your people still.

[English]

SHRI P. CHIDAMBARAM : I do not know. I am willing to remain here till 2.00 o'clock in the morning, as I did it today. The point is, the gentleman who was in the Chair said that after Mr. Rawat, there is one more speaker.

[Translation]

MR. DEPUTY SPEAKER : I am talking of the list I have got.

[English]

SHRI P. CHIDAMBARAM : Mr. Ram Naik said that Mr. Mishra may be given one minute. I said, if he is the last speaker, he may be given one minute. How does he become not the last speaker?

[Translation]

MR. DEPUTY SPEAKER : He had given only one name and you also gave only one name.

(Interruptions)

[English]

JUSTICE GUMAN MAL LODHA : Let it be debated ... (Interruptions)

SHRI P. CHIDAMBARAM : If you want to stop this Bill, Mr. Lodha, we can debate it for the rest of the day. The point is, Mr. Ram Naik said, allow Mr. Mishra to speak for one more minute. Do not try to turn the table now... (Interruptions)

SHRI RAM NAIK : There should not be any misunderstanding.... (Interruptions) From my side, I thought he was the last speaker. So, I said he was the last speaker. I was not aware that... (Interruptions)

SHRI P. CHIDAMBARAM : When Shri Sontosh Mohan Dev asked, the Chair announced that there was only one more speaker.

[Translation]

MR. DEPUTY SPEAKER : What is the opinion of the House?

(Interruptions)

[English]

SHRI P. CHIDAMBARAM : If this is to filibuster, let it be filibustered.

PROF. P.J. KURIEN (Mavelikara) : Mr. Deputy-Speaker, Sir, I can understand the anxiety of the Government to pass the Bill but I do not understand why the Finance Minister is objecting to a detailed discussion. Let there be a detailed discussion.

SHRI P. CHIDAMBARAM : I have to reply on the Budget also.

PROF. P.J. KURIEN : That is again something which I cannot understand. The Finance Minister could have replied to the Budget discussion and we would have passed the Budget. What was the urgency that this Bill was taken up before passing the Budget ... (Interruptions)

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF TOURISM (SHRI SRIKANTA JENA): I submit that after the Bill is passed here it has to go to Rajya Sabha immediately because tomorrow is the last day of this phase of the Session and tomorrow is Friday. That is why we are in a hurry. That is the only reason for the urgency... (Interruptions)

SHRI P. CHIDAMBARAM : The Chair said that there was one more speaker. I have no objection. Let them speak. It is quite obvious that Shri Lodha and a few others want to filibuster. Let them speak. I am willing to listen.

[Translation]

SHRI VIRENDRA KUMAR SINGH (Aurangabad) am not going to speak on this subject and I withdraw my name.

[English]

SHRI A.C. JOS (Idukki) : The hon. Finance Minister mentioned about filibustering. That is not the question. The question is that this is a very important Bill affecting the entire rural population of this country. Only when we delve deep into it, we can understand that it is there in every State. Why we people are agitated is, it is our rural economy which has been affected very badly by this. So, we wanted a detailed discussion. I would have been glad if the Finance Minister had sent it to the Standing Committee for a detailed discussion before it is brought back. Instead of that it is being hurried. I do not understand what is the urgency to have a promulgation of an Ordinance on this.

SHRI P. CHIDAMBARAM : We are not discussing it now.

SHRI A.C. JOS : Maybe the Finance Minister should be a little more tolerant. What is the urgency of the

promulgation of the Ordinance? That is not the position now. The Ordinance has already been promulgated and it is before us. So, instead of sending it to the Standing Committee if the Finance Minister is so insistent that...*(Interruptions)*

SHRI MULLAPPALLY RAMACHANDRAN : This particular point was discussed here.

SHRI A.C. JOS : Yes, I do not want to discuss that now. My submission is, a slightly more detailed discussion is necessary. Is the Finance Minister adopting our suggestions. He can at least accept the suggestions coming out the discussion as official amendments.

MR. DEPUTY SPEAKER : If one speaker is allowed, others will also have to be allowed. Otherwise, I will ask the Finance Minister to speak.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : Yesterday we discussed it for two hours...*(Interruptions)* I accepted the amendments also.

[Translation]

MR. DEPUTY SPEAKER : Mr. Jos has given his name. Besides I have three more names. I would suggest that nobody should speak on this subject and all names may be withdrawn.

[English]

SHRI A.C. JOS : My humble submission to the Finance Minister is - I do not know why he becomes so intolerant - we are not here to defeat the Bill. We are not filibustering. We are only saying that this affects the rural population in a very big way. It is a very good measure. I very patiently and carefully heard Shri Sanat Mehta's speech. It is all right that the upper crust of the society accepting deposits and cheating the depositors is there. No doubt about it. We need a discipline for deposit-making also. In that respect I congratulate the Minister for bringing some discipline into the financial aspect of accepting deposits.

But the point is that a poor man needs Rs. 300 or Rs. 500, not Rs. 5000 or Rs. 10,000. If one of my sons or relatives fall ill, I will have to rush to somebody to get Rs. 300 or Rs. 400. The rate of interest may be high. Immediately, I take my ring or for that matter anything to the pawnbroker to get the money. The only thing is that you are allowed to lend the money, but not others' money.

I agree with you. We need the expansion of the term 'relatives'. Here it is succinctly explained. I do not want to quote the Section. The degree of relation can be expanded so that more money, more people can be brought into the net. The amount of capital, that is, Rs. 20 lakh or Rs. 50 lakh, needed for starting the

company can also be reduced to the maximum. That is all we can submit in this regard. We have so many things to say.

India is a country where 80 per cent or 90 per cent of the population live in the rural areas. If you are in need of some money, banks have not become a habit till today. It will take some more years for the rural people to go to the banks. Banks also have got a lot of limitations and procedures. That is why, we are clamouring; that is why, we are asking that some more thinking is necessary in this matter and some more liberalisation is necessary in this matter. It is not because we are, in principle, against it. My submission is that the hon. Finance Minister may kindly note that we are not against disciplining it. We are not against bringing some discipline in the financial sector. A sudden embargo, a sudden deterrent on the economy of the rural India will create more problems.

It is a pity that in our State it is a habit. You cannot deny it. Our moneylending is disciplined and they are doing it very well...*(Interruptions)*

SHRI MULLAPPALLY RAMACHANDRAN : How many chit fund companies are thriving in Kerala?

SHRI A.C. JOS : Exceptions prove the rules, Shri Ramachandran.

I am not against it. Some more distinct laws will have to be considered in this matter.

[Translation]

MR. DEPUTY SPEAKER : I agree that this Bill is very important. It is going to have its impact on the rural economy. I am not passing adverse or positive comments on that. But 10-11 hon. members have already spoken and almost all points have been covered.

[English]

SHRI P. CHIDAMBARAM : Mr. Deputy-Speaker, Sir...*(Interruptions)*

PROF. P.J. KURIEN : Sir...*(Interruptions)*

SHRI P. CHIDAMBARAM : Do not make a speech, please ask the question.

MR. DEPUTY-SPEAKER : Then, I will have to allow others also.

SHRI P. CHIDAMBARAM : He is only asking the question. You put the question.

MR. DEPUTY-SPEAKER : Then, Prof. Kurien, you may also ask the question.

PROF. P.J. KURIEN : The hon. Finance Minister has conceded that there is a need for an indigenous bank.

SHRI P. CHIDAMBARAM : What is your question?

PROF. P.J. KURIEN : I am asking the question.

[Shri P.J. Kurien]

He has conceded that and he has also conceded the fact that the commercial banks are advanced to the extent of advancing money to the needy. That has been explained. How are you going to bridge this gap?...*(Interruptions)*

Secondly, there are some fraudulent companies in Tamil Nadu so also in other places. Because of that, should we stifle even the honest companies? I want a specific answer to this question...*(Interruptions)*

[Translation]

MR. DEPUTY SPEAKER : Please ask only one question.

SHRI CHAMAN LAL GUPTA : Mr. Deputy Speaker, my question is that there is no railway in J&K and nearly one lakh vehicles are operating in hire-purchase between Pathankot and Ladakh. In the event of passage of this Bill the whole industry will fail. What do you think about it? Secondly, agreed that the farmer is almost ruined and last year also his crop was totally lost. The Government did not provide only relief to him. By providing money or taking a loan, the sowing operations were undertaken and when the crop is ready, who will repay the loan!

[English]

SHRI P. CHIDAMBARAM : It is not a question, Sir. He is making a speech...*(Interruptions)*

[Translation]

SHRI CHAMAN LAL GUPTA : If this money lending is totally abolished what will the farmer do? Under such circumstances there is no alternative, no arrangement at all. Is there any alternative...*(Interruptions)*

MR. DEPUTY SPEAKER : Things become clear when one question is asked at a time.

SHRI GIRDHARI LAL BHARGAVA : Mr. Deputy Speaker, Sir, I also have a question to ask.

SHRI BANWARI LAL PUROHIT (Nagpur) : Mr. Deputy Speaker, Sir, I have received nearly 10 telephone calls since morning. In addition to our constituency (area), there is panic in Akola, Amravati and Nagpur. Various reports are coming in the newspapers for the last 5-7 days e.g. some businessman purchases grains for 70 lakh rupees and gives 50 crates of food grains to the public.

[English]

SHRI P. CHIDAMBARAM : I have already explained this.

[Translation]

SHRI BANWARI LAL PUROHIT : A remour is going on there that money is taken on 'Hundi' and documents, and there is a total ban on it. He takes from the bank and the party as well.

MR. DEPUTY SPEAKER : Shri Banwari Lal ji that point has been covered already. Now Finance Minister will speak.

SHRI GIRDHARI LAL BHARGAVA : Mr. Deputy Speaker, Sir, I also want a clarification.

MR. DEPUTY SPEAKER : You have already spoken. Please conclude.

[English]

Now, the hon. Finance Minister, please.

(Interruptions)

SHRI P. CHIDAMBARAM : Sir, he has already spoken...*(Interruptions)* I am not yielding I am not listening to what the hon. Member is saying ...*(Interruptions)*

[Translation]

MR. DEPUTY SPEAKER : Shri Bhargava, you have already spoken please conclude.

SHRI GIRDHARI LAL BHARGAVA : I would like to say that if there is lack of funds, and the other business man may be provided with the money which I have borrowed from somebody else, there should be no restriction on that money. Likewise, if I am a master (owner) and an agent sets up a showroom I provide him money on loan, and I tell him that I will deduct the money given to him for show-room from the commission which you earn from the sale of goods. In the same way, there should be some rebate in hire-purchase, because I have borrowed money from somebody else. Rs. 60 thousand crores are with the businessmen in the form of loans. How can it be realised? Bank will not pay without security and there is no bank facility in the villages.

MR. DEPUTY SPEAKER : I am telling you that it has already been discussed.

SHRI GIRDHARI LAL BHARGAVA : The number of relations should increase in it.

MR. DEPUTY SPEAKER : Your point is over, please be seated.

SHRI GIRDHARI LAL BHARGAVA : My submission is that if there is any problem in what you have said, it should be removed. This Bill will bring down the Income-Tax and the Sales Tax. Therefore, this Bill may be returned. All my points should be replied for.

MR. DEPUTY SPEAKER : Please be seated, Yes. Mr. Minister.

[English]

SHRI P. CHIDAMBARAM : Mr. Deputy Speaker, Sir, I have spent several hours in this House today as well as yesterday discussing with individual Members who have expressed apprehensions. I have met delegations and in fact, I met, if I remember right, Mr. Bhargava, Mr. Rawat and Mr. Mahajan's delegations and I explained it to them. The gentleman who spoke on behalf of the traders, I am glad that at least, he candidly admitted that he was speaking on behalf of the traders. I met his delegation also.

I am not criticising. I met his delegation and I have already explained. This unnecessary apprehension and I must say with some regret that part of the apprehension is created because we do not spend enough time reading either the Ordinances or the Bills and we do not spend enough time explaining it to the people. For example, the question which Mr. Purohit raised now, I have already answered that.

SHRI BANWARI LAL PUROHIT : I was not here.

SHRI P. CHIDAMBARAM : You were not here, that is the problem. I already answered when it was raised, when I moved the Bill.

Let me make it very clear, the Reserve Bank of India Act already has Chapter 3B and Chapter 3C. Chapter 3B of the Reserve Bank of India Act is titled 'Provisions relating to Non-banking Institutions, receiving deposits and Financial Institutions'.

In that Chapter, all that we are doing is, we are saying, 'NBFCs must follow prudential norms'.

18.00 hrs.

That means, you must have a certain capital, you must have certain reserves, you must file certain returns and you must follow the guidelines laid down by the Reserve Bank which are not as strict as for banks but somewhat stricter than what the guidelines are. Nobody can have any complaint about that. Chapter 3B is already there. It deals with non-banking financial institutions. All that we are doing is laying down capital adequacy norms. What we said was 'Rs. 50 lakh'. But in response to many suggestions, I have reduced it to Rs. 25 lakh. A company which is already in existence today with less than Rs. 25 lakh capital, we said, 'you must now rise to the new capital limit within three years'. Earlier, you must provide the new capital within three years, that is, Rs. 50 lakh. Now because I am reducing that to Rs. 25 lakh, you must bring the new capital within three years. But another three years is given at the discretion of the Reserve Bank. In fact, Shri Nirmal Kanti Chatterjee asked, 'why are we giving three plus three'? The answer is that it is already a company. It is already doing NBFC business. It has low capital. It has

to come up to the new capital within three years but if the Reserve Bank thinks that it is an exceptional case, it may consider giving it one year or one-and-half years or three years. The maximum is three years. Nobody can have any complaint about Chapter 3B.

None of you is really talking about Chapter 3B. But unfortunately, you are mixing Chapter 3B with Chapter 3C. Chapter 3B is a provision which has been there for long. It was inserted in 1963. We are only tightening the norms. Just as in banks, we had introduced basil norms, we are tightening the norms on provisioning reserves and capital adequacy. We are tightening the norms under Chapter 3B. Nobody can have any serious complaint. Let us put aside Chapter 3B. Virtually, the whole of the amending Act, except 45(SS), is taken care of. So, you cannot have any complaint about the amending Act.

Now, we come to Chapter 3C. Now Chapter 3C is titled 'Prohibition of acceptance of deposits by unincorporated bodies'. It has only got Sections 45R, 45S and 45T. It only has three sections. Some one said that this Chapter is unconstitutional. I am sorry to disappoint him. This Chapter was challenged in the Supreme Court and the Supreme Court has upheld the constitutionality of this Chapter. So, the Supreme Court has said that Parliament has the power to make the law dealing with acceptance of deposits by unincorporated bodies. Parliament has the power even to prohibit acceptance of deposits by unincorporated bodies. What is an unincorporated body? A company, a corporation, a cooperative society, a *nidhi*, and a Chit Fund are all incorporated bodies. All others are unincorporated bodies. Individual, partnership, association of individuals and even HUF are all unincorporated bodies. What is the distinction in law between an incorporated body and an unincorporated body? An incorporated body has a succession and it can sue and be sued. An unincorporated body cannot sue and be sued except by the names of the persons composing it. This is the well-known definition in law. It has been there for centuries. I am not creating such a definition. When we say in Chapter 3C we had three provisions. Now, what are the existing provisions?

Forget the amending Act. What are the existing provisions? Under 45S, we said, 'individual shall not accept more than 25 deposits'. Firm cannot accept more than 25 deposits per partner or 250 deposits in all. Other unincorporated bodies shall not accept more than 25 deposits as per individual and not more than 250 in all. This is already there.

But this has been completely ineffective. Why is it ineffective? We are three people sitting here. According to the law of permutations and combinations, three people can form six partnership. Simply, you have to

[Shri P. Chidambaram]

work it out. We can form six organizations. So what these people did was that they simply went on multiplying like rabbits. This partnership firms went on multiplying. Each firm can take 250. So if you have 10 partners, you took 250 deposits. All you need it to do was, form another partnership with the same 10 and add one more person you can take another 250. You add one more person, you can take another 250. This is how these companies mushroomed all over India. It was so in Kerala. It was so in Tamil Nadu. It was so in Andhra Pradesh. I am told it is so in U.P., Bihar and Punjab. This Chapter has been completely ineffective.

Many Committees have gone into it. The Reserve Bank of India has spent six months studying this matter. I have come before this House in response to several demands. Questions were asked and I said, 'the Reserve Bank is studying it and I will come here with the Bil.' What are we saying now? We are saying that individual firm and unincorporated body - please remember that this Chapter has been upheld by the Supreme Court - can take deposits, provided, it is not carrying on "six plus one seven" activities. I will read seven activities.

My friends, who are representing the Traders' Association, Ms. Mahajan, Shri Purohit will all be satisfied. These are the seven activities which are prohibited. If you are carrying on paddy business, steel business, cloth business or any business, you are not affected by this.

These are the seven activities which are prohibited. Let me read the seven activities. It is in Section 45 I sub-section (c) (i) :

"carries on as its business or part of its business any of the following activities, namely :-

- (i) the financing, whether by way of making loans or advances or otherwise, of any activity other than its own;

Now, this is called a loan company. It is well-known in the market. These are loan companies which take money and give loans. That is their business. You cannot carry on such a business.

- (ii) the acquisition of shares, stock, bonds, debentures or securities issued by a Government or local authority or other marketable securities.

You cannot carry on the business dealing with stock, bonds, debentures using depositors money. You are not concerned about that. It is very good. The two have been passed.

This is where I think some Member has got a grievance from Kashmir.

- (iii) letting or delivering of any goods to a hirer under a hire-purchase agreement as defined in clause (c) of section 2 of the Hire-Purchase Act.

Yes, the result of this is an individual firm or an unincorporated body cannot carry on higher purchase business. If he wants to carry on higher purchase business, he must convert himself into a company or a corporation or a cooperative society or a Nidhi or a Chit Fund. I agree. But this is deliberately introduced because higher purchase business is nothing but money lending in kind. You take money instead of lending money and you give on higher purchase business. Kindly go through the Hire Purchase Act. There is a built in interest with the power of repossession. It the same as moneylending except what you give in return is not money but kind.

- (iv) "the carrying on of any class of insurance business".

I hope, nobody is worried about that.

- (v) "managing, conducting or supervising, as foreman, agent or in any other capacity, of chits or kuries".

You are not concerned about chit business.

- (vi) "collecting, for any purpose or under any scheme or arrangement by whatever name called, monies in lumpsum or otherwise; by way of subscriptions or by awarding prizes or gifts."

This is a prize scheme. You are not concerned about that.

So, out of these six activities, nobody is concerned about five. As far as one item is concerned, one Member is concerned about higher purchase.

SEVERAL HON. MEMBERS : All are concerned.

SHRI P. CHIDAMBARAM : All of you are concerned about higher purchase...*(Interruptions)* B.J.P. should call itself Higher Purchase Party (HPP). Please do not take me too seriously...*(Interruptions)*

JUSTICE GUMAN MAL LODHA : We may be Higher Purchase Party and you are a non-performing assets Party!...*(Interruptions)*

SHRI P. CHIDAMBARAM : Shri Lodha, allow this much of levity at ten minutes past 6 o'clock. Out of

these six items, you are concerned about Higher Purchase. Now, what is the seventh one which is prohibited. Nobody can have any complaint about the seventh one. The seventh one is pure and simple money-lending. The seventh one which is prohibited :

"has as its principal business the receiving of deposits and lending."

That is pure and simple lending. So out of "six plus one, seven" business, there is some doubt about the correctness including higher purchase...*(Interruptions)* First is a loan company. The business is loaning. Then, virtually you are a bank.

[Translation]

SHRI BHAGWAN SHANKAR RAWAT : Sir, loaning is also known as money-lending.

[English]

SHRI P. CHIDAMBARAM : That is not covered. As I said, it is a loan company where you take money only for the purpose of loaning activities. Now, "six plus one", you are concerned about higher purchase. You are concerned about money lending.

Let me make it very clear that I am not going to compromise on money-lending. I might as well withdraw this Bill and go home. I am not here to protect money-lenders who take deposits of strangers. I have made it clear that I am not controlling the lending part of money-lending. Lending part can go on merrily. They can lend against gold, they can lend against house, they can lend against anything. All I am saying is, you lend your money or you lend your 22 relatives' money or you lend money which you take from commercial banks or cooperative societies, but do not lend strangers' money. You cannot take a third party's money and lend. That I am prohibiting for an individual or a firm. You can lend your own money and 22 relatives' money. Shall I read the 22 relatives?

[Translation]

SHRI CHAMAN LAL GUPTA : You have deceived power from congress and you are lending it to others.

[English]

SHRI A.C. JOS : Sir, they are lending the power to Shrimati Mayawati now.

MR. DEPUTY SPEAKER : All these things are not covered in the Act.

SHRI A.C. JOS : A lot of things are happening which are not covered in BJP's programme. That is why I mentioned it.

SHRI G.M. BANATWALLA : Are these covered under higher-purchase system?

MR. DEPUTY SPEAKER : You know better.

SHRI P. CHIDAMBARAM : Kindly bear with me. Let us not emasculate the purpose of this amendment. This amendment either has to have substance or it can be robbed of its substance. I am afraid, I cannot be a Minister moving a Bill which is robbed of its substance. The substance of this Bill is enlarging Section 45S which has already been upheld by the Supreme Court to take care of the loophole in Section 45S which has not done any good at all. We are now making it very clear that you cannot take deposits of third parties in order to carry on 6+1, that is, seven activities.

Shri Nirmal Kanti Chatterjee raised a number of technical points. I do not know whether I should answer him now or I can answer him separately...*(Interruptions)*. I have got the answers for all the points. I am grateful to him that he often finds out points which escape my attention. Last time he caught me on a printing mistake, this time I am very worried that he was raised three substantial issues. Rather I made a mistake. But I have answers. To be very short, 'A' amount includes 'B1+B2' - you understand what I am saying. Secondly, 21 days is the time that the RBI may extend for him but it does not condone a violation of the earlier statutory requirement. Thirdly, about auditor, yes, an audit can be ordered by the RBI if it thinks that a special audit is necessary. I have got it in writing from the RBI gentleman sitting here. But I shall give him a detailed written answer which will satisfy him. I am not saying that this will be the last word on the subject. I am quite willing to concede.

I know enough about indigenous banking. I know that in this country, there is a traditional banking. In fact, in this country, until some time ago, a mere entry in a ledger was considered an acknowledgment of debt. It did not require a promissory note, it did not require any document. But those were salad days. Today, with a promissory note, with a mortgage deed or with anything else, I will say, I did not take the money. These are the days we are in today and, therefore, laws have to be stricter. Please do not live in an age which is gone-by. We are living in an age where there are rapacious people...*(Interruptions)*

SHRI SONTOSH MOHAN DEV : The entries in dairies are even now taken as an evidence.

SHRI P. CHIDAMBARAM : It is also argued that entries in dairies are not evidence. Therefore, you can argue both ways. That is not the point. The point is, today we are living in a rapacious age. People are competing for money. People can go to any unscrupulous extent to defraud people. Shri Sanat Mehta was here. He made a passionate and moving appeal, giving concrete cases. Even after that if hearts do not melt, what can I do? Therefore, my humble appeal

[Shri P. Chidambaram]

is that this Chapter has been upheld by the Supreme Court. The prohibition of unincorporated bodies receiving deposits has been upheld by the Supreme Court. I am only expanding the existing Section 45S which has proved to be totally ineffective, by making it tighter. Seven activities cannot be carried on; any other activity can be carried on. You can deposit for your cloth business, for your steel business, for your paddy business...*(Interruptions)*

SHRIMATI SUMITRA MAHAJAN (Indore) : You have not taken any action against companies like Lakshmidhara Baggaji. What are you doing about that? ...*(Interruptions)*

SHRI P. CHIDAMBARAM : You gave me the letter only yesterday. He promised to write me tomorrow. Therefore, Madam, let me look into it.

SHRIMATI SUMITRA MAHAJAN : No, the same thing Shri Sanat Mehta was also saying.

SHRI P. CHIDAMBARAM : You at least gave me the letter. He promised to write me tomorrow and I said, I will look into it.

Therefore, I am pleading with all of you that while we can have sympathy for people who are engaged in traditional business - and some of them may be good people, some of them may be completely honest - but in the larger interests of depositors and the larger interests of society I would most humbly urge you to accept my official amendments. I have conceded the capital of Rs. 25 lakh as against Rs. 50 lakh. I have conceded two years' period into three years. I have conceded Shri Banatwalla's amendment which he will move. Therefore, I believe, he is not speaking. I conceded that. Therefore, I have conceded these amendments.

SHRI NIRMAL KANTI CHATTERJEE : What about the relations?

SHRI P. CHIDAMBARAM : On relations, I will tell you. Unfortunately, I cannot accept this. Every other Act has got the same list of 22 relatives. It is there in the Companies Act and many other Acts. If I make this change only in one list, it will look very odd because other Acts have only these 22 names. I have lifted it from the Companies Act. When I come with a new Companies Act and we finally decide the relatives' list, we can see it. But at the moment please allow me to simply copy the list from the Companies Act because it will otherwise be odd that the Companies Act has got one list of 22 relatives and this Act has got another set of relatives. We can always look at it.

So, please allow me to pass this law. I am grateful for the observations you have made. I will ask the Reserve Bank of India to be vigilant.

There is one other point which I want to mention to my friends. Do not assume that everybody is going to be prosecuted overnight. The power of prosecution is vested under Section 58(B) read with Section 58(E) only upon the Reserve Bank of India and upon the State Government. No other person has got the power of making a complaint. Either the Reserve Bank of India can make a complaint or your State Government can make a complaint. If your State Government is satisfied that nobody is violating the law, they need not prosecute. It is not as though anybody can go and prosecute anyone.

I would most humbly request you to kindly pass this Bill. I am very grateful to everybody.

Thank you.

JUSTICE GUMAN MAL LODHA : Shri Chidambaram, I would like to have one clarification.

SHRI P. CHIDAMBARAM : Sir it may be the one and the last point.

JUSTICE GUMAN MAL LODHA : You have said in your speech that individuals and partnership firms cannot be sued. This is a new jurisprudence which I learnt from you. Individuals can be sued in their name.

SHRI P. CHIDAMBARAM : You should have been more attentive.

JUSTICE GUMAN MAL LODHA : Partnership firms can be sued in their names. Thousands of suits are pending against individuals and partnership firms. If this is the backdrop of all the laws that have been made by you, I think, you better collect yourself. There is no bar for filing a suit against an individual or a partnership firm. Why are you falling on that - on the individuals and partnership firms and leaving all the companies aside? I would like to know pointedly from you on this point because this is a well-known thing.

SHRI P. CHIDAMBARAM : I have understood. You need not elaborate. The individual, as I said, has to be sued as an individual. He is not a legal entity otherwise than an individual. A partnership firm, if it is a registered partnership firm, can sue and then be sued in its registered name. All other partnerships, Mr. Lodha, can only sue and be sued in the names of all the partners as individuals. Therefore, only a registered partnership can be sued...*(Interruptions)* In this country there are millions and millions of partnerships and bulk of them are not registered.

JUSTICE GUMAN MAL LODHA : The bulk of them are registered. Otherwise they cannot be sued.

SHRI P. CHIDAMBARAM : No. The bulk of them are not registered...*(Interruptions)*

[Translation]

SHRI AMAR PAL SINGH (Meerut) : Mr. Deputy Speaker, I have tremendous respect for the Finance Minister, but as far as non-banking finance companies are concerned, they have also embezzled a remarkable amount of money of many of their depositors and have looted money on the lines of lotteries. Myself or any other Member have no objection to regulate it, instead I would suggest that the money of the depositor should be safe as the hon. Minister has said in clause 45(1) (c) about creating a reserve fund of 20% profit, and the reserve fund may be created in advance. In stead of 20 percent profit, a reserve fund may be created on the estimated profit of atleast two years.

Through you and on behalf of the House, I would request the hon. Minister, it is a misgiving that a friend can not borrow money from a friend nor can a neighbour borrow money from a neighbour. So far its review in concerned, I would like to urge that it may be referred to the Standing Committee on Finance so that it is reviewed and the doubts are clarified.

[English]

MR. SPEAKER : I shall now put the Statutory Resolution moved by Shri Amar Pal Singh to vote.

The question is :

"That this House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1997 (No. 2 of 1997) promulgated by the President on January 9, 1997."

The motion was negatived.

MR. DEPUTY-SPEAKER : The question is :

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

The motion was adopted.

MR. DEPUTY SPEAKER : The House will now take up clause-by-clause consideration of the Bill.

Clause 2

MR. DEPUTY SPEAKER : There are amendments to Clause 2 to be moved by Shri Ramesh Chennithala and Prof. P.J. Kurien. Shri Ramesh Chennithala, are you moving your amendment?

SHRI RAMESH CHENNITHALA : I am not moving.

MR. DEPUTY SPEAKER : Prof. Kurien, are you moving your amendment?

PROF. P.J. KURIEN : I am not moving.

MR. DEPUTY SPEAKER : The question is :

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3

MR. DEPUTY SPEAKER : There is an amendment to clause 3 to be moved by Shri P. Upendra. Shri Upendra - Not present.

Amendments made :

Page 2, line 28, -

for "fifty" substitute "twenty-five" (9)

Page 3, line 5, -

for "fifty" substitute "twenty-five" (10)

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MR. DEPUTY SPEAKER : The question is :

"That clause 3, as amended, stand part of the Bill."

The motion was adopted.

Clause 3, as amended, was added to the Bill.

MR. DEPUTY SPEAKER : The question is :

"That clauses 4 to 8 stand part of the Bill"

The motion was adopted.

Clause 4 to 8 were added to the Bill.

Clause 9

MR. DEPUTY SPEAKER : There are amendments to Clause 9 to be moved by Shri P. Upendra, Shri G.M. Banatwalla and Justice Guman Mal Lodha.

Shri P. Upendra - Not present.

Shri Banatwalla, are you moving your amendment?

SHRI G.M. BANATWALLA (Ponnani) : Sir, with your permission, I want to move my amendment no. 4 after deleting the word "partnership" from the text of my amendment.

I beg to move :

"Page 10, line 48, -

add at the end -

"or to the receipt of money by a firm by way of loan from the relative or relatives of any of the partners." (4)

SHRI P. CHIDAMBARAM : Sir, I accept his amendment, that is, an individual can take money from his relatives. Similarly, in a partnership firm, the partners

[Shri P. Chidambaram]

can take money from their relatives. That is what his amendment is and I am accepting his amendment.

SHRI G.M. BANATWALLA : Thank you very much.

MR. DEPUTY SPEAKER : I shall now put amendment no.4 moved by Shri G.M. Banatwalla to vote.

The question is :

"Page 10, line 48,-

add at the end-

"or to the receipt of money by a firm by way of loan from the relative or relatives of any of the partners." (4)

The motion was adopted.

MR. DEPUTY SPEAKER : Shri Lodha, are you moving your amendmnts?

JUSTICE GUMAN MAL LODHA : Sir, I beg to move :

Page 10, line 44,-

after "specified in" insert-

"sub-clauses (iv), (v) and (vi) of" (5)

Page 10,-

Omit lines 45 and 46. (6)

Page 11, line 22,-

add at the end-

"23. Fahter's brother, 24. Mother's brother,

25. Father's sister, 26. Wife's brother,

27. Mother's sister, 28. Wife's sister." (7)

Sir, my amendments are regarding the inclusion of father's brother, mother's brother, fathers' sister, mother's sister, wife's brother and wife's sister. These relations are in the category of th erelatives which have been mentioned. There are 22 relatives and I have added six more to them.

SHRI P. CHIDAMBARAM : Sir, normally I would accept this amendment. In fact, for example, when Shri Nirmal Kanti Chatterjee asked as to why we cannot include the step-father also when we have the step-mother, I would accept this in principle. But the point is, if I do it in piece-meal in this Act alone, it will be inconsistent with similar tables in other Acts. The Companies Act has got only 22 relatives and I have taken the same 22 relatives. Let us have a new Companies Act and then we will do it.

JUSTICE GUMAN MAL LODHA : They can also be amended.

SHRI P. CHIDAMBARAM : But I have to amend a number of Acts. So, today let us confine ourselves to

the 22 relatives and then when we take a broader view of the table in the Companies Act, we can then bring it in other Acts.

MR. DEPUTY SPEAKER : He agrees with the spirit of your amendment.

MR. DEPUTY SPEAKER : I shall now put the Amendments Nos. 5, 6 and 7 moved by Justice Guman Mal Lodha to Clause 9 to vote.

The amendments No. 5,6 and 7 were put and negatived.

Amendments made :

Page 11, line 3,-

for "two" substitute "three" (11)

Page 11,-

after line 4, insert -

"Provided that if the Bank is satisfied on an application made by any person to the Bank that such person is unable to repay a part of the deposits for reasons beyond his control or such repayment shall cause extreme hardship to him, it may, by an order in writing, extend such period by a period not exceeding one year subject to such conditions as may be specified in the order." (12)

(Shri P. Chidambaram)

MR. DEPUTY SPEAKER : The question is :

"That clause 9, as amended, stand part of the Bill."

The motion was adopted.

Clause 9, as amended, was added to the Bill.

MR. DEPUTY SPEAKER : The question is :

"That clauses 10 to 13 stand part of the Bill"

The motion was adopted.

Clauses 10 to 13 were added to the Bill.

MR. DEPUTY SPEAKER : The question is :

"That clause 1, the Enacting Formula and the Long Title stand part of the Bill"

The motion was adopted.

Clause 1, the Enacting Formula and the Long Title were added to the Bill.

SHRI P. CHIDAMBARAM : Sir, I beg to move :

"That the Bill, as amended, be passed."

MR. DEPUTY SPEAKER : Motion moved :

"That the Bill, as amended, be passed."

[Translation]

SHRI RAM NAIK : Mr. Deputy Speaker, Sir, we had demanded three things. The demands included that this Bill be referred to the Standing Committee. The Government did not accept that demand. All this system which the Finance Minister is going to involve would be an assault on hire-purchase agreement. Therefore, we oppose this Bill on this ground and walk out of the House in protest.

18.28 hrs.

Thereafter Shri Ram Naik and some hon. Members left the House.

[English]

MR. DEPUTY SPEAKER : The question is :

"That the Bill, as amended, be passed."

The motion was adopted.

18.29 hrs.

GENERAL BUDGET — 1997-98
*DEMANDS FOR GRANTS ON ACCOUNT
(GENERAL) — 1997-98
*SUPPLEMENTARY DEMANDS FOR GRANTS
(GENERAL) — 1996-97
AND
*DEMANDS FOR EXCESS GRANTS
(GENERAL) — 1994-95

[English]

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : Sir, the General Budget discussion has covered a very vast ground and I am deeply grateful to all the hon. Members who have participated in this debate...*(Interruptions)*. I am particularly grateful to Shri Vajpayee, the Leader of the Opposition who has kindly sent me an English translation of his speech in Hindi. I think this is a very kind gesture on his part.

I am also grateful to him for setting the tone of the debate - mild, friendly and reading from a well - crafted script rather than speaking from his heart. The reason is, I believe, that it was not in his heart to oppose this Budget. The compulsions of remaining in that seat require him to speak against the Budget, which, as Member after Member has conceded, has received general acceptance among the people of India.

Yes, there are some apprehensions, there are some concerns and there are some questions. It will be my endeavour during the course of my reply today, which

* Moved with the recommendation of the President.

I shall try and keep it as brief as possible, to deal with these concerns.

Firstly, I want to put aside matters relating to taxation and I will tell you why. I have received post-Budget representations ranging from umbrellas to C.R. Coils, from polyurethane to foam rubber and also aluminium to which Shri Mahajan referred. A number of representations have been received. I will be failing in my duty, if I do not give my best consideration to these representations. I think, this recess which Parliament has invented is a good opportunity for me to calmly and carefully examine each one of these representations, and by the time I come here with the Finance Bill, I will be ready to accept some of the representations and to explain why I am unable to accept some of the representations. I invite the hon. Members to continue to meet me, if they feel so, during this recess period and convince me that some taxation proposals must be altered. Therefore, I will not take the time today to deal with the specific taxation proposals, particularly relating to excise duty and customs duty. There is another opportunity and I will deal with that at that time.

Let me, Sir, deal with the Budget, the economic philosophy behind the Budget and what this Government intended to do in presenting such a Budget. Firstly, I would implore the hon. Members to look at our agenda. The highest item on our agenda was, in the last five years and remains, the control of the fiscal deficit. It is true that some economists have scoffed at this concern for fiscal deficit. In fact, some of them have called it an obsessive concern for the fiscal deficit. I would most humbly submit that it would not only be bad economics but it would also be bad politics. Nothing is more important to this country, its economic agenda, than the control of the fiscal deficit. It is the fiscal deficit which has caused us tremendous economic difficulties on a wide range of matters. Why is this so?

A high fiscal deficit means the Government borrows very heavily. When Government borrows, it crowds out other borrowers from the market; interest rates remain high and investment in low. A high fiscal deficit means that there is a high degree of monetisation. It is now widely accepted that the single most important reason for inflation is a high degree of monetisation. The expansion of reserve money leading to expansion of broad money is the single most important reason for high inflation. Inflation is a cruelest form of taxation. Inflation taxes the rich man and the poor man alike. If there is inflation of ten per cent, a man earning an income of one lakh rupees a month or twelve lakh rupees a year loses ten per cent of his twelve lakh rupees.

A man earning Rs. 1,000 a month, or Rs. 12,000 a year also loses ten per cent on his Rs. 12,000. Therefore, by any measure, by any standard, it is the control of the