

Vol. IV-No.47  
23rd April, 1955 (Saturday)

## LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)



(Vol. IV contains Nos. 46—58)

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## LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)

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### LOK SABHA

Saturday, 23rd April, 1955

The Lok Sabha met at Eleven of the Clock

[MR. DEPUTY SPEAKER in the Chair]

### QUESTIONS AND ANSWERS

(No Questions: Part I not published)

### STATE BANK OF INDIA BILL— Contd.

**Mr. Deputy-Speaker:** The House will now resume further consideration of the following motion moved by Shri Arun Chandra Guha on the 22nd April, 1955:

"That the Bill to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto, be taken into consideration."

**The Minister of Revenue and Defence Expenditure (Shri A. C. Guha):** Sir, yesterday I just initiated the consideration of this very important Bill. I think in fairness to this House I should say that, but for the unfortunate illness on the part of the Finance Minister, this Bill would have been piloted by him, a much abler person to do this job than myself. I hope the House will bear with me and take my deficiencies with some amount of indulgence.

It is a great pleasure for me,—in fact, I consider it to be a proud privilege—to be put in charge of pilot-

ing this Bill. I consider this Bill as one of the most important measures presented before this House in recent years and to be considered and passed by this House.

This Bill purports to take over the Imperial Bank of India under Government control. There may be some fastidious objections as to whether it is nationalisation or not because the Bill provides that at least up to 55 per cent. of the shares of the newly-formed Bank would remain in the hands of the Reserve Bank and up to 45 per cent. shares may be allowed to go to private hands. But Sir, I feel that to all intents and purposes this is a Bill for nationalising the Imperial Bank of India. However, I do not like to enter into the technical controversy at present, but for the sake of brevity I shall be using the terms 'nationalisation' and I hope hon. Members would not object to it.

Sir, the nationalisation of the Imperial Bank of India is by itself a very important measure. You yourself, Sir, and the father of this House, Shri B. Das, and quite a number of other Members have expressed a desire repeatedly about the nationalisation of the Imperial Bank. I can say, perhaps, without any fear of contradiction that as far as this proposal goes, there is absolute unanimity in this House and I expect that there will be almost a fair amount of unanimity even in the whole country. So, by itself, simply that nationalisation of the Imperial Bank is a very important measure. It embodies the aspirations and desires of the Members of this House and of the public also.

[Shri A. C. Guha]

But, that is not the sole purpose of this Bill. Perhaps the more important thing is the rural credit structure that will follow from this Bill and another consequential Bill which would amend the Reserve Bank of India Act. This House on different occasions—and I think the last was yesterday—expressed its anxiety about rural credit. And, rightly so, because the subject deserves the highest priority and consideration from this House. The state of affairs in rural credit was not at all satisfactory so long and by this important measure the Government is going to take a determined step to do something tangible and appreciable for rural agricultural credit.

Let me then take up the two different aspects separately. I think I should say a few words about the Imperial Bank. Members know that it was formed in 1920 by the amalgamation of three Presidency Banks. Before the establishment of the Reserve Bank of India the Imperial Bank had in fact been discharging certain central banking functions as well and also doing all government work. Although after the coming into existence of the Reserve Bank the central banking functions were taken over from the Imperial Bank by the Reserve Bank, the Imperial Bank continued to occupy a special position in many respects. The Imperial Bank is the agent of the Reserve Bank which is now the Government's banker in all Part A and part C States, at every place at which the Imperial Bank—but not the Reserve Bank—happens to have a Branch. In many places the Reserve Bank has not got its branch: so the Imperial Bank operates on behalf of the Reserve Bank and the Government in such places. The management of the currency chests is an important privilege which the Imperial Bank enjoys and this enables the Imperial Bank to operate with substantial balances. Through the facilities available in the shape of

currency chests arrangements are made for affording remittance facilities to the scheduled banks and the co-operative banks and the machinery of the Imperial Bank is of the utmost importance for this purpose. The Imperial Bank has a country-wide banking grid and these facilities are being availed of both by the Government and the Reserve Bank. The Rural Credit Survey rightly observed that if there was no Imperial Bank it would have been necessary to create one. Apart from this special position, the Imperial Bank has always derived a considerable patronage because of the fact that under the rules framed by various governments, or under administrative orders of the Government or on advice of the Reserve Bank, public and quasi-public funds are generally kept with the Imperial Bank. The Bank also enjoys a special position in respect of guarantee bonds or deposit receipts furnished by contractors in the discharge of government contracts. The Imperial Bank continues to manage most of the clearing houses and acts as banker's bank in some respects, particularly at places where branches of the Reserve Bank have not been established. In fact, under Section 24 of the Banking Companies Act the balances of the banking companies deposited with the Imperial Bank are treated as cash. It is thus obvious that the Imperial Bank has always occupied a very special position in the banking structure of the country.

There have been many allegations in this House about the privileges and patronage the Imperial Bank was enjoying from the Government and the services that it was rendering to the public and the nation. One was about nationalisation of the services. I think, except a few, not exceeding half a dozen and those also not occupying very top positions—the entire personnel of the Imperial Bank have been nationalised. Then there

is the share position. I think quite a big majority of the shares is held by Indians. Anyhow, this is not the place to consider the alleged errors of commission and omission on the part of the Imperial Bank; that will, on the passing of this Bill, be a thing of the past. Perhaps, most of the allegations were not quite justified. Even if they were justified that would rather furnish an additional reason for nationalising the Imperial Bank.

Then, as regards rural credit, I think, it is rather too late now to emphasise the importance of agriculture and agricultural credit in a country like India. Seventy per cent. of the population, more or less, depends on agriculture or is living in rural areas. It may be said that agriculture is the basis of all wealth. It is also the basis of all civilisation and culture. No country can ignore agriculture, particularly a country like India. Whatever may be the position of a small country like England, India or other big countries—I mean geographically big countries—cannot be indifferent to the development and proper functioning of agriculture. Peasants have often been described as the pack animals of history and civilisation. Perhaps, there is justification in this. They have built up this pyramid of civilisation but they have not got their due share of the benefits of civilisation.

I think, at one stage, land more or less belonged to the community, but at some unhappy date it passed into private control and occupation. From then started the exploitation of human labour and gradually, the fragmentation of land added to the miseries of the peasants. With the advent of British rule, rural industries, cottage and small-scale industries were ruined as a deliberate policy for the benefit of the British industries. That was the period of the Industrial Revolution in Britain and it was necessary for them to ruin the rural industries of India.

Naturally, there was more strain and pressure on land. The British laws gave further facilities to money-lenders for the exploitation of agriculturists and made serious inroads into Indian rural life which was essentially governed by co-operation. "By the latter part of the 19th century, the passing of the agricultural lands from the hands of the peasants to the moneylender became a common phenomenon. Usurious rates of interest were the order of the day as there was no alternative agency to provide finance to the agriculturists." I am making this quotation from a publication issued on the occasion of the Golden Jubilee of the co-operative movement. That is the finding of the authorities and economists who are interested in the co-operative movement. This rural indebtedness led to the passing of the land from the real farmers into the hands of big middlemen, *mahajans* and the money-lenders. It has been said of the Indian ryot that the ryot toils so that others may rest and the ryot sows so that others may reap. That was the position of the Indian ryot till the end of British rule.

There has never been a correct estimate of the volume of agricultural debts or the volume of credit requirements in India. There have been different estimates at different times but the Rural Credit Survey has made some estimate which may be taken to be somewhat dependable. I think they have put the figure of annual requirements of credit at Rs. 750 crores. Before the war, this burden of debt on the agriculturist was much heavier and during the war....

**Shri M. S. Gurupadaswamy (Mysore):** May I know what is the interest paid on this debt annually?

**Shri A. C. Guha:** I have not got the figures.

**Shri K. K. Basu (Diamond Harbour):** Notice.

**Shri A. C. Guha:**.....During the war some of the agriculturists were able

[**Shri A. C. Guha**]

to clear some of the debts but still, according to the estimate of the Rural Credit Survey, which may be taken as somewhat dependable, there is Rs. 750 crores of rural debt. As I have stated above, it is mostly due to these debts that land was passing from the hands of the agriculturists into the hands of the middlemen and big tenants. Not only that; it was due to these debts that some of the agriculturists were really turned to the position of near serfs. Engels refers to this state of affairs and calls such tenants debt-slaves. A debt-slave is one who has signed himself body and soul to the usurer and, I think, what was prevalent in Europe was prevalent in India in a much aggravated form.

Only last year there was a survey of agricultural labour in India by the Central Government. Agricultural labour is defined in that survey and includes some marginal cultivators with small strips of land for whom labour was the major activity and 50 per cent. of whom were completely landless. The number of families of such agricultural labour in India was 17.6 millions out of a total of 58 millions of rural people, which means about 30 per cent. of the rural people...

**An Hon. Member:** Families.

**Shri A. C. Guha:** Yes, families. 30 per cent. of the rural families are agricultural labour who have to depend mostly or solely on their labour in the fields of other men.

Then, it would be interesting for the Members to know the income of this agricultural labour. In West Bengal, it is Rs. 160 per year while the income of the industrial labour is Rs. 268 which means agricultural labour gets only 59 per cent. of what the industrial labour gets. In Bihar, it is Rs. 119 for agricultural labour and Rs. 332 for industrial labour, the percentage being 36. In Madhya Pradesh, it is Rs. 87 for agricultural

labour and Rs. 262 for industrial labour, the percentage being 33. In Orissa, it is Rs. 79 for agricultural labour and Rs. 145 for industrial labour, the percentage being 54. In Punjab, it is Rs. 121 for agricultural labour and Rs. 216 for industrial labour, the percentage being 56. In Bombay, it is Rs. 88 only for agricultural labour and Rs. 368 for industrial labour, the percentage being 24. So, you can understand what ravages have been done to our peasantry

**Shri T. S. A. Chettiar (Tiruppur):** What is the figure for Madras?

**Shri A. C. Guha:** I have not got the figures for Madras. I did not find them in the report. So, we can understand what ravages have been done to our agriculture and to the peasantry by this agricultural debt due to which they have been forced to pass over their lands to bigger tenants or to the moneylenders.

It has also affected our food production. You can quite understand the difference between a farmer working in his own field, where the products of his labour would come to him and a farmer working in the field of another where he will get only some wages. The difference need not be emphasised by me and it will easily be understood by the Members of this House.

**Pandit Thakur Das Bhargava (Gurgaon):** Is the peasant in Punjab getting about Rs. 10 per month? You said it was Rs. 121 per year.

**Shri A. C. Guha:** Yes, Rs. 121 per capita of the agricultural labourer's family. That is according to the survey made by the Government of India in 1950.

**Shri T. S. A. Chettiar:** How can it be?

**Shri A. C. Guha:** It should be calculated on the basis of the family—generally of 5 persons.

**Shri Bansal (Jhajjar-Rewari):** What is the source of the information of the hon. Minister?

**Shri A. C. Guha:** The Agricultural Labour Survey of the Government of India, 1954, signed by Shri Giri.

**Mr. Deputy-Speaker:** May I suggest to the hon. Minister that whoever might put the question, he will face the mike and then address the House?

**Shri A. C. Guha:** Yes, Sir.

Then, there is another aspect in agriculture. Agricultural vocation is just a sort of compulsion for a large number of people. Other vocations are more or less selective. They can select the number of workers and they can reject the others. But in agriculture that is not possible.

"For millions of persons born in the rural districts, there is no escape from agricultural career, while other industries are selective and they attract roughly that number of candidates who can find accommodation."

But agriculture cannot afford to do that.

"Agriculture thus fills the thankless role of acting as the great population insurance system of the world, always capable of supplying human labour for industries and industrial jobs (and also sometimes for the Defence Forces), never expecting to be relieved of more of her supply than it is convenient for industries to absorb."

So, with the increase of population everywhere, there is greater strain on our agriculture. As has been said in the quotation, I gave earlier, industry can take a certain number of people when it requires, and it has no responsibility for the numbers, but

those who are born in the rural areas or in the agricultural or other environments, every one has a commitment for agriculture to be maintained, to be nursed and perhaps to be sent to the graves.

So, under these conditions, I have brought this Bill, to this House. Members know that most of the States have introduced agrarian reforms but what purpose these agrarian reforms would fulfil? It will be quite useless unless we can provide agricultural credit. As has been obtaining in the past, even in the future, the peasants, without proper agricultural credit accommodation, will be forced to mortgage themselves. We can by legislative enactments prevent the mortgaging of the lands or the alienations and then transfer all the lands but it would not prevent the mortgaging by the peasants, their families and their products to the money-lenders and the bigger tenants. So, to effectively implement the agrarian reforms on which this Government puts the highest priority, it is absolutely necessary for the Government to provide agricultural credit also. No Government can be indifferent except at its own peril to the requirements and to the necessities of the peasants. Peasants, after all, are the repository of all the social forces. They can shape or shake the world and the two great revolutions of this age, the Russian and the Chinese revolutions, were not proletarian revolutions but they were in fact peasant revolutions initiated by the peasants and also carried to a fruition by peasants. Perhaps they may not have got their due share of the results of the revolution. But we want here, we want this Government, to take the lead of this revolution and to ensure that the peasants may have their due share in the revolution which is in the offing and to guide and properly canalise them.

**Shri Syamnandan Sahaya (Muza�pur Central):** We shall communise them. Why should they?

**Shri A. C. Guha:** I shall now come to the provisions of the Bill. As I have said, with the taking over of the Imperial Bank and the amendment of the Reserve Bank of India Act, which will follow immediately, the Government will set up a machinery for distributing rural credit. It has not been, as I said yesterday, because of the paucity of money or any lack of willingness on the part of the Government that rural credit has not been so far forthcoming to the agriculturists. It is only the lack of organisation. We may be impatient; naturally, we are all impatient at the slow progress in this matter. But, we cannot just quarrel with the tools. We can only amend them. We can only change them and that is what we are doing today. After the passing of these two Bills, Government will see that the co-operative movement is put on a proper form and is properly organised. We envisage State participation in the co-operative movement. The State Governments will subscribe to the share capital of the Apex banks, the Apex banks will subscribe to the share capital of the Central bank and the Central Bank will do the same to the Co-operative bank. We shall see that warehouses are established all over the country. There will be a Central Warehousing Corporation with its counterparts in all the States. We shall also see that there is organised Co-operative Marketing. In the ultimate analysis, warehouses and marketing would be more important, even more important than the mere provision of rural credit. Very often the agriculturists are forced to sell their goods, their agricultural produce, at a dictated price. They cannot hold on. They have no holding capacity. The middlemen manipulate the market in such a way that the agricultural products pass out of the hands of the agriculturists at a very low rate and after the goods have passed out of hands of the agriculturists, the price is allowed to rise. With this pro-

vision of warehousing and proper marketing, this distress sale of agricultural goods will be prevented. The agriculturists will put their produce in the warehouses and against these things, they will get some credit so that they can carry on for some months and wait for the sale of these goods at the proper price. This warehousing organisation and Marketing Board will also see that the proper price is ensured.

Several times in this House, the claim was made that there should be price support to the agricultural produce. That involves a big financial commitment. I do not know whether just at present it would be possible for the Government to undertake such a big task. But, I can assure the Members that this warehousing and marketing arrangements would, in a way, give some price support to the agricultural produce. Just at present, when the agricultural prices have been going down, I think this measure would allay the anxieties of most of the Members as well as the tenants all over the country.

Recently, there was a conference of the State representatives dealing with the co-operative movement. They have accepted the recommendations of the Rural Credit Survey and they have expressed their eagerness and earnestness to go forward with this programme. It is contemplated that there should be a planning and financing body at the Centre under the Ministry of Food and Agriculture to be called the National Co-operative Development Board which will plan a system of countrywide storage and warehousing. Provision of godown facilities will be made at the Centre by the Central Warehousing Board and at the State level there will be State Warehousing Boards and below, co-operative societies. It is further contemplated that a marketing system will be organised in each State culminating in an Apex State Marketing

Society, and the National Co-operative Development Board will nourish and support with finance as well as guide and co-ordinate all these co-operative efforts in the State field which will be administratively within the jurisdiction of the State Governments.

Everybody knows that as yet, the co-operative societies have not been able to make much progress. I think the House will be interested to know that up till now, the co-operatives have been able to give no more than 3·1 per cent of the credit required by the peasants, Government Supply 3·3 per cent. Commercial banks advance less than 1 per cent. Still over 90 per cent of agricultural credit is in the hands of the private money-lenders. There is, therefore, an urgency to develop co-operative societies and to spread the organisation throughout the countryside, so that they can take up in right earnest the problem of agricultural credit.

There may be some dispute about the efficacy of the co-operative movement, particularly due to its past record. It would not be fair to condemn an institution which has proved a success in many other countries simply because of our own deficiencies. Under the British Government, it was not their interest or intention to develop the co-operative movement. They made a start simply as a sort of a make-believe thing. Since the achievement of Independence, the Government has been paying more attention to this matter. Partition and post-partition and post-war troubles hindered the progress of the co-operative movement to some extent, particularly in the Punjab and Bengal.

**Shri Syamnandan Sahaya:** Madras and Bombay.

**Shri A. C. Guha:** In fact, Madras and Bombay are the only two States which have really developed some co-operative movement.

**Shri Bansal:** Madras Members do not seem to be so sure.

**Shri Gadgil (Poona Central):** Anyway, we are aware.

**Shri A. C. Guha:** It is on the report of the Rural Credit Survey, and on our own experience and on the study of this problem.....

**Shri Matthen (Thiruvellah):** The Rural Credit Survey Report has not been circulated to the Members. Only a summary has been circulated.

**Mr. Deputy-Speaker:** It is not expected that every report will be circulated to all the Members. They are all placed in the Library of the House and copies of summaries have been distributed. Hon. Members who are interested may look into the copies in the Library.

**Shri V. P. Nayar (Chirayinkil):** I have tried nearly five times. There are only 4 or 5 copies. It is very difficult to get.

**Mr. Deputy-Speaker:** The hon. Member could have brought it to the notice of the Chairman of the Library Committee. He would have seen to it.

**Shri V. P. Nayar:** By the time, the Bill would have been passed.

**Shri Matthen:** I doubt very much if all the 3 volumes have been published.

**Shri A. M. Thomas (Ernakulam):** Only one volume, Vol. II.

**Mr. Deputy-Speaker:** Let there not be a discussion of this matter. Let the hon. Minister proceed, Order, order. There is no good interrupting the speech of the hon. Minister in this manner. Why should not hon. Members hold their souls in patience and at the end say, 'we have not got copies of this'? Should they go on interrupting like this?

**Shri A. C. Guha:** So long, commercial banks as I have stated, have not been able to do much as regards rural credit in India.<sup>11</sup> They have not been able even to extend banking operations in rural or even semi-urban areas. In an undeveloped country, it is not so easy for commercial banks, who operate primarily with some profit motive, to extend their branches to rural areas, and that has to be done by the co-operative banks and also by the State Bank of India which will open 400 branches in rural areas and work in close co-operation with the co-operative banks and warehousing societies. These 400 branches of the State Bank of India—and more that will follow—will cater not only for the agricultural credit requirements but also serve the interest of rural industries—small-scale industries and cottage industries. This House has on many occasions shown its interests in the rural industries, small-scale and cottage industries. Moreover, it is admitted that it is perhaps the only way to speedily solve the problem of unemployment. It is not possible to create ten or twelve million jobs through big industries. All these 400 rural branches of the State Bank will also help these rural industries.

Another function that the branches will serve in the rural areas is this. In the rural areas, we presume there are some savings. There may be some surplus money, but there is no place where the rural people can deposit their money. These 400 branches will help in collecting the savings of the rural areas, and that will help in the development of the country.

It will be noticed that the present Bill confines itself to the transformation of the Imperial Bank into the State Bank of India. But the Rural Credit Survey Report also recommended the nationalisation of the State-sponsored banks. There are

ten State-sponsored banks; the Rural Credit Survey Report has recommended the taking over of these banks. But this Bill has only provided for the taking over of the Imperial Bank. We have been holding consultations and discussions with the different State Governments and we expect it will be possible for us to take over those banks also very soon. We have made a provision in clause 35 of this Bill whereby voluntary merger would be possible. The present provision in the Banking Companies Act as regards merger of two banks is rather a tortuous process and very difficult to get over. So in this Bill we have incorporated a provision for the merger of any bank with the State Bank of India, and we expect that most of these State-sponsored banks would voluntarily agree to merge with the State Bank. If they do not, then of course we shall have to come out with another Bill for the State-sponsored banks. Moreover, the House may be aware that there is a large number of small banks for whom it is very difficult to function properly as banks. The only alternative may be to wind up all those banks. That means, liquidation or merger of those banks with some other banks or transformation of those banks into some other trading companies. The third process is not commendable because that may enable the wrong-doers to escape with the ill-gotten money that they may have made as managing authorities of those banks. So we are very cautious in allowing the third method, that is, converting those smaller banking companies into some other form of trading companies. Then what remains is either liquidation or merger in some other banks. No commercial bank would like to take over the diseased limbs of the banking organisation except perhaps the State Bank which will be the responsibility of the State in a way. Liquidation would mean the ruination of a large number of depositors for no fault of their own. So we do not

favour the liquidation proceeding also. We hope the provision put in clause 35 of this Bill will enable the State Bank to examine, and if necessary after due examination, take over some of those other banks, non-scheduled banks numbering about 400 or more.

**Shri Matthen:** What about scheduled banks?

**Shri A. C. Guha:** If they like, they can come under this clause.

**Shri Matthen:** If they do not like?

**Mr. Deputy-Speaker:** If they do not like, they may keep quiet.

**Shri A. C. Guha:** I think the problem is more acute in Travancore-Cochin. But there is no scheduled bank in Travancore-Cochin.

**Shri Matthen:** There is a scheduled bank in Travancore-Cochin.

**Mr. Deputy-Speaker:** The hon. Minister may go on.

**Shri A. C. Guha:** The general scheme of organisation of the State Bank will be that on the appointed day, that means, when this Bill will come into operation, the entire shares of the State Bank will be transferred to the Reserve Bank of India. The Reserve Bank will keep at least 55 per cent. of the shares and may transfer up to 45 per cent. to private holdings.

**Shri T. S. A. Chettiar:** Which is the relevant clause?

**Shri A. C. Guha:** I shall come to that later.

All officers and employees of the Imperial Bank, except the Managing Director, the Deputy Managing Director and other directors shall, from that date, hold corresponding office of the same tenure and under the same conditions as previously, with the State Bank of India. There is, however, a provision that later on, the Government may alter the terms, remuneration and conditions of service of those employees. As regards

the Managing Director and the Deputy Managing Director, I think the House knows that they enjoy very high salaries....

**Shri Gadgil:** The highest salaries.

**Shri A. C. Guha:** ...and it may not be appreciated by this House or approved by this House that those salaries should be confirmed by this Bill. So we have kept those officers—the Managing Director, the Deputy Managing Director and also the directors—out of the stabilisation provision of this Bill.

Then I think I should come to the compensation clause. We have adopted the same formula as was adopted in the case of the Reserve Bank of India, that means, the average price of the last twelve months from the date on which the announcement of nationalisation was made, i.e. 20th December, 1954.....

**Shri Gadgil:** How many times the face value? Twenty times?

**Shri A. C. Guha:** No, no. Just a little over three times. A share of Rs. 500 fully paid will be compensated at Rs. 1765-10. But I think the House will also recollect that most of the present shareholders are not the original shareholders who got the shares at Rs. 500. Most of them have purchased later on and must have paid a higher price.

**Shri Gadgil:** And that fact was not taken into consideration when we acquired the zamindari?

**Shri A. C. Guha:** Zamindari was acquired at a much lower price. It was largely looted property and taken into possession or given to the Muslim Nawabs by the East India Company as prices for loyalty.

**Shri Gadgil:** There were also purchases in between.

**Shri A. C. Guha:** Hardly.

**Pandit Thakur Das Bhargava:** A very large number.

**Shri A. C. Guha:** Anyhow, that is the provision we have put in here,

[Shri A. C. Guha]

on the basis of the formula that we accepted. That is a point to be debated.

**Shri Matthen:** What was the market price on the date of announcement?

**Shri A. C. Guha:** I do not know. Anyhow, on that formula we have proceeded. I should also mention here that since the House passed the Constitution Amendment Bill, which gave powers to the Central Government, we have not taken any step to use those powers in a whimsical or arbitrary manner. As I have stated, there will be some who will say that this compensation is too high and there will be others who will say that this compensation is too low. Anyhow, we have stuck to the formula which was adopted before in the case of another Bank, the Reserve Bank of India.

The payment of compensation will be phased like this. Up to Rs. 10,000, the shareholder will have the option to take in cash and beyond Rs. 10,000 the compensation will be given in bonds. I have stated before that the Reserve Bank will be at liberty to issue 45 per cent. shares to private parties and preference will be shown to those who have been holding shares at present.

**Shri Kasliwal (Kotah-Jhalawar):** At what price will the shares be given?

**Shri A. C. Guha:** To the present shareholders—upto the value of the compensation fixed.

**Shri T. S. A. Chettiar:** How do you arrive at that figure?

**Shri A. C. Guha:** It is the average of the last few months. Then, some may argue why only this 55 per cent. of the shares, why not 100 per cent. of the shares be retained by the Government or the Reserve Bank.

**Shri Bansal:** What was recommended by the Rural Survey Committee?

**Shri A. C. Guha:** Subject to correction, I think we have followed the recommendations of the Rural Survey Committee. The recommendation is for effective control.

**Shri Bansal:** I think they recommended 52½ per cent.

**Mr. Deputy-Speaker:** What is the good of this kind of conversation? The question is heard but the answer is feeble. I am not able to follow the answer.

**Shri A. C. Guha:** The State Bank will also function, as the Imperial Bank is at present functioning, as a commercial bank. For instance, it is the biggest commercial bank in the country. Out of the total deposits of Rs. 912 crores, including those of the Exchange Banks and Scheduled Banks Rs. 207 crores are the deposit of the Imperial Bank. A little over one-fifth of the total bank deposits lies with the Imperial Bank and we shall not take any step which can damage the efficiency of the State Bank functioning as the biggest commercial bank of the country. We want the commercial community and private persons also to be in a way associated with this Bank, but Government has taken enough care to ensure that complete control of the Bank remains with the Government. There will be 20 Directors. Chairman and Vice-Chairman to be appointed by the Government, two Managing Directors to be appointed by the Central Board in consultation with the Government, eight Directors to be nominated by the Government—apparently non-officials they will be—and one official representing the Government on the Board of Directors and one nominee of the Reserve Bank of India. So, there will be fourteen nominees or appointees of the Government. As against the fourteen, private shareholders will be entitled to elect only six Directors. There should not be any doubt as to the over-all complete control of this organisation by the Government of India.

**Shri Bansal:** Will the nominees of the shareholders be on regional basis?

**Shri A. C. Guha:** Yes, on regional basis. Besides the Central Board, there will be Local Boards and Local Head Officers also.

**Shri Gadgil:** As in the case of the machinery of the Reserve Bank of India.

**Shri A. C. Guha:** We have almost followed the provisions of the Reserve Bank Bill. There will be some local head offices also. At present there are head offices at Madras, Bombay and Calcutta, and the Government may later on notify any other place to have a local head office and a local board. There will also be an executive committee and its functions and duties will be determined by the Central Board.

The usual disqualifications of the directors of banks and the usual safeguards against directors participating in business of interest to them have been included, and provision has been made for the Central Board to constitute an executive committee as well as any other committee for the discharge of its functions.

I think I should state here that Members of Parliament and M.L.As., as in the case of the Reserve Bank, will not be entitled to be Directors of this Bank.

**Shri Gadgil:** What is the logic behind this ban?

**Shri A. C. Guha:** The legislators should devote all their attention and time for legislative business and not to commercial and banking business.

While the Finance Minister made the announcement of nationalisation or taking over of the Bank on the 20th December last, he gave a specific assurance regarding the safeguarding of the usual confidential relationship between the Bank on the one hand and the clients on the other. Accordingly, a specific provision has been made about the obligations in regard to fidelity and secrecy on the part of the State Bank.

As I have already stated, we are really anxious and eager that the State Bank of India should continue to function as the biggest commercial bank of the country. Not only that. It will continue to give help as it has been given now to the Scheduled Banks and to guide the Scheduled Banks, as the Imperial Bank has been doing now.

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Then I come to another point. Doubts have been expressed as to whether the taking over under effective control of the Imperial Bank which commands one-fifth of the total bank deposits would not be prejudicial to the private sector. I think this apprehension proceeds from some misapprehension.

**Shri Sadhan Gupta (Calcutta South-East):** Apprehension proceeding from misapprehension?

**Shri A. C. Guha:** Or rather some misconception.

Although it would hereafter function under effective Government control, the State Bank of India would still be making credit facilities available to the trade and commerce in the private sector. Nationalisation or Government control of banking does not mean that accommodation will be advanced by the agency only to nationalised undertakings and not to undertakings in the private sector. The Finance Minister has already given an assurance while announcing Government's decision about the nationalisation of the Imperial Bank, in December last, that the existing facilities available to trade and commerce will be maintained unimpaired. I should also give an assurance that Government have no intention of encroaching on the private commercial banks. They will be allowed to function as before. There should not be any apprehension in the minds of those connected with private banks that this may just be the first step towards the nationalisation of banking institutions.

**Shri M. S. Gurupadaswamy:** What is the next step?

**An. Hon. Member:** Insurance.

**Shri Algu Rai Shastri** (Azamgarh Distt.—East *cum* Ballia Distt.—West): Wait and you will see.

**Shri A. C. Guha:** Why do you anticipate so much?

The other day the chairman of the Imperial Bank in the meeting of the board of directors said something like.....

**Shri Gadgil:** Swan song.

**Shri A. C. Guha:**.....swan song or funeral oration, and described the occasion mournfully as the obsequies of a great institution. I think it should not be interpreted in that way. The Imperial Bank by itself is a big institution, and it has served the interests of the country, but I think, as at present constituted, it has outlived its utility. It must now undergo some transformation. Just as previously there were three Presidency Banks in 1920 and they were converted into the Imperial Bank of India, I think likewise the Imperial Bank now requires another transformation.

**Shri Gadgil:** Get rid of imperialism.

**Shri A. C. Guha:** And that is what we are now seeking to do.

Instead of the unusual tune which the chairman of the board uttered in that meeting, I think he should have remembered that legendary bird phoenix which used to burn itself after every hundred years to be reborn of its own ashes. I think the Imperial Bank also will be reborn in a new shape and a new form, and will serve the real interests of the country.

Before concluding, I should again remind this House that the purpose of this Bill is not merely to take over the Imperial Bank of India, but its purpose is to recreate our rural life, to vitalize and strengthen our peasantry, and to rejuvenate the rural areas. I think I should end with a quotation from *The Deserted Village* of Goldsmith:

"Sweet smiling village, loveliest of the lawn,

Thy sports are fled, and all thy charms withdrawn;

Amidst thy bowers the tyrant's hand is seen,

And desolation saddens all thy green."

That is the present condition of our villages. I hope that the machinery that we are going to put up through this Bill will re-kindle the life of the rural areas, and then we shall be able to say again in the language of Goldsmith:

"Sweet Auburn! loveliest village of the plain

Where health and plenty cheered the labouring swain."

With these words, I commend this Bill for the consideration of this House.

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill to constitute a State Bank of India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto be taken into consideration."

There are two amendments to this, one by Shri Sadhan Gupta and the other by Shri Keshavaiengar.

**Shri Sadhan Gupta:** I am not moving my amendment.

**Mr. Deputy-Speaker:** What about the amendment of Shri Keshavaiengar? Is he moving it?

**Shri Keshavaiengar** (Bangalore North): Yes, moving. (*Interruptions*) I do not move it.

**Mr. Deputy-Speaker:** What? "Yes" as well as "no".

**Shri Keshavaiengar:** I do not move it.

**Mr. Deputy-Speaker:** Very good. The hon. Member is not moving it?

**Shri Keshavaiengar:** Yes.

**Mr. Deputy-Speaker:** Is it 'yes' again?

**Shri Gadgil:** He is moving that he is not moving it.

**Shri Keshavaiengar:** I am not moving it?

**Mr. Deputy-Speaker:** He must 'No' then.

**Shri B. Das** (Jaipur—Keonjhar): It is gratifying to me that I am taking part in the discussion of the State Bank of India Bill. I am glad I am alive to participate in this discussion. It was in 1924 when I entered this House that I saw the exploitation of the Imperial Bank through the colonial masters, and although ten years hence, i.e., in 1934, we passed the Reserve Bank of India Act, yet we found no hope of rural credit for the benefit of the people of the countryside. The Imperial Bank was the dangerous enemy. I used to call it enemy No. 1 and I wanted that it should be liquidated. I congratulate my hon. friend Shri A. C. Guha who is now instrumental in telling us that the Imperial Bank is liquidated, although it was said by the Finance Minister earlier. Now we have taken the right step.

When the Reserve Bank became a State-owned bank in 1948, we pointed out to our late lamented friend Shri R. K. Shanmukham Chetty who was the Finance Minister then that selling the Reserve Bank shares and making it a State-owned bank was not nationalising the Reserve Bank. The money might belong to the nation, but the functions of the Reserve Bank were not nationalised.

Today we are taking the second step when we are creating a State Bank of India for giving rural credit or agricultural credit for the benefit of the masses, including, of course, the classes—I do not demur—who will benefit by the State Bank or any other scheduled bank in their commercial activities.

In 1934 some of us fought hard that the Reserve Bank should open agricultural credit. We wanted that it should help the co-operative societies, by giving them agricultural credit.

But that could not be given by them. They took one gentleman into their Bank, and he is now the Deputy Governor of the Reserve Bank. He is our old friend Mr. Ambegaokar. But somehow they could not devise a method by which agricultural credit and rural credit could flow.

But the Reserve Bank remains a bankers' bank and the Government's bank. It could not with its preoccupations go into the question of national credit or rural credit. Of course, I read in this pamphlet giving a summary of the Rural Credit Survey Committee's report that the Reserve Bank Governor Shri B. Rama Rau appointed the Rural Credit Survey Committee in 1951, and it is as a consequence of it that the name of the Imperial Bank is vanishing from the horizon, and the State Bank of India will come into existence in its place in a few days. Sir, I wish my hon. friend Shri A. C. Guha made a good speech as to the future of the State Bank. He talked about the allegations made against the Imperial Bank or the banking authorities in India. I think he ought not to have taken it so lightly. It was life, and death for us. We saw the whole country was awake. There was no help from the colonial government; no help even from the poor scheduled banks of India because they were all commercial banks. They had no time to think of the rural credit and the uplift of the masses. My friend had rightly said that only 3 per cent. of the money was given through the co-operative banks. He himself also pointed out that the co-operative banks are not functioning well. I do not wish to go into the past as to why it is not functioning because a part of the blame I lay at the door of the Reserve Bank and I also lay a part of the blame at the door of the former government. The colonial view of the government did not allow co-operative system or rural credit to develop. But, now that the State Bank Bill is conceived in a way to give agricultural credit, to give rural credit, to give the States necessary

[Shri B. Das]

finance to hold shares in the co-operatives we expect some improvement. Two Bills have been introduced already. One is the State Bank and the other is the Reserve Bank of India (Amendment) Bill, so that today there is no difference between us on this side and the Government. Although it is my Government, today the Government and we have come nearer to the same truth and today I have no allegation to make against this Government that they will delay or hold up the matter. Today we are unified in our desire to give effect to a measure so that rural credit is provided, rural indebtedness is abolished and rural prosperity is maintained, maintained and goes apace.

Sir, I have no objection to the compensation being paid. The compensation paid to the shareholders of the Imperial Bank is a little more than what it ought to have been, but still we are fulfilling one part of the declaration of the Government that due compensation should be paid. Shri A. C. Guha pointed out that they are following the same procedure that was followed when they took over the Reserve Bank shares. Therefore, we need not criticise that my capitalist friends who have got a large number of shares in the Imperial Bank may get a little money. Above all the money will remain in India. There are very few foreign shareholders today in the Imperial Bank and we need not feel that we are paying more compensation.

One point to which I wish to draw the attention of the House and Shri A. C. Guha is that we must amend clause 41 of the State Bank of India Bill, on the portion of audit to bring in the name of the Auditor-General and his assistance in the matter of audit. It was only in 1948, after the attainment of independence and before the Constitution came into force that Shri Shanmukham Chetty brought in an amendment to the Reserve Bank of India Act, introducing the Auditor-General's examination of

accounts. In Section 51 of the Act—Appointment of Special Auditors by Government—it is said:

"Without prejudice to anything contained in Section etc. etc. the Central Government may at any time appoint the Comptroller and Auditor-General to examine and report on the accounts of the Bank."

That was the first admission of the Reserve Bank that the Auditor-General had got jurisdiction over it. But, as a member of the Public Accounts Committee I will tell you that the Auditor-General owing to shortage of staff and other difficulties has not evolved yet the machinery to control and audit the accounts of the Reserve Bank. But, all the same this was recognised in the year 1948. That year the Government of India also legislated the Industrial Finance Corporation Act. Therein also they brought the Auditor-General. They brought outside auditors, but they also brought the Auditor-General there in section 44(iv) which says:

"The Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor-General of India at least one month before it is placed before the shareholders."

Therefore, the Auditor-General's control over the finances of India in cases of State financed banks is recognised.

Thereafter I find that another Bill was passed in 1951 and that is the State Financial Corporations Act. From 1948 the atmosphere of this House was that the banks like the Reserve Bank and other banks are wary over the control of the Auditor-General. Here I will read one section 37—Audit, sub-section (iv):

"The State Government may in consultation with the Comptroller and Auditor-General of India at any time issue directions to the auditors requiring them to report etc."

So, there again the Auditor-General is there. At that time the Constitution was not there. The Constitution came into existence only on 26th January, 1950. So, everybody was of the view that whatever money goes from the consolidated fund or is spent, it should be under the Auditor-General. The Auditor-General should be the main or chief auditor and he may take the help of private auditors or auditors in private practice.

But, I got the surprise of my life when in the year 1955 in clause 41 there is no desire to mention the name of the Auditor-General. I think this is a wrong omission; perhaps it is an accidental omission. Whatever the Company's Act will do, we do not know. The Company's Bill is still with the Select Committee. But, this is not the Company's Bill. It is this Bill that must say that the Auditor-General has the supreme right of auditing the finance and the money spent from the Consolidated Fund which will always pass through the State Bank. All treasury and other things are operated through it. That was our grouse in olden times against the Imperial Bank that used to carry on the whole treasury, and all municipal finances and public finances. It never did anything in the interest of the masses whose money it used to treasure and handle. It may be pleaded that the constitutional right of the Auditor-General remains. Yet, I give you the constitutional conundrum that up to now the Auditor-General has not devised the machinery to control and the accounts of the Reserve Bank because money is required, staff is required and so many things are required. I remember I attacked Shanmukham Chetty on the other side, in 1948; and when he amended the Reserve Bank of India Act I felt that the authority of the Auditor-General, as provided in the Constitution had been recognised in the Reserve Bank Act, although it is yet to function properly. I do hope the Finance Ministry will see their way to amend clause 41 to have the

supreme authority of the Auditor-General, which does not take away the right to appoint other auditors. Of course, in the State Financial Corporations Act it has been said that one of the auditors in the private sector must be approved by the Auditor-General.

I do not agree with Shri Guha when he wanted to tell us that the establishment of the societies, the States being parties and all that will take time. He does not envisage that in a couple of years we will get rural credit in such a way that rural indebtedness will vanish and there will be prosperity all round. But, I do hope and urge on the Government that they must expedite the devising of the machinery so that the 400 banks that will be started by the State Bank—200 are there already—will work in the proper spirit and show that really we have achieved economic swaraj. Without that economic swaraj we have been suffering and Banks like the Imperial Bank of India were responsible for retarding the progress of rural credit.

Shri H. N. Mukerjee (Calcutta North-East): Mr. Deputy-Speaker, when last December the announcement was made by Government regarding the nationalisation of the Imperial Bank and its amalgamation with a new State Bank of India, it was welcomed by broad sections of the people. That is why we look upon this Bill, in spite of its shortcomings, as a step in the right direction. It was very appropriate that the discussion on the Bill has been opened by my respected friend Mr. B. Das. We have heard so many times in this House references which he has made to the role of the Imperial Bank in the old days. This Imperial Bank has a long history of being one of the most important financial instruments in the hands of British finance capital in India in their attempt to stifle the growth of Indian commerce and industry and to keep India in a state of planned backwardness as hewers of wood and drawers of water. I remember very distinctly the other

[Shri H. N. Mukerjee]

day, when Mr. Deshmukh introduced this Bill, there was a glow of joy on Mr. Das's face. That reminded me of the symbolic significance of the Imperial Bank as it has existed up to date and that is why any attack on this fortress of finance capital in the interests of the people is certainly to be welcomed.

In recent years, we have seen the somewhat coy entry of Indian interests into the portals of the Imperial Bank. None the less, British interests are still quite powerful and, perhaps, I might justifiably say that it is British and Indian monopolists who have been controlling the Bank. This Bank has been disposing of deposits to the tune of over Rs. 220 crores out of the total deposits of about Rs. 800 crores in the Scheduled Banks. Now, generally speaking, these deposits have been utilised in the interests of the monopolists and their allies and not for helping the small man either in industry or in business. The small man continues up to date to suffer from a cruel lack of credit facilities. And so, this decision to nationalise the Imperial Bank is certainly welcome to the public the present Congress dispensation, that the huge resources which are utilised in the present fashion under the auspices of the Imperial Bank will, from now onwards, be utilised for national advance and not to further the sectional and narrow interests of monopolists and speculators.

I feel, however, that the Bill requires to be drastically improved if it is to come up to people's expectations. I feel that there must initially be a clearcut realisation that, in the present context of things if there is to be advance, the public sector must be moving up and banking operations of different descriptions must come increasingly under greater State control. We have heard the Prime Minister, here as well as outside, speak of the State controlling the strategic economic heights in order to have over-all control of the country's economy. Now, if the apparatus

of banking is left to be manipulated predominantly by the private sector, then we shall be in for trouble and I feel that in this Bill there are lacunae which show that the predominance of the private sector is not yet challenged effectively by the proposed legislation. Government, therefore, I fear, is torn by conflicting attachments and is apparently unable to make up its mind properly and squarely in these issues; and, in this Bill, in relation to the Imperial Bank there is serious evidence of faltering and indecision.

I would like to point out, in the first instance, how this Bill proposes, after acquiring the Imperial Bank, to establish a new State Bank, with an authorised capital of Rs. 20 crores of which 45 per cent would be thrown open as shares to the public, but preference will be given in allotting the shares to the present shareholders of the Imperial Bank. I fear that here is the mechanism by which the monopolists in control today would get back into their position of power. That is not all. There are so many other provisions besides. The individual shareholders are going to elect under clause 19 some 6 Directors. Eight Directors again will be nominated by the Central Government and clause 19 is very specific. They will be nominated by the Central Government in consultation with the Reserve Bank to represent, as far as possible, territorial and economic interests, and in such a manner that not less than 2 of them have experience of co-operation and rural economy and the others have experience in commerce and industry and banking and finance. I fear that under the guise of experience in commerce and industry, banking and finance—experience which will be assessed by, I am sure, my hon. friend the Minister for Commerce and Industry, in the first instance under the guise of this kind of experience representatives of big money will filter in. Yesterday, I asked a question of the Minister with the usual result that there was no answer. I asked

whether it was or was not a fact that we have on State corporations people nominated as directors by the Government of this country who have been arraigned and found to be guilty by the Income-tax Investigation Commission. There was no reply to it. I do not know. But I fear that such people are among the top dogs and the top-notchers in our economy.

The other day, my friend Shri Tulsidas was making certain propositions regarding the income-tax provisions. I told him, and he did not appear to disagree, that his case is vitiated by the fact that there are these tax-thieves who are masquerading in different guises into powerful positions. Such people are going to be very likely nominated to positions of importance for the purpose of general superintendence and direction of the affairs of the State Bank. I fear therefore that there is considerable room in this Bill for continuation of the domination of monopolists in the Imperial Bank.

I find also that exactly those very people who opposed the idea of the nationalisation of the Imperial Bank are being taken into confidence and they are being put into positions of power. The Federation of Indian Chambers of Commerce and Industry passed only the other day a resolution unanimously protesting against all kinds of things, protesting against the proposed amendment of the Constitution which has since gone through and also protesting unanimously against the nationalisation of the Imperial Bank. We have seen also the meeting of the shareholders of the Imperial Bank and they again have unanimously passed a resolution of protest against the nationalisation of the Imperial Bank. Now, these are the people who have been brought in by Government, not so much by the back-door but quite openly by the front door, into positions of power and authority.

I remember last year, on the 30th August, there was a discussion in this House on the Government modification of the award of a tribunal in respect

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of the Bank employees, and on that occasion the Finance Minister, Shri C. D. Deshmukh, said that one of the reasons why banking is not spreading in this country is that in rural areas credit facilities are not offered by the banks which are working today, because the banks want profits; they want to make sure of their pound of flesh. The Imperial Bank has been playing 16 per cent. dividend for a number of years free of income-tax. There are so many other cases of banks making enormous profits and Shri Deshmukh said that they did not venture out into rural areas; they did not venture out into rural areas because of the economic imperative of the capitalist system which is that profits alone make the world go round, and since in their computation villages are benighted specimens of human existence, the banks did not choose to enter into those areas. That being so, how is it that we are going to trust so many of their number to get into positions of authority in the Central Board of the State Bank of India, and to superintend its affairs when the job of the State Bank of India would be very largely to supply rural credit. It is exactly the people who are opposed to the idea of a new kind of society where there must be some kind of integration of life between city and village, people who are entirely opposed to that idea because the only God which they worship is the God of money—Mammon, with a capital M, it is exactly that kind of people that we are bringing under this Bill into positions of power.

Actually, at the meeting of the shareholders of the Imperial Bank, a lot of tears was shed and the Chairman said it was the funeral oration which he was making in respect of the Imperial Bank and even resolutions were sent to the Government that the Government of India should start a separate Rural Credit Corporation. That is to say, these people wanted to wash their hands clean of any idea of association with rural credit. They are accustomed to the kind of operation

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which they have been pursuing for so many years. Shri B. Das has told us something of all that. They want to continue their operations in the same old manner and that is why even at the last meeting they had a resolution which was not perhaps passed—I am not very sure of this—but in the *Eastern Economist* of the 15th April, I saw that there was a resolution suggested by one of the shareholders that there should be a separate Rural Credit Corporation. I find therefore that Government is depending upon exactly those very people who opposed the very idea which is adumbrated in the Statement of Objects and Reasons in regard to this Bill.

Now, in regard to the question of compensation, I am not going into the abstract question of compensation because my experience is that whichever way we try to put it, it is bound to be distorted by Government and since Government have the monopoly of all the avenues of propaganda and publicity, our point of view does not get across to the people. In any case, at the present moment, there is no call for it. I am not going into the abstract question. I am not going into the question of the morality or immorality of compensation even though I recall certain occasions when the Prime Minister has said that if you bring in the question of morality, compensation need not be paid for the tainted money which flaunts so shamelessly in our country and in every other capitalist country today. From the pragmatic point of view, from the point of view of practicality, let us find out—we have to make some compromises in real life—let us find out whether the compromise which we are going to make is a fair compromise or not. My friend Shri B. Das thinks that since money remains in this country very largely, it is a compromise even though we are paying quite a lot of money to those shareholders. I am not very sure about the figures because I have not been able to get hold of the recent figures in this direction.

I do not exactly know the British participation, as far as share-holding in the Imperial Bank is concerned. I am not at the moment making a very big point of that, but in as far as the compensation proposed at present is concerned, I consider that this is much too much. Government proposes to pay compensation to the shareholders at the rate of Rs. 1,765-10-0 for every fully paid-up share of the face value of Rs. 500 and Rs. 431-12-4 for every partly paid-up share of face value of Rs. 125. In the case of fully paid-up shares alone the payment would amount to over Rs. 16 crores. In this House, we get accustomed to hearing crores of rupees being banded about verbally as if they do not matter. We have no thought, it seems, as to how crores of rupees are made up. But I feel we are in this manner going to manufacture in our country certain fortresses, so to speak, very strongly fortified fortresses, of capitalist interests. If we are going towards a socialist pattern of society and if, at the same time, we are making provision for enormous amounts by way of compensation or otherwise to this or that class of property-owners, we are creating in this country strong fortresses of capitalist interests which in times of emergency would make their presence felt. Today, the meeting of the shareholders of the Imperial Bank leads to a lot of shedding of powers and a spate of resolutions of protest. But in times of emergency when something happens which is going to give a chance to those people who sit on their enormous money-bags, then they are going to see it that their interests are preserved and developed in this country. Remembering that, and remembering our talk about the advance towards the socialist pattern of society, we are making this gift of enormous sums of money to property interests. An argument has been put that this figure of Rs. 1700/- and odd is fair, being market quotations in the twelve months of 1954. But this argument

does not hold water. We are not very familiar—at least personally I have not even ever been inside the portals of the stock exchanges—but it is more or less common knowledge that the prices quoted in the stock market for stocks and shares as a result of speculation pure and simple do not affect the capital investment in any undertaking. For example, if somebody transfers his share in the Imperial Bank for Rs. 2000 to some one else, it does not mean that the investment in the Imperial Bank has gone up. It continues to be the same Rs. 500 for that share. We feel that when the State comes into the picture and decides to nationalise an undertaking in the national interests, there is no justification, generally speaking,—there may be exceptions in some particular special cases—for calling upon the people to pay not only the capital invested, but also the inflated values arising out of speculation. That is a general proposition which certainly we would like to make.

I reiterate that if the State is for an economic policy with some pretension to morality and ethical justification, we cannot take into account the speculative transactions of the sort that go on in the stock exchanges. We may pay for what was invested and not for the inflated prices for shares. As far as the Imperial Bank is concerned, so much profit has already been taken by way of income-tax free dividends.

In the case of the Imperial Bank, as far as I know, the shares are generally held by people who want a stable investment. Generally speaking,—I cannot be absolutely positive; I want the Government to examine these figures—a large number of these shares must be held by people for a very long time. Sometimes, it goes on from generation to generation, so to speak. People who want a very stable investment, something which brings a guaranteed return, would have invested in Imperial Bank shares. People who bought these shares in the thirties may

perhaps have paid Rs. 600 for a share. These wonderful gentlemen, the shareholders of the Imperial Bank, however, met and they demanded that this compensation of Rs. 1,700 and odd was rather too little. They said that the shares should be computed on the average market value over a fair period prior to February, 1948, because that would give them the real pound of flesh and that would really enable them to make a dent into our national economy in such a fashion that they alone would flourish and other parts of the national anatomy would languish. That is their demand. As far as we are concerned, we say that the payment should be made on the face value. There may be exceptions, but that should be the general rule.

The shareholders of the Imperial Bank have also tried plaintively to point out that there are many widows and trustees who are shareholders of the Imperial Bank. They must be very prosperous widows. At any rate, I ask my hon. friends here to find out how many of their acquaintances are shareholders in the Imperial Bank. I do not think I move about in very proletarian company every day of my life. I hardly know people who are even depositors in the Imperial Bank. To be a depositor in the Imperial Bank, you have to have a certain amount of money to your credit all the time. Most of the people, even among the very small minority who have bank accounts, do not have accounts with the Imperial Bank, let alone being shareholders in the Imperial Bank. Anyhow, a vision of widows and trustees has been put before the House and we are told that we shall be doing a lot of injustice and disservice to the interests of very deserving people if we give them less by way of compensation. I would suggest, if the Government wishes to work out the figures, let us try to find out ways and means of being just and fair to a perhaps microscopic minority of the middle class holders of the shares. You can easily find out. You find out the date of transfer of the shares and find out

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the price which prevailed in that period: You make sure that the compensation that you pay will not be less than what the price was which the shareholder concerned actually paid at the time. Then, we can find out as to the class of the people who are the shareholders in the Imperial Bank. The Income-tax returns can be called into the picture and we can find out whether these people belong to the lower category of our social and economic life in which case a little more compensation may be paid.

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** If I may enlighten the hon. Member, the total number of shareholders on 31st December 1954 was 10743. I have not got the break-up for 1954; I have got the break-up for 1953. The total was 10472 and out of this number, 7256 namely 69 per cent were held by people who have ten shares or less.

**Shri R. K. Chaudhuri (Gauhati):** Are they all Indians?

**Shri H. N. Mukerjee:** I have made a suggestion....

**Shri R. K. Chaudhuri:** On a point of order, Sir, I asked a question and the hon. Minister has run away.

**Mr. Deputy-Speaker:** The hon. Minister, as every hon. Member knows, is too courageous to be scared away by such remarks.

**Shri H. N. Mukerjee:** I wish that when, after the consideration stage is over, the Members of the House interested in this measure, who have given notice of amendments to the Bill, would sit down together and discuss the details, and whatever statistics may be supplied by Government would come in handy on that occasion. I have made a suggestion that generally speaking, we support the idea of payment of the face value. As far as certain special cases are concerned, if the facts and statistics available with the Government warrant such a procedure, we may consider the idea of

compensating those particular shareholders at a higher value than the face value of the shares that they have been holding.

I find that in clause 11 there is a reference to restricting the individual holdings. It is said that individual holdings are not to exceed 5 per cent of the issue capital. To my mind, this is a preposterous figure. Individual holdings must be delimited at a very much lower figure. I would also like to say that it is necessary that we should save out of the compensation however much we can, because such a saving will enable us to avoid having to pay subsidies to branches which must be opened and which in the early years are very likely to lose. Our over-all economy will be assisted if we minimise the amount of compensation.

I will now come to the question of the position of the employees. I feel that instead of trusting these people who are now ruling the roost in our financial life, Government should trust the common man from among the ranks of whom the employees are drawn, whichever category they might belong to. The employees would be the Government's and the country's watchful eyes and ears, as far as the operation of the State Bank is concerned. They would be a check against mismanagement and fraud. We have heard, during the discussion of the Labour Ministry's Demands, the Labour Minister stating that he wanted to work out a scheme regarding the association of workers in the direction of industry. This idea has got to be brought to the forefront—if we are at all serious—even remotely—about a socialistic pattern of society. The other day, the Prime Minister, speaking on the Constitution Amendment Bill, referred to the urgency of the activisation of the base of society. He said, you cannot impose reforms from the top, you must work from below. You must be in touch with the common people who matter, the people in the countryside, in the towns, workers, peasants

and so on. If we are going to trust the common people, it is necessary that we show them concretely that we are doing something in this legislation.

That is why I suggest that ways and means be worked out for giving the workers of the Imperial Bank a share in the direction. It may sound rather fantastic to some ears, but it would not be at all fantastic if we are at all serious about basic changes in our society and in our economy. And in any case, if you cannot give them a share in the direction of the bank, you can at least give them better conditions of work, you can at least guarantee their salary and their bonus, which is not mentioned in the Bill before us; you can at least see that these are all guaranteed when the transfer takes place.

In regard to salary scales also, a point has been mentioned very often in this House. Hon. Members like Shri Gadgil have suggested that there should be a ceiling on incomes. But anyhow, in regard to State employment, perhaps we might start with the State Bank and we might say that salaries should not show a greater disparity than a certain proportion. I would not—dogmatically—because we are always called "dogmatic" by Government—lay down a particular proportion, but there ought to be a definite proportion laid down which shall not be circumvented, which shall not be exceeded as far as salary scale is concerned. The minimum salary should be fixed and the maximum salary should also be fixed.

There are so many other matters which suggest themselves for consideration, particularly in regard to rural credit, but I am sure all these matters are going to be discussed thoroughly by this House in the time, which, unfortunately, is rather short, which is at our disposal. So without taking more of the time of this House, I would say that I would welcome this Bill as far as it goes. It is a step in the right direction, but it needs to be basically overhauled and I fear that even though we are

being marched rather fast by Government, we have to pass this Bill; Government comes to us almost with a pistol aimed at our heart saying that we have to pass this here and now or there will be a calamity. I do not understand all these manoeuvrings in the legislative sphere, but we are ready and willing to help Government in expediting the passage of this legislation. And we are hoping however dimly, because of the present Congress dispensation being what it is, that at least some very drastic alterations would be incorporated in the provisions of this Bill.

**Shri T. T. Krishnamachari:** On a point of personal explanation. My hon. friend, Shri R. K. Chaudhuri charged me with running away. Out of 10,743 shareholders—I ran away merely to get this information—9,785 are Indians, 616 non-Indians and 342 trusts and companies.

**Shri R. K. Chaudhuri:** Thank you.

**Mr. Deputy-Speaker:** What is the total share of the amount of each?

**Shri T. T. Krishnamachari:** I have not got the break-up.

**Dr. Lanka Sundaram (Visakhapatnam):** Run again.

**Mr. Deputy-Speaker:** It is not a matter for laughter. He will go and ask again.

**श्री एस० सी० चित्तराम (जिला असीगढ़) :** मैं पूछना चाहता हूँ कि नान-इंडियन्स के शेयर्स कितने हैं?

**Mr. Deputy-Speaker:** 616.

**Shri N. C. Chatterjee (Hooghly):** I think all sections of this House will agree that it is an anachronism to have an Imperial Bank of India in free India after seven years of emancipation from British imperial domination. I do agree with some of the previous speakers that that bank was run really in the interest of British commerce and British industry, and to a large extent failed to do its duty in stimulating Indian industry. I am also conscious that although imperialism from the political sector is removed, in the industrial sector

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it still survives. You know what is happening in the big conference which is now meeting in Bandung, how colonial interests are still fighting to maintain their stranglehold over Asian and African countries. It is not one day too soon that this Bill has come before us and I think the Government deserve our congratulations for sponsoring this motion.

Now, the Reserve Bank of India took the right step, in my humble opinion, when it appointed a Committee of Direction in August 1951 for conducting an all-India rural credit survey. We have not yet got the full report, but a summary has been circulated and that summary shows that the Committee has done its work properly, has made a thorough study and has recommended the acceptance of a principle not really of nationalisation—it is a high-sounding expression—but of State participation and State partnership. I hope that this House will accept that principle and would give its *imprimatur* to that recommendation. It has recommended that that principle should be adopted at all levels of the co-operative structure and that an integrated solution to the rural credit problem should be brought about and at the earliest possible date. There is no doubt that our agrarian economy is suffering badly because of lack of rural credit, and in spite of all our planning, the First Five Year Plan and the Second Five Year Plan, nothing remarkable can ever be achieved unless we pay our attention to the problem of rural credit. Rural credit must be directed principally towards improved production and must be available to all credit-worthy people in the countryside. Now, they have pointed out that the inadequacy of all co-operative credit is dismal; there is functional malady as well as structural and also administrative defects. But the real problem is socio-economic, lack of suitable personnel, lack of training and literacy and lack of transport facilities etc. in the country. Private financial power in this country has been largely located in

urban areas. The result has been that specially in some parts of India where the co-operative credit system has not properly functioned, there has been great disaster. In my part of the country, I am ashamed to say the co-operative credit system has been a failure. I was talking to an hon. friend from Assam. I met him last night. He was in charge of the co-operative credit department for some time as Minister or as Parliamentary Secretary. He says the weakest link in the Ministry is placed in charge of co-operative credit and nobody takes the department seriously. The result has been a great disaster. This report on rural credit survey has pronounced its judgment that 'co-operation has failed in India, but co-operation must succeed'. I do not know what it means, 'Co-operation has failed, but co-operation must succeed'. But it can succeed only by a colossal national effort. That move is being taken today. Banking institutions in a commercialised economy should not be concentrated only in big urban areas; they must penetrate the rural areas, as my friend, Shri H. N. Mukerjee, was saying. The products of cottage industries can never compete with those of large-scale, organised industries, unless you afford proper credit facilities and rescue the poor ryot and the villager from the domination of the *maha-jan*. We must minimise the socio-economic defects of this state of affairs which have paralysed the small industries and cottage industries, and we must try and knock out urban-mindedness from the big sponsors of these banks as well as from our rulers who are occupying the Treasury Benches not only here but also in the State Legislatures.

Now, the State Bank of India has come about as a result of that recommendation. But there are certain features which need the attention of the hon. Minister. I am sorry that the Finance Minister is not here. The first thing is in respect of clause 7(1). It says:—

"Every officer or other employee of the Imperial Bank (excluding the managing director, the deputy managing director and other directors) in the employment of the Imperial Bank immediately before the 19th day of December 1954, and continuing in such employment on the appointed day, shall as from the appointed day, become an officer or other employee...."

1 P.M.

I am sorry that Sir Vithal Chandavarkar has been very strongly criticised by my friend, Shri A. C. Guha, and castigated by Shri H. N. Mukerjee. After all, why not take it as the song of a dying swan, delivering the funeral oration? Possibly he said that because this Bill meant no appreciation of the work that they did. But those who have had the privilege of knowing Sir Vithal Chandavarkar know that he is balanced, moderate, sober, a man of great experience. He would not say anything which will go against the national interest of the country. But I do not understand why this Bill is saying that the managing director and the deputy managing director should not be continued. So far as I know, they get high salaries. I think one is getting Rs. 7,500, higher than the salary of the Chief Justice of India. Naturally we do not want that the salaries should be retained. I think the Chief Justice of India gets Rs. 5,500 per month and you may say that the Imperial Bank has no business to pay these high salaries to its Managing Director or Deputy Managing Director. You reduce the salaries, but why should you say that they have no right to continue? If they make it a condition that they must continue to have that fabulous salary, that is a different thing. So far as I know, they have risen from the lowest rung of the ladder, they have progressed step by step, by merit and by dint of ability, they have gone up not by favouritism or jobbery or nepotism. If you find that men are there who have done their duties properly, you should not in this Bill

say that they should be dismissed or that they should lose their jobs. That is not fair and proper.

There is another thing, namely, that power is being taken to completely alter the terms, remuneration, conditions, rights and privileges, gratuities and other matters of all the employees. I would suggest that that would not be fair. You are continuing them for the present, but you are saying that their terms and condition can be completely altered even without reference to them. I do not know whether that is proper and whether that is not inconsistent with the spirit of the Constitution. They may not be technically coming under article 310 or article 311 of the Constitution, but it would be only right that the clause should be so worded as to retain the existing facilities enjoyed by employees. Many of them are from the middle-classes and the pay and allowance and other conditions should be guaranteed and nothing should be done to the detriment of these people without even giving them an opportunity of having their say in the matter.

There is one other point which I should like to dwell upon, not in a spirit of provincialism or parochialism, but I would ask the hon. Minister to realise the importance of clause 16, sub-clause (1), which says:

"Unless otherwise provided by the Central Government, by notification in the Official Gazette, the central office of the State Bank shall be at Bombay."

So far as I know, the present arrangement provides that the central office of the Imperial Bank of India functions both in Bombay and in Calcutta and divided according to its convenience, and that facilitates the business community ranged in the western part of India as well as in the eastern part of India. I am not only pleading for West Bengal—it is a truncated State—but I am also pleading for Assam, Orissa, and Bihar. Shri T. T. Krishnamachari seems to be amused: I am not talking like Shri Gadgil.

**Shri T. T. Krishnamachari:** Individual liberty.

**Shri N. C. Chatterjee:** I do not know, but Bombay has a bigger pull and Bombay and Ahmedabad may quarrel on the floor of the House and would then unite. What I am pointing out is that it is not fair to say so in the Bill. Under the present arrangement, the central office is situated both in Bombay and in Calcutta; the entire mercantile community, functioning in Assam, Orissa, Bihar and also a sector of U.P. will be beneted because, as you know, Calcutta is their entrepot, and for a good part of North India. It is only right that the hon. Minister should consider whether the present system should not continue. I do not know why a departure should be made now. I would, therefore, strongly suggest that the present system should be continued and the present clause be amended accordingly. No reasons have been given for this change at all.

Look at clause 19 on page 7. I do not at all share the view of Shri Mukerjee when he says that this is a contrivance for pampering the big business or the blackmarketeers. The clause provides that:

"The Central Board shall consist of the following, namely:"

Out of them, six will be elected, some will be appointed, eight will be nominated by the Central Government in consultation with the Reserve Bank, to represent as far as possible territorial and economic interests. What is wrong there? This is a just provision. Why should one use the expression that this is meant to bring in indirectly, or possibly directly, tax-thieves and tax-dodgers? That is a very very improper suggestion to make. Do you believe that Shri C. D. Deshmukh, as Finance Minister, will ever nominate tax-thieves and tax-dodgers, or men who have actually been censured of blackmarketing or adversely reported upon by the Investigating Commission, as directors to be nominated by the Central Government? That must be done in con-

sultation with the Reserve Bank for the purpose of filling up the Central Board of Directors of the State Bank of India. I think that is a very unworthy suggestion to make and I do not think any Minister will ever have the hardihood to use his powers in that manner.

**Mr. Deputy-Speaker:** Evidently that provision is intended for the Reserve Bank which holds 55 per cent of the shares....

**Shri N. C. Chatterjee:** But what is Shri Mukerjee's suggestion? I have taken down what he said—tax thieves may come in and they may be pampered indirectly and even directly by this kind of provision. When we have got 55 per cent of the shares for the Reserve Bank, then it means that if you have Rs. 10 crores capital; about Rs. 5,50,00,000 will be Reserve Bank's share and Parliament gives the power to Government to nominate eight Directors in consultation with the biggest shareholder, having regard to the regional and also the particular economic interests concerned. I do not think there is anything wrong in this provision. I do not believe there is any necessity for attributing any sinister design to the sponsors of the Bill on this account. What I am saying is that according to the present arrangement, the Secretaries of the Local Head Offices of the Imperial Bank are also members of the Central Board and I think it is vital that the men who really run the offices in the respective regions should be there on the Central Board. I would ask the hon. Minister to consider my suggestion that the heads or the Secretaries of the local offices should be included in the Board of Directors. They will be sometimes much more useful than all the other people who represent regional interests. I do not know why the Minister is so allergic to Members of Parliament. What crime have they committed? I do not know why they are being made 'untouchable' in this country. Some of them may be quite capable of representing territorial or economic interests and perfectly desirable as Directors. I do not know the necessity

for putting them in the 'untouchable' class and say that they should not be qualified for any such appointment.

One other thing, with regard to compensation, I know that we are now assuming very wide, unlimited, uncanalised, unrestricted, unfettered powers in paying compensation. You have made it non-justiciable by the Constitution (Amendment) Bill and nobody can go to the courts for the purpose of challenging the adequacy or the quantum of compensation given unless he says that it is illusory and that a fraud on the Constitution has been played. The doors of the High Courts and the Supreme Court, in fact of every court, in India are closed and he is banned from entering them. But remember that the Commerce Minister's figures show that they are not big businessmen or capitalists who are holding the majority of the Reserve Bank shares. I know from my experience in my part of the country, most of them are middle-class families and they are not all rich people. These are not the kind of speculative shares which flourish in the *fatka* market. They are never quoted there. They are steady investment shares. They are shares which maintain the strength and credit of the country's economy. You may like it, or you may dislike it, but these are never looked upon as speculative shares of the type in which people gamble in the *fatka* market on the basis of differences or wagering contracts. They never deal in the Reserve Bank shares. The Imperial Bank shares or the Reserve Bank shares are looked upon as solid investment shares. The middle class people, small businessmen, or small professional men earning some money or investing the little money that they can save in these shares.

Perhaps—I do not know for how many years, but—at least for the last 20 years, these shares must have been worth about Rs. 1,100 or Rs. 1,200. I think for more than 20 years the shares have all been quoted at the minimum price of Rs. 1,200, Rs. 1,260 and

so on, and it will not be right when people have bought at that rate to say now that you will pay them anything less than what the hon. Minister has quoted. Look at the amendment of my hon. friend Shri R. D. Mishra. He has suggested Rs. 1,580 per share. The hon. Minister suggests that they should be paid at the rate of Rs. 1,765 in the case of a fully paid-up share, and at Rs. 431-12 in the case of a partly paid-up share. But my hon. friend Shri R. D. Mishra suggests, no, you pay them at the rate of Rs. 1,580 and Rs. 390 respectively. I do not know on what basis he has worked out the figures. But I think the basis on which we have paid in other cases is a fair basis, and a just basis. After all, all the money will not be paid immediately, and all the money will not be paid in cash. If you take that into account, and if you also remember that the majority of shareholders are Indians, and the majority are holding only five shares, six shares, or seven shares or ten shares, you will find that you are not pampering to those who are already pampered. You are not inflating the big bosses of capital. You are really rendering justice and equity to the small householder, to the small businessman, to the small investors, and to the genuine investors.

**Shri S. L. Saksena (Gorakhpur Distt.—North):** I congratulate the Government on having brought forward this important measure. For long this House has agitated for the nationalisation of the Imperial Bank, and I am glad that the day has now come. I am glad also that this nationalisation has come on the basis of the report of the Rural Credit Survey Committee. So, one of the most urgent needs of the country has been recognised and given the attention which should have been given to it before. I hope from now onwards Government will realise that if they want the development of this country then the basic needs of agricultural development must be recognised and given top priority.

[Shri S. L. Saksena]

In China I tried to see what was the basis of their phenomenal development. I found that land reform and the way in which they have helped the peasantry were the main basis of it. The peasants' power has grown tremendously, and that is the reason why they have prospered so much. In our country also I have been working among the peasants for the last 35 years, but I am sorry to have to say that even though it is now seven or eight years since we attained freedom, the condition of the rural masses has not improved. If I may say so, in most cases, it has deteriorated. I therefore wonder whether our freedom has brought to us what it had promised to us.

One of the causes for their present condition, as I said yesterday, is the utter lack of rural credit. They cannot generally get a single pie on credit if they want it in their time of need. In fact, while in the Congress, we were great complainants of money-lenders and usurers, and we passed some Acts to scale down the rural debts that had piled up. But that was only with regard to the past debts. We did not make any provision for providing them with new credit. The result was that after the scaling down of debts they again became much more indebted.

I therefore hope that the State Bank of India will give practical facilities of credit to these rural people, and will see to it that rural credit facilities are given to every cultivator and in fact to everybody in the rural side. In fact, all your community projects and all your development blocks in the rural areas will be without a soul, unless you can provide them with this rural credit. At present, it is all completely dried up.

As I told you the other day, lakhs of acres of land in my district remained unsown, because the peasants could not get seed. There was nobody to give them seed, or to give them money

on credit. So the lands remained fallow after they had been ploughed up and prepared for being sown. That is the condition even today. Similarly, when any casualty comes there are deaths of starvation, and in 1952 several thousand people died in my own constituency because there had been successive failure of crops for the last three years, and they had no credit with them. They had to sell their lands for a mess of pottage, in order to keep themselves alive for a few days, and ultimately they expired, because they could not get any money or food. The shylocks that is these moneylenders advance them a loan of Rs. 5 or so, and charge them Rs. 100 or so, because the poor villagers are ignorant, and they do not know how to keep accounts and have to pay whatever the moneylender demands. That is their condition. Even taccavi loans are not received by them in full. When they are advanced, half the money is taken by the patwaris and by the staff that give them the loans. In fact, I remember that some deductions were made from the sugarcane price some years back. When in 1949 the sugarcane prices rose to Rs. 2 per md., it was decided to make a deduction of As. -/- per md. and to put it in the Savings Bank in the Post Office in the name of each cane cultivator as a kind of Compulsory Saving, but the payment of the money back has been the most difficult. The most scandalous stories have been heard about it. There have been people who have been playing the role of middlemen; if you give Rs. 50 they will cash a bond for Rs. 100, and the poor people have not even got the money which they had earned out of the sugarcane prices. Millions of rupees are still lying unpaid. This is extraordinary.

I want that the rural credit should be such that the peasant can get his money at the proper time to meet his needs. I therefore hope that when this Bill becomes law it will be a source of real relief to the peasantry and will help them to meet all their needs,

such as wells, manure, bullocks, agricultural implements etc. which are required for agricultural operations.

There are villages where there are no wells. In my constituency, there are several villages like that. I have received hundreds of petitions from the people saying that they have been drinking water from muddy ponds, and when they dry up in summer, they have got to go miles and miles in search of water. That is the condition of the peasantry today, even after we have had the Plan.

**Mr. Deputy-Speaker:** How is that relevant to the State Bank of India Bill?

**Shri S. L. Saksena:** We should see that people get loans even for these needs. That is very necessary in order that the people in the rural areas also may feel that we are doing something for them, and that we have their interests at heart. Rural credit is a crying necessity. I therefore welcome this measure. I welcome it also because it has been born out of the Rural Credit Survey Committee's report which has concentrated attention on these problems. From that point of view also I support this Bill.

There is also very great force in the criticisms which my hon. friend Shri H. N. Mukerjee has made. I think he has done a service to the country and to this House by bringing to light certain important facts. In his speech he has said that about Rs. 61 crores are to be paid as compensation to the shareholders. I think Government will have to revise this.

**Shri T. T. Krishnamachari:** He said Rs. 16 crores, I think.

**Mr. Deputy-Speaker:** I think that is what he said.

**Shri T. T. Krishnamachari:** The total amount of compensation that will have to be paid will be about Rs. 19 crores and the bulk of the shareholders, that has been mentioned by him, i.e. people who hold Rs. 500 shares, will get about Rs. 16 crores. Any way, the total amount of com-

pensation is about Rs. 19 crores, not Rs. 16 crores.

**Shri H. N. Mukerjee:** Is that the final estimate?

**Shri S. L. Saksena:** Well, Sir, even Rs. 20 crores is a big sum you must understand. I agree, if there are widows or other poor people, certainly they should be given compensation at a better rate. But, I do not think that a majority of the shareholders of this Bank can be very poor people. Then again, we should not treat different people by different standards. I know of zamindary abolition in my State. We paid compensation to all the landlords of about Rs. 219 crores only for taking over their zamindary. We have paid them at a rate which does not compare at all with the prevailing market rate. We have paid almost nothing compared to the present market rate.

Now, you do not want to pay compensation to these shareholders at the face value of the shares but you want to pay them at the value quoted for these shares in the share market which I think is not fair. After all the share market manipulates and the money which is quoted today has not been invested in the Imperial Bank. I see no reason why we should pay them at that rate. They have got out of the shares, profits more than the amount invested. So I think there must be a revision of these scales. There must be some basis. I suggest you should pay at the rate at which the shares were purchased by the shareholders. That will be paying them exactly what they invested in their shares. Besides they have taken the profits. That would be something fair. You pay just the amount at which the shares were purchased. But to pay them at the speculative value in the market will be most unfair and Rs. 20 crores by way of compensation, is I think an amount which we cannot bear. I, therefore, hope that this problem will be looked into and there will be some revision. I think it will be a just compromise to pay them at the rate at which the shares were actually purchased by the shareholders.

[**Shri S. L. Saksena**]

I should have liked to know the value of shares held by foreign interests not because I want that there should be any discrimination, but I want to know the exact position so that we can know how far there is foreign control over our Bank.

**Mr. Deputy-Speaker:** The hon. Minister has passed on a chit to me which says: Non-Indians 616, 10·6 per cent of the value of the entire paid up capital; Indians 9785 61·74 per cent of the total value of the shares; Trusts and companies 324—27·7 per cent.

**Shri S. L. Saksena:** So, the common people hold only 61·7 per cent and the rest are held by cartels and foreign interests.

**Mr. Deputy-Speaker:** Foreign interests 10·6 per cent. Trusts and companies 27·7 per cent. There are no cartels. Of course, the insurance companies and other banks are entitled to hold shares—I mean joint stock banks.

**Shri T. B. Vittal Rao (Khammam):** What about foreign companies?

**Mr. Deputy-Speaker:** Non-Indians 616. I do not know if it includes companies also.

**Shri T. T. Krishnamachari:** There are no foreign companies.

**Shri Altekar (North Satara):** How many of these trusts and companies are non-Indians?

**Mr. Deputy-Speaker:** That is not here.

**Shri T. B. Vittal Rao:** They must send up a memorandum.

**Shri S. L. Saksena:** I do not want to have any sort of discrimination in the matter of compensation. But I want that the new Bank should not be controlled by foreign interests. The provision that the same directors will have the shares allotted to them is very risky and dangerous. That means the control passes to these foreign people to that extent. I, therefore, hold, Sir, that in this State Bank no foreigner should be given

any shares. That must be clearly laid down so that the new Bank shall be managed in the interests of the State and not of foreign people. The history of the Imperial Bank of India is such that it has always been in the hands of the foreign people. Therefore, I hope that it shall be laid down that foreign people shall not be entitled to have any shares in the new State Bank.

Then, Sir, this is the beginning of nationalisation. I am very happy that sooner or later, all the banks will have been nationalised because they will not be able to compete with this Bank. I see in this Bill the beginning of nationalisation of the banking industry of the country and that is something for which I thank the Government. I hope very soon there shall be only one single national State Bank controlling all the financial interests of the country.

In the end I want to point out that we may learn from Chinese example. The State Bank in China has done marvellous work. In the year 1950 China was in a very bad condition. They had very big inflation. Prices were something today, something at night and something else in the morning. But, within four months of the coming into power by the Government the Central Bank in China brought all prices under control. They unified all the banking interests in the country and had one single banking system. The result was that they could stabilise the prices and invest money in national enterprises with the result that whereas their national revenue was only Rs. 1200 crores in 1950, it is now Rs. 46 hundred crores. That is something remarkable. The Chinese Government has advanced a rural Credit of 600 crores of rupees during the last five years. Have we done anything comparable? In my first speech during the budget discussion, I referred to the contribution made by the National Bank of China. I hope the State Bank of India will take lessons from it and see that it watches our interests equally well and that all our needs of rural credit are fully satisfied.

Then much has been said about co-operatives. I am glad it has been recognised that the working of the co-operatives in the country has not been a success. That does not mean that we should give up that field. I have seen in foreign countries like China, Russia, Germany and other places where I went, that co-operatives are the life and blood of the people. Everything they do is by co-operative methods and the co-operatives are a real help to the people. But, here in our country they have become full of corruption. As I said the other day, in my State the biggest co-operative is that of sugarcane-growers. But if you look into its working you will find that 90 per cent of the growers do not get any benefit. It is only the directors who use the co-operative in self interest. They take big loans, and the best implements. They alone derive benefit from these co-operatives. So, I would suggest to the hon. Minister again that he must have a thorough enquiry made into the working of the co-operatives. The movement is good, there is no doubt about it. I would request the Government to make use of the co-operatives properly.

Somebody told us,—I think the hon. Minister himself told us,— that while the Reserve Bank gave money at 5 per cent interest the co-operatives gave it out at 10 per cent interest to the people. That means they loan out the money at about several times the interest at which they take the loans. This is something very extra-ordinary. He also confessed that the co-operative movement was at fault. I repeat that the Government should appoint a high-power commission to go thoroughly into the question as to why co-operative movement is not successful in this country. Why can't we make it a powerful institution as it is in other countries. If we find that there are people who are responsible for making this institution corrupt, we must oust them. We must give encouragement to people who are members of the co-operatives and see that these institutions function in the national interest. I hope that the State

Bank of India will also contribute to the strengthening of rural co-operatives and see that these co-operatives are put in their proper form.

Then, about the management of this Bank. I do not agree with Shri H. N. Mukerjee that the Minister will put all sorts of people on the directorate and you will find amongst them black-marketeers and people who are guilty of tax evasion. I am sure he will appoint the best men and see that it is managed in the best interest of the country. I hope, Sir, that the constitution of the Bank is fairly good. I also hope that the Government will see to it that they do not allow themselves to be open to such criticisms as have been levelled here. There is one thing which I would like to say. It will be a very good thing in the beginning to have a director elected by the employees. You have been telling here, the Labour Minister particularly, that you want to associate the employees with the management of institutions. I hope it will be a very good beginning if you appoint a director elected by the employees. As one of the directors of the State Bank he will at least be able to voice the real feelings of the bank employees on its working and to point out what are the defects and so on. He will see to the benefits and interests of the employees. I do not think he can cause any disturbance because the employees themselves have elected him and he is one of the 20. It will be a good beginning and I think he will be of great help. The bank's function needs improvement and this will be a great contribution.

With these words, I commend the Bill and support it whole-heartedly.

**Shri Barman** (North Bengal—Reserve—Sch. Castes): Mr. Deputy-Speaker, I have heard the hon. Minister while speaking and he expressed high hopes for the rural areas. I congratulate him that he has been favoured in piloting this Bill. I wish, at the same time, to tell him that idea, profession and practice should go hand

[**Shri Barman**]

in hand. The rural area is already dried up so far as credit is concerned. And, with the introduction of land reforms, rural agricultural economy is further being straitened. We legislators, sometimes, take satisfaction in our minds by passing the Usurious Loans Act, the Moneylenders Bill and so on and so forth. But those who live in the rural areas and suffer from high usurious rates of interest know to their cost that by successive passing of Bills, perhaps, a certain percentage have been benefited, but, in most cases, usury and high rate of interest have been driven underground. Now the village money lenders and *sowcars* know how to get the pound of flesh. And, no law made by any Legislature can touch them when they have to deal with a man who is in immediate need of money on occasions when no one else is coming to help him. So, I earnestly beseech this Government that, as we say that justice delayed is justice denied, in the same way they should think that simply professing sympathy for the rural area and for agriculture and the agriculturist won't do. The situation in the rural area is becoming more and more acute. After the war and during the war there have been high prices of agricultural produce and though the prices of industrial products had risen very high, the agriculturists could manage. But, with the fast falling of the agricultural prices, their condition today is very much straitened. I again beseech that there should be no undue delay between profession and practice. With your permission, I want to quote a couplet from our immortal poet, Rabindra Nath Tagore. I take inspiration from Shri Altekar who, time and again, cites Rabindra Nath Tagore in this House. It runs thus:

स्वार्थर्त समाप्ति अपघाते, अकम्मात  
परिपूर्ण सरीरि मार्क दास्ता आघात ।  
विदीर्णि विरीर्णि करि चुर्ण करे तार  
घन भंभा भंकारित दुर्योग आंघार ।  
एकोर स्फर्थर्त कम्भ नाहि दिय स्थान  
दीर्घिकाल निर्सिलैर विराट विधान ।

In my humble way I have translated it.

"Greed ends in accident; it does not die a natural death. Sudden and hard blow demolishes it while in full exuberance of ecstasy in the darkest, stormiest night. The inexorable supreme law does not tolerate pride for a long time."

I only cite these immortal words to say to those who are sorry because their past days of exuberance are passing away, to remember these immortal lines. I do not accuse the shareholders of the Imperial Bank. We know that the shareholders, after they have put in their good money in something, forget all about it except at the time when they are to get some dividend or profit. It is the manager, or the managing agency or the directors who are practically masters of that capital and it is they who, according to their own choice or according to their own inclination, favour this man or that man. We know that the Rural Banking Enquiry Report, while supporting the Imperial Bank and saying that it is a very good institution, at the same time, recommended that this Imperial Bank and other commercial banks should go to the rural areas, open branches there so that the need of rural credit may be met. But, that was only a pious hope as we know to our cost. It did not come to fruition at all; because the directors or the managing directors, after they got the money from the simple shareholders, think it to be their own property and think simply of means of making profit out of it. They will not think of starting a bank in the rural area, of hazarding some capital expenditure, of hazarding other advances as there may be either profit or loss. It is good that the Government, after so many years and after so many doubts and researches, have come to their senses that those who work for profit cannot be expected to do anything for those who are being exploited. Those people have not done their duty. I do not accuse

the shareholders again. Those who managed the Imperial Bank have not done their duty and if the Government is now coming forward to take over this work as a State undertaking they should not be sorry but rather should thank themselves that up till now the Government was silent; they should now, with a good face, meet their end.

One point I would like to say in this connection with regard to compensation. I agree with some of my friends that those who have purchased the shares later on should not be expropriated because they have paid good money. It is not that everyone is a profiteer, every shareholder is a profiteer. My hon. friend Mr. Chatterjee said that it is really good money that has been paid in the purchase of these shares. I do not think that they should be expropriated. But at the same time, I think that we are, after much professions of making our country a welfare State, acting differently on different circumstances. In the case of the zamindari abolition, not only in the zamindari abolition but also while we are liquidating property held in *khas* by the agriculturists beyond a certain limit, we are providing in our State laws that up to a certain extent, up to a certain limit the rate of compensation should be so much but beyond that the rate will gradually diminish, which generally is known as a slab system of compensation. It is a very equitable and reasonable one. In the case of those who are entitled to compensation in an increasing measure, the compensation rate should be diminished. That was the principle adopted in the case of land legislation. Can we adopt the same principle here? We do not want to pay a single pie less to the small shareholders but should we not, at least, in order to maintain the principle here also, make some differentiation in the case of those who hold more number of shares? It may be a little difficult, but still this principle should be adopted by this

House so that we may not be accused of making a distinction between one place and another and at the same time we shall be faithful to our professions that we are really after a welfare State.

The other day, our Prime Minister said that if we compensate to the full, then the result will be that the big man will remain big and the poor man will remain poor. That is the declaration on the floor of this House. In the case in question, the compensation ratio may be different, but at least we should maintain the principle. Though the taking over of the zamindaris may not be a parallel case, when compared to the taking over of the banking concerns or acquiring the shares of a banking concern, at least the principle should be maintained. We just can diminish—whatever might be the difference—the amount of compensation as the number of shares go up. That is one of my humble submissions.

The hon. Minister said that agriculturists form a large proportion of the population of this country. Their circumstances have been greatly deteriorated, and if the Government do not do their duty, they may create a revolution some day. But I may tell him that the famished, poor and helpless agriculturists will never be able to bring a revolution in our country as such, because they are absolutely at the mercy of others. It is only in the case of industrial labour that we find that there are leaders who approach them and who guide them who create discontent among them. The leaders of these workers know that the industrial workers are concentrated masses and that they can create circumstances under which the employer will be bound to come down. But in the case of agriculturists they are scattered, they are poor. We generally call them *bhooka* and *nanga*. These people have not the courage, have not the audacity to create a revolution and no leader will spend

[Shri Barman]

his energy in collecting thousands of these people from ten or more villages and try to mobilise any agitation. They are absolutely helpless, and it is for Government to come to their help. Only after the introduction of adult franchise in our country they are being taken notice of because each of them has a vote. Otherwise, no one could take notice of them, much less create trouble among them. They entirely depend upon Government and it is for Government to look to their interests. They will never create any agitation. The Government may rest assured of that. But it is the moral duty of Government to look to their circumstances and if Government fail there, if after creating the State Bank they do not provide for agricultural credit in the rural areas. Government will note that perhaps a few years later that this problem would become an acute one. With the increase of population, if there be no increase of food, that acute condition which we passed over two years back will come again. It is in the interests of Government and it is a moral duty of Government to look to the interests of the agriculturists and to provide agricultural people as early as possible with rural credit facilities.

**Kumari Annie Mascarene** (Trivandrum): This is a very salutary measure. Coming as it does after the Constitution Amendment this Bill more or less confirms the inauguration of the socialist pattern of society. This is not the first of its kind. We have had the Reserve Bank of India Bill; we have had the Industrial Finance Corporation Bill; we have had the Agricultural Finance Corporation Bill and now we are having this State Bank of India Bill to be followed by the amendment of the Reserve Bank of India Act. These are all financial measures to democratise the credit structure of the country. I have great appreciation for these legislations. At the same

time, I wish to recall to Government a few facts which stand in the way of progress. The experience of the Industrial Finance Corporation, the records left behind by the Reserve Bank of India and the mismanagement of the Agricultural Finance Corporation.....

**Shri A. M. Thomas:** Has there been any Agricultural Finance Corporation?

**Kumari Annie Mascarene:** We had something to that effect. Perhaps the hon. Member is in a dreamland.

**Shri A. M. Thomas:** I wanted to be enlightened with regard to the existence of this Agricultural Finance Corporation.

**Kumari Annie Mascarene:** It was incorporated in the Industrial Finance Corporation subsequently and there was reference to it here by the Finance Minister when the hon. Member was far, far away in thoughts. With this experience left behind, all these legislations did not implement their objects. May be it is not due to the faults of the laws; it may be due to the faults of those who implement these laws. Hence, I take this opportunity to request the Government that it should concentrate all its attention towards implementing these laws and set up a new tradition with the State Bank of India not only with regard to its audit and accounts, but also with regard to its functioning.

The State Bank of India, as I said, is a very welcome creation. It is a financial fort to consolidate our monetary structure, to stabilise the economic resources of our country and to help the effective flow of credit throughout the channels of our economic structure so as to invigorate and replenish our economic life. It would increase our credit, develop productive activity, prevent inflationary speculation and deflationary tendencies detrimental to the general

interests, would promote solvency and sound operation of the national banking system and effect the necessary co-ordination between the various economic and financial activities of the State and influence the monetary and credit market.

The advantages of such a Bank are many. It has to fulfil the fundamental function of mobilising the resources of the nation to the best advantage of the Republic. At this juncture, I wish to paint a picture of the economic society that is existing in India. The statistics of the All India Rural Credit Survey, in a glance, give us the following figures. Eighty three per cent of the population is agricultural and lives in rural areas of which 69.8 per cent are agriculturists. 30.2 per cent are non-agriculturists out of which 6 per cent are industrial, 1.6 per cent commercial and 12.1 per cent transport. The latest estimate of the National Income Committee gives us Rs. 9,550 crores as the net national income in 1951. These statistics are of the year 1951. Out of this sum of Rs. 9,550 crores, agriculture and animal husbandry, etc. give Rs. 4,780 crores, forestry and fisheries Rs. 110 crores, mining Rs. 70 crores, factories etc., 1,468 crores commerce and transport Rs. 1,609 crores and other services Rs. 1,440 crores. I quote these figures in order to show which are the fields we require to develop. From this we find that excepting agriculture, we are far behind in all other economic and industrial activities. This is the picture of our economy in 1951. It may be that we have developed far ahead after that. There is no statistical data on which we can base our arguments and therefore I accept this as the only statistics.

The next point is with regard to our rural indebtedness. In spite of all these facts, we find that our agricultural population is under the grip of the money-lenders. They form the predominating banking factor in our country. At this juncture, the

passing of this law is a great help to relieve the agriculturists from the grip of the money-lenders.

Statistical tables regarding banks in India will be helpful at this juncture to show where we stand as far as our banking credit is concerned. These tables compiled in 1952 show the predominance of foreign banks functioning in the Indian Union. I wish to invite the attention of the Government to this factor. The scheduled and non-scheduled co-operative banks in India number 962, while the same kind of foreign banks number 979. I wish to invite the attention of the Government to these facts and ask them whether the predominance of foreign banks....

**Shri A. C. Guha:** Does the hon. Member mean to say that the number of non-Indian banks is 979?

**Kumari Annie Mascarene:** These are the statistics given here.

**Mr. Deputy-Speaker:** The number 979 seems to be a big one. Is the hon. Lady Member quoting correctly?

**Kumari Annie Mascarene:** Yes. This shows how misleading these statistics are. You do not keep correct records.

**Mr. Deputy-Speaker:** You include branches also?

**Kumari Annie Mascarene:** Branches there are. I am reading from page 6 of this book. The number of banks covered by these tables is as follows: Indian banks, scheduled and non-scheduled. A.B.C. total 517; co-operative banks A.B.C., total 445. The total comes to 962. Foreign banks, scheduled and non-scheduled, total 979. May be, I am mistaken in reading it. But, these are the facts given on page 6 of this book. If I am mistaken, it can be pointed out and I am open to correction. In view of the fact that we have got 979 foreign banks functioning in India, I wish to know whether these banks function to develop and help the economic life and preserve the resources of our country.

[Kumari Annie Mascarene]

and whether they are run in the interests of this country or those of the countries to which they belong.

From the statistics given in the tables, it is clear that the deposits amount to Rs. 17,533 lakhs, in the scheduled banks, the investments amount to Rs. 13,043 lakhs and net profits Rs. 182 lakhs in 1952, which profit is much more than the profit of the Imperial Bank of India as given in that book. In the foreign non-scheduled banks, the deposits only amount to Rs. 2 lakhs in 1952. But, in the previous years, deposits went up to Rs. 69 lakhs. It is heartening to notice that our people have learnt to deposit their earnings in their own bank. But the fact that these banks are making profits much more than the Imperial Bank should be viewed with concern.

2 P.M.

In a country like ours, the foreign banks are predominating the indigenous ones. I wish to draw the attention of Government to the volume of banking transacted by way of loans and advances which, in comparison to the volume of work done by indigenous banks, is considerably low, while the profit they make is more than that of the Imperial Bank. I wish to comment on the adverse effects on our credit structure and invite the attention of Government to it. Secondly, the reserve capital is also comparatively small. It was nil in 1952 in non-scheduled and scheduled banks. That means, in case of a crash, we are the losers. Do these banks exist here for business purposes or as a camouflage for other purposes?

The State Bank of India is comprehensive in its functioning. I noticed during the speech of the hon. Minister that he was referring to clauses 34 and 35 with regard to the bank acting in supervisory control of co-operative banks and all other banks existing in India. These clauses are very salutary provisions to protect the banks from crashing. It is also said that the reserve fund will be substi-

tuted now and again by Government unless the dividend is added on. That qualifying provision is not at all very encouraging. I would rather like Government having a firm grip over the credit structure of our country, which has to spread its channels throughout the length and breadth of the economic life and to bring into being that very romantic phrase which the hon. Deputy Minister has quoted, of a smiling land in sweet contentment with peace and plenty.

I wish further to invite the attention of the Government to the auditing section. According to the Companies Act, the Government has the right to appoint auditors who can choose their own accountants. If I am not mistaken in my views, I warned the Government again and again that if the Government had blundered in anything, it was in the auditing of accounts.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

I am not here to quote specific facts, but if the hon. Minister will allow me, I shall bring to his notice facts and figures which show where the Government have been very seriously deceived. I submit that the auditing of these accounts, especially of the State Bank—which is a very important institution—should be gone through with such care as not to deceive the Government again, so that our credit structure, which is the real source of life to the economic and political well-being of the Indian Republic will be kept intact unalloyed and pure. It is our fundamental interest to see that the auditing department, though it is far beyond the purview of this Parliament, will be within the purview of the executive and will be kept in check and control to see that our credit resources will not flow through subterranean passages to interested pockets. With these remarks, I have very great pleasure in congratulating the Government on bringing forward this nationalising measure.

**Shri N. R. Muniswamy** (Wandiwash): I am one of those who rejoice at this long-expected legislation that has, after all, come about. I have been under the impression for a very long time that the nationalisation of the Imperial Bank of India was in the sense of changing the name alone and that the functions and activities of the bank would almost continue to be the same. But I find that not only the name has been changed into the State Bank of India but that the functions and activities of the bank have been materially changed.

We are having Acts and legislation like mountains and forests, but—a country's prosperity will be understood only by the scant—if not less—number of enactments in a country. But I find that for everything there is a piece of legislation; ultimately, we find it in a different shape, in a different garb, if not in a camouflage. We are now thinking of liquidating racialism, colonialism and imperialism. In the same way, I think the word 'imperialism' and the Imperial Bank should not continue to exist in our country after the Britishers have left.

Now, the main object of introducing this Bill is to carry out one of the main recommendations of the All India Rural Credit Survey, that is, that the benefits of financial assistance should percolate to every individual in every nook and corner of the country. We are all aware that there are more than 5 lakh villages in India, and we are having several thousand credit and co-operative societies. In view of the circumlocutory way in which the investigations as regards loans and applications take place, people are not able to get money in due time. Supposing a farmer is in need of a baling apparatus and a pair of bulls, he simply applies for certain loan from the co-operative society. But it takes not less than three months to get the loan. By the time he gets the loan,

the seedling period will be over and the money will be spent not for the purpose for which it was intended. Therefore, I respectfully state that the object of this Bill should be to see that the financial assistance reaches the rural parts in time, and they should enjoy the benefit of this banking institution.

The Imperial Bank, though in a way is liquidated, does come in the shape of the State Bank of India which in its turn involves an amendment of the Reserve Bank of India Act for the creation of two funds. One is a National Agricultural Credit (long-term operation) Fund for the purpose of giving money to State Governments for subscribing to the share capital of co-operative credit societies for the making of medium-term loans to State co-operative banks and long term loans and advances to central Land mortgage banks. The second Fund which is sought to be created is the National Agricultural Credit (Stabilisation) Fund with a view to help the farmers to convert short-term loans into medium-term loans, and also to see that the banks speedily disburse the money. In the tabulated form given in the summary of the Report of the All India Rural Credit Survey, I find several agencies mentioned and the proportion of borrowings from each agency to the total borrowings of cultivators. In the case of money-lenders, the proportion is 44.8 per cent. Co-operatives account for 3.1 per cent and commercial banks less than 1 per cent. This indicates that money-lenders give the necessary help to the farmers to the extent of 44 per cent of the borrowings. The agriculturists, if they need money, straightway approach the money-lender. The money-lender straightway knows for what purpose he asks the money for and gives the money required. He gives whatever money he wants for seedlings or baling apparatus or for other agricultural operations. After the harvest is over, the farmer repays the money. But so far as the

[Shri N. R. Muniswamy]

co-operative banks are concerned, it takes a long time. Under the Bill, some 400 branches are going to be set up in the rural areas to help the agriculturists to purchase their requirements in connection with agricultural operations. But I should say that in our 5 lakhs villages, we must be having not 400 branches of the bank, but at least we should have 40,000 branches all over India, if we want this benefit to percolate to the villages. Therefore, I would respectfully state that if we want that the rural people should enjoy the benefit of the banking institutions, we must see that every man gets the benefit by merely applying to the bank for the loan of a certain amount for agricultural purposes. If it takes a long time with a view to examining the position or of sending the papers to the legal adviser, and asking for security, etc., then the creation of this department is absolutely not going to help us. I would appeal to the Government that these rural institutions should straightforwardly grant loans to the villagers or reject the loan applications forthwith, so that they can seek other remedies for assistance. If the villager waits all the time expecting that he would get some money from the bank, and then ultimately if he does not get it, he loses not only his agricultural operations but also of getting some other help from philanthropic money-lenders in the village. Unfortunately I know that the local *sowcars* charge a high rate of interest for their money. Though the rate of interest is very much less in the case of the bank institutions and co-operative societies, the disbursement takes a very long time. Therefore, I would respectfully state that the object of the Bill will be achieved by facilitating a speedy disbursement rather than a belated one.

The hon. Minister has stated that for the purpose of compensation we have to pay at least Rs. 19 crores to shareholders. I would respectfully

state that while paying Rs. 19 crores, the shares that will be taken over by the Reserve Bank will again be re-allotted to the extent of 45 per cent of the maximum shares. I would only draw your attention that it should be 49 per cent, and 51 per cent may be retained by the Reserve Bank. The thing that is aimed at is that the Reserve Bank must have a majority of the shares. It is enough if they have 51 per cent, and they need not have 55 per cent, so that the 49 per cent will be allowed to other shareholders, as enjoyed by them now.

In making compensation, I find from the provisions of this Act that they will be paid either by way of cash or some securities, but how it is to be determined, in what shape, how much cash is to be paid and how much security, etc., are not clear. There must be a separate provision enabling one to understand that so much of the shares would be compensated by way of cash, so much by way of securities, and that must be specifically stated in this Act.

It is said that the object for the creation of this Bank is that the reduction in the costs in the remittances of the banks will go into the investment of nation-building activities. But how much will be saved by such reduction in costs of remittances is not very clear. If it really exceeds Rs. 2 crores or if it is to the extent of a few lakhs of rupees, we can certainly invest the amount, but if it is only a few thousand rupees, I do not very much appreciate how it will be of help in any way in our nation-building activities.

As regards the staff which are to be taken over by Government, it is said that special contracts will be entered into with officials who receive high salaries. My respectfull submission in this connection is this. There should not be a huge difference between the lowest paid and the highest paid employee and the highest paid should not get more than ten.

times the lowest paid. The ratio should be 1:10. If the lowest paid is given Rs. 100 per month, the highest paid official should get not more than Rs. 1,000. People who have gone to China have told me that even the highest paid official gets only four or five times what the lowest paid gets. I do not want to go to the extent of four or five times, but it is enough if we go to the extent of 10 times for the present. I find that the disparity in our services is as much as 100 times and this should be brought down to 10 times.

As regards the amounts which the Reserve Bank or the State Bank is to dole out to all the State Banks, how in their own turn they will give it to the co-operative societies and land mortgage banks, etc., should be worked out very cautiously and carefully in order to see that there shall be no delaying tactics played by the co-operative officials there. I know in villages that the co-operative directors and officers are very much guided by the local politics in that particular village. In spite of the fact that several co-operative societies have been started in rural parts, they do not properly function for the reason that they have got their own clique and only persons who are very influential, or who have got some pull in the village or who are somewhat literate in that locality really wield the entire financial set-up of the village. The poor man there does not get any benefit therefrom. Therefore, strict instructions should be issued that in the matter of disbursement to the villagers, these officers should see that there is no delay more than a week. If there is a delay of more than one week, then it means not only disappointment to the applicant but also ultimately loss to the State, so far as the productive aspect is concerned. This is a very important aspect which they have to see. If we are not able to see that the villager is not able to gain anything, the very purpose and object of the Bill will not be achieved. Therefore, I join my other friends in congratulating the Minister and requesting him to see that

the sacred object, with which he introduced the Bill, is achieved without any dilatory tactics by village politics and I do wish that this Bill will work satisfactorily.

**Shri Mulchand Dube** (Farrukhabad Distt.—North): I congratulate the hon. Minister for bringing this Bill; in fact, it has been long due. The entire system of agricultural credit in the rural area had broken down and it needed to be replaced by some system by which the villager or the agriculturist would be able to get credit at cheap rates or at reasonable rates. I do not know whether this object is likely to be achieved in the working of the Bill. In one of the clauses it is mentioned that the banks that will be opened will do business on business lines. If they carry on their business on business lines, the result will be that there will be a profit motive behind them, and if there is a profit motive it will not be possible to benefit the agriculturist. For instance, he will not be able to provide the security that is normally expected by the banks before they advance a loan. The only method by which it can work will be not by providing a large number of banks in the rural areas. For, the banks in the rural areas are likely to be more expensive than the banks in the urban areas. Moreover, if they give money there, there is a chance of its being burgled. Even in big cities we come across cases in which there are hold-ups, and large sums of money are taken away from the banks. I do not know what security measures will be necessary for opening banks in the rural areas. It may be that money may have to be transmitted from the headquarters of a district to a rural area. That transmission also will cost a large sum of money.

Apart from this, if credit is sanctioned in the rural area, it may be that the villager may have to go a long distance before he is able to get the money. Therefore the only method by which I think the object may be achieved is to help the co-operatives or to have more co-opera-

[Shri Mulchand Dube]

tive societies than we ordinarily have. At present the entire rural credit supplied by the co-operatives is said to be 3·3 per cent. And it is said that the co-operatives have failed in that direction, and they are unable to provide credit in the rural areas to the extent that is needed.

We have not only to make the co-operatives in the rural area successful, but we should have a co-operative society in every village, and that co-operative society should be a multi-purpose society. We should also have men in every village who may be able to advise the cultivator as also advise the bank as to whether a certain person needs money or not. It often happens that money is taken for agricultural purposes and spent in other ways. There must be some provision to see that the way in which the money is utilised is supervised, because if that supervision is not there, the chances are that the money that is given to the villager may be spent away in other directions, and not for the purpose for which the money was taken.

It seems also to be necessary that the loans should be made in time as far as possible, and the loan should be so given that it may be recovered at the time of the harvest. This can be done only when there are also marketing facilities. For instance, if a person has taken a loan and at the time of the harvest he is allowed to take the crop and sell it when he chooses, the result will be that the money will be realised. As I have said before, the medium or small agriculturist may not be able to provide that good security which may be necessary for advancing the loan to him.

There is another aspect of this problem, and that is this. We should have men in every village who may be able not only to advise the agriculturist but also be in sympathy with them and know all about the peasants' needs and then supply the money asked for by them.

The co-operatives should also be marketing societies. The produce of the cultivator should be pooled together and put at a particular place or a warehouse, and then sold by the co-operative society so that after payment of the loan or the money that has been taken from the co-operative banks or the co-operative societies, the rest of the money may be paid to the peasants.

Therefore, this is such a stupendous problem that it is not going to be solved merely by passing this Bill. We would require millions of workers for this purpose, and I am inclined to think that if we are able to make this successful, the chances are that we may be able to solve the problem of unemployment also. It is a stupendous task to rehabilitate the entire economy of the country.

The promise by Government generally is to do a thing with a whole heart, but when it comes to the question of execution, it appears that it is being done with only half a heart.

In regard to compensation, I am unable to say whether the compensation that is proposed at present is adequate or not. It appears to me that if for a share of Rs. 500 a person is to be given Rs. 1,562....

Shri A. C. Guha: Rs. 1,765.

Shri Mulchand Dube:...I think the compensation cannot be said to be in any way inadequate. If anything, it errs on the side of generosity. If a person after 20 or 30 years is able to get three times the money or even a little more than that, besides the interest and the dividend that he has been getting for this long number of years, I do not think there can be any complaint on the ground of inadequacy of consideration for the value of shares, and moreover the value of shares has been calculated on an average value which has been high for the last one year.

My submission is that the Bill is a very useful and a healthy Bill. If it is fully implemented, it is going to solve the needs of the agriculturists, and is also likely to rehabilitate them in the best way possible.

**Shri N. M. Lingam** (Coimbatore): It is perhaps not an accident that it has fallen to the lot of my hon. friend Shri A. C. Guha to pilot this measure. You know that in the ordinary course, the Finance Minister, and an ex-Governor of the Reserve Bank should have done it, but it has now fallen to the lot of an ex-revolutionary to pilot it, and I submit that it augurs well for the successful working of this measure.

It is also significant that close on the heels of the Resolution that we in this House passed on the objectives of our economic policy this House should be called upon to pass two important measures, one relating to the amendment of the Constitution, and the other the Bill that we are now discussing.

It has been said by speakers that it is a bold step, and a measure of far-reaching importance. But we have to remember that this was not thrust as a surprise on this House. The Banking Enquiry Committee as far back as 1948 had suggested increasing the voice of Government over the affairs of the Imperial Bank. Then came the report of the Committee of Direction which conducted a survey of rural credit at the direction of the Reserve Bank, and this Bill is an offspring of the report of that Committee.

In considering this Bill we have to bear in mind the larger perspective, namely, that of the development of rural credit and thereby rehabilitating our rural economy. Indeed not go into details about the failure of the co-operatives in providing credit in rural areas in the past. Our co-operatives have been in existence for the last 50 years but they

have signally failed in the task allotted to them. This has been admitted by the Enquiry Committee itself, but it has not on that score recommended abandonment of the idea of co-operation in our schemes for the economic emancipation of the rural areas. Co-operation in the orthodox sense has failed. There are several reasons and I need not go into all of them in the discussion of this Bill.

In the first place the quantum of credit that was made available to the rural agriculturists was very small. It was not productive credit. It did not enable the agriculturists to produce more. It was only subsistence credit, in most cases, and the villager himself had no habit of thrift. He was spending this amount granted as loans by co-operative societies and at the time of repayment he used to borrow money at usurious rates of interests and thereby he was not only ruining himself but also the resources of Government.

It is astounding that such a state of affairs has been allowed to go on indefinitely. The co-operative movement in spite of its having spread in one or two States like Madras and Bombay, has not registered any significant progress in the economic life of the people. We have to remember also that this measure that is before the House is only a part of the scheme to have an integrated development of the rural areas. The other aspects of rural economy as the House knows are: accommodation for storage of the produce of the villagers, warehousing facilities, organisation for processing and marketing and a programme for the training of personnel for the manning of these branches of rural farming.

Sir, in our country we have only a rudimentary progress in all these fields. Even if the accomplishment of the project before us, namely, the establishment of a State Bank and a net-work of its branches all over the country, is possible within a short

[Shri N. M. Lingam]

distance of time, it is a far cry to the realisation of the larger objectives of providing facilities for storage, warehousing and providing marketing facilities for our rural folk. It is also common knowledge that the State Bank has necessarily to take the Imperial Bank over instead of starting from the scratch.

Some critics have suggested that we could have started a State Bank in addition to the Imperial Bank. Alternatively they have also said that imposition of greater control over the affairs of the Imperial Bank would have met the needs of the situation. But Sir, the country knows that it is impossible to build up a bank and build up traditions which can successfully compete with other commercial bank and also meet the growing needs of rural credit. Imposition of greater control also would not have served the purpose the Bill has in view of making the new State Bank subserve the national policy of giving a fillip to rural economic development.

The Committee on Rural Credit Survey has made this significant remark with regard to the implementation of these proposals:

"Co-operation, not merely in the narrower technical sense in which it has completed fifty years of existence in this country, but in the much broader conception of it as the purposive union of all the forces which work for the common good and, in particular the Co-operation which joins together in a common purpose the united strength of the Indian village with the united strength of the Indian State. It is only when Co-operation is interpreted in this wider and more positive sense as a fundamental creed of action, as a dynamic instrument of change, the opposite, on the one hand, of regimentation, and on the other, of drift and stagnation, and State effort is conjoined

to the fullest extent necessary with co-operative endeavour, that Co-operation will be a potent force in the country's economic development."

This then is the objective before the Government. I, therefore, hope that Government, as soon as this measure is passed will launch other measures necessary so that a concerted attack is made on this colossal problem of eradication of rural poverty and indebtedness.

Sir, I heard criticisms made about the quantum of compensation that is proposed in the Bill. It is true that the quantum of compensation proposed as compared to the face value of shares looks unconscionably high, but then we have to remember that shares have changed hands often and it will be doing injustice to the present owners of shares if we are guided by altruistic or purely ideological motives in this matter. I also do not join with some of the critics who have said that all those people who have deposited their money in this bank have done so with their ill-gotten wealth.

Sir, we believe in the creed that poverty is a curse and that it is necessary that the whole object of the Government and this House is to see that this curse of poverty is removed. Therefore, we will be only erring on the right side, if at all, if we unhesitatingly accept the proposals of this Bill for payment of compensation. But, there are one or two lacunae in the Bill and that is with regard to the rate of interest and period of maturity of compensation bonds. I hope the Minister will throw light on these things or otherwise amend the Bill accordingly.

It is a sad commentary on the effort of our quasi-public bodies like local bodies and co-operatives that they have failed and the panacea that is suggested for re-invigoration of these bodies is State partnership. I

do not know how far this remedy suggested by this high-powered committee is going to solve the problem of successfully working co-operatives in our land. My own experience in the field of co-operation has shown that our people are instinctively averse to making co-operation successful. Politics, inefficiency, ignorance, exploitation, all these together combine to wreck some incipient good progress in some of the movements.

Even if you pass this measure there is the larger question of rehabilitating the sub-marginal and marginal cultivator. In Madras where co-operation is supposed to have made headway even the land mortgage banks do not advance loans except on ample security. The co-operative primary stores on their part also demand security of land or other immovable property. Unless we make productive potential as security we cannot expand the credit in rural areas.

Again, it is also a problem how to scale down the existing debts of the rural population. If they are weighed down by the incubus of past debts it will become very difficult to make a good start. So, in the context of these forces in the country, the Bank could at best serve only a very small sector of the rural population.

The commercial banks have failed to open branches to expand in the rural areas. The Imperial Bank itself thought of this question of expansion only after the Rural Banking Enquiry Committee Report recommended that it should spread out in the rural areas but even so it has not been able to make any appreciable progress. No wonder that the State has been compelled to step in. The chief merits of the proposal are uniformity and strength in all the branches that will be opened throughout the country.

With regard to the larger aspect of the question, it is necessary that the entire administrative set-up is overhauled to work the scheme of expanding rural credit successfully. We

have the National Extension Service Blocks and the Community Projects. They have credit at their disposal and Government directly dispenses loans. What are called taccavi loans are given to the ryots. Then, we have this co-operative credit. But all these things have only resulted in frittering away their resources. My submission is that the district should be the unit of administration. There must be a Statutory Development Board with the Collector as the Chairman of the Development Board and all the heads of the departments of the district as members together with qualified non-officials. Every department has to be responsible to this body and not to its superior at the State level. Unless all these departments work in unison and co-ordination, we cannot achieve progress appreciably.

The Rural Credit Survey Committee itself has made some recommendations with regard to the change in the set-up of the district administration but it has not gone far enough. The district is to be charged with the responsibility of seeing not only to the development of cottage industries but also of expanding rural credit and also of seeing to the development of the village in animal husbandry, production and other fields. For this purpose, the district has to be the unit of administration and unless the larger question of the change in the set-up of administration is also tackled and the other things mentioned by me earlier, namely providing an organisation for storage, warehousing etc. are also simultaneously started, the establishment of a State Bank will be at best a step towards nationalisation.

Sir, I wish the Bill all success and I would tell the critics of the measure that the 'old order changeth yielding place to new lest one good custom should corrupt the world.'

श्री आर० डॉ० मिश्र (जिला बुलन्दशहर) : सभापति महोदय, मैं आप का आभारी हूँ कि आप ने इस महत्वपूर्ण बिल पर मुझे शोधने का मौका दिया ।

## [श्री आर० डी० मिश्र]

सब से पहले मैं रिचर्ड बैंक के गवर्नर साहब को मुशारकबाद देता हूं जिन्होंने कि इस सर्वे कमेटी को मुकर्र किया और जिस ने यह सिफारिश की कि इम्पीरियल बैंक को नेशनलाइज किया जाय स्टैंट औन्ड किया जाय। उस के बाद मैं अपनी गवर्नरमेंट को भी मुशारकबाद देता हूं कि उस ने उस कमेटी की सिफारिश को मान कर यह बिल हमार सामने रखता है। यह हमार दंश की बहुत पुरानी मांग थी कि इम्पीरियल बैंक विदीशियों के हाथ में है, और हमार दंश का काम पूरा नहीं कर रहा है, वह हमार हाथ में आना चाहिये। हमार दंश की जवस्ता बदलने के बाद इस में जो विदीशियों का बहुत सा रुपया था, वह उस को जब उठा ले गये तो उस में बहुत कम और मामूली सा रुपया रह गया। लैंकिन इम्पीरियल बैंक का काम जिस तरीके से चल रहा था उस से हमार गतिविधि साइन भाइयों को, जो दृश्यत में रहते हैं उन को कोई स्वास काफ़ी नहीं पहुंचता था। सिर्फ़ शहरी जनता को इस से काफ़ी पहुंचता था। सर्वे कमेटी ने यह दंश कर कि कोआपरेटिव की तहरीक हमार यहां कामयाब नहीं हो रही है, क्योंकि उन के पास रुपया नहीं पहुंचता है, मुतासिब समझा कि इस इम्पीरियल बैंक को स्टैंट औन्ड किया जाय या पार्टली स्टैंट औन्ड किया जाय और पार्टली नान आफियास्ट के हाथ में रखता जाय। और इसी मंशा को ले कर गवर्नरमेंट ने भी अपने आव्वेक्ट्स में यह बात जाहिर की है कि हम इसी मंशा से और जो सर्वे कमेटी ने रिपोर्ट की है उस के मुताबिक इस बैंक को अपने हाथ में ले रहे हैं। गवर्नरमेंट का यह काम निहायत मुतासिब है जो, मैं इस को खुला-आमलीद कहता हूं और इसका स्वागत करता हूं।

लैंकिन साथ ही मैं यह समझता हूं कि इस बिल के अन्दर दो ही खास बातें हैं। एक तो यह कि जो इम्पीरियल बैंक है उस का ऊपर का मैनेजरमेंट बदला जा रहा है, दूसरे यह कि जो पहले के हिस्तेवार हैं उन लोगों के तमाम शेजर रिचर्ड बैंक के हो जायेंगे और उन लोगों को

उस का मुआवजा दें दिया जायेगा। जबकी जो दांचा इम्पीरियल बैंक का है उस को बदस्तर उसी तरीके का रखता जायेगा। हां, अन्दर इस बिल में रखता गया है कि ४०० और शास्त्री सॉली जारींगी जिस से कि दंश में इस का जाल बिछ जाय। मैं दम्भीद करता हूं कि जिस आशा से यह बिल लाया गया है कि दूसरा बालों को कर्जा दिया जाय और उन की मदद की जाय, वह पूरी होगी और यह बिल कामयाब होगा।

लैंकिन इस बिल हमार सामने यह सवाल नहीं है कि आगे जा कर किस तरीके से काम होगा, इस बिल हमार सामने सवाल यह है कि जो मुआवजा हम इस बिल दे रहे हैं वह मुआवजा ठीक है या ठीक नहीं है। सब से पहली बात तो यह कि जिस बिल हमार सामने कानिस्ट्रट्यूशन एमेन्डमेंट बिल आया था, दंश के सामने आया था, उस बिल बहुत हाय हाय मचाई गई कि यह जो कानिस्ट्रट्यूशन का एमेन्डमेंट किया जा रहा है उस की मंशा यह है कि गवर्नरमेंट जो जावदाद आइन्डा लेगी उस का कोई मुआवजा नहीं देगी, और इसी लिये अदालतों का दरवाजा बन्द किया जा रहा है और गवर्नरमेंट जो है वह अपनी भर्जी के मुताबिक जो मुआवजा चाहेगी मुकर्र कर लेगी, बिल्कुल नाम मात्र का मुआवजा होगा। जो डर उस बिल दंश में था कि इस कानिस्ट्रट्यूशन के एमेन्डमेंट से वह बात हो जाने वाली है, वह डर इस बिल से दूर हो जावगा। उस कानिस्ट्रट्यूशन एमेन्डमेंट के बाद ही यह बिल हमार सामने आ रहा है और इस बिल में जो मुआवजा रखता गया है वह मार्केट बैल्यू से, जहां तक मैं समझता हूं, आब बाजार में जो शेजर्स की बैल्यू है उस से, कर्फ़ी ज्वादा है। जिस दिन यह बिल हमार सामने आया था उस के पहले और उस दिन के ल्लुने के समय बाजार में फूल्ली पैड-अप शेजर की कीमत १५८० रु० थी और जो पार्टली पैड अप शेजर थे, जिन के लिये सिर्फ़ १२५ रु० ज्वादा किया गया था, उस की कीमत २६० रु० थी। लैंकिन इस बिल में फूल्ली पैड-अप शेजर का मुआवजा १७६५ रु० १० आ० और पार्टली पैड-अप शेजर का

मुआवजा ४३९ रु १२ आ० ४ पा० रक्खा गया है। यह सोचने की बात है कि जो ईश्योरेन्स हमारे प्राइम मिनिस्टर ने और हमारी गवर्नरेन्ट ने दिया था कि जब भी कोई चीज हम कम्पनीरीती लेंगे तो उस का मुआवजा देंगे, और जो मुआवजा दिसम्बर के महीने में देने का बाद किया गया था जिस बक्त कि हमारे काइनेंस मिनिस्टर ने एलान किया था कि हम मार्केट बैंल्ड पर मुआवजा देंगे, तोनों ही पर दूर।

अब हमारे समने सवाल यह रह जाता है कि आखिर मार्केट बैंल्ड क्या चीज है। अब तो हमें यह देखना है कि जहां हम ने जमीदारों की जायदादें और सम्पत्तियां ली थीं, वहां हम ने उन को कितना मुआवजा दिया था। हमारे द१० पी० में तमाम जमीदारियां छीन ली गईं, उस समय छोटे जमीदारों का मुआवजा आठ गुना मुनाफे का दिया गया और जो बहुत बहु बहु जमीदार थे उन को सिर्फ मुनाफे का दूना दिया गया था।

छोटे छोटे जमीदारों को कुछ रिहैबिलिटेशन ग्रान्ट दी गई थी। इसी प्रकार वहां पर मुआवजा शेयर होलडरों को दूना चाहिये—बहुओं को कम छोटों को ज्यादा वहां पर यह नहीं किया जा रहा है। वहां कोई मकान नहीं लिए जा रहे हैं, कोई जायदाद नहीं ली जा रही है—सिर्फ शेयर लिए जा रहे हैं। बिस आदमी ने १६२० में एक शेयर के लिए ५०० रुपए दिए, उसके शेयर के ५०० रुपए आज भी बैंक में जमा है। १६२० से ले कर आज तक उसको ५० रुपए सालाना के हिसाब से छमाही बार छीवहूँ भी मिलता रहा है। जो मुनाफा हो सकता था, वह उसको मिलता रहा है। लैंकिन आब हम उसको उस सेयर का मुआवजा १३६५ रुपए दस आने दे रहे हैं। ऐसा क्यों किया जा रहा है? वे लोग १६२० से ले कर १३६५ तक सद बगैरह ले चुके हैं—दुनों से भी ज्यादा मुआवजा ले चुके हैं। मंग तो स्वात दें कि अगर ये शेयर बगैर ऐसे के भी लिए जाते, तो भी कोई ज्यादती न होती। जरूरत इस बात की थी कि सूक्ष्म इम्पीरियल बैंक में उनका ५०० रुपए मौजूद है, इस लिए उसके बदले

उनको सिर्फ ५०० रुपया ही दिया जाता। लैंकिन बहां-पर उनको उस ५०० रुपए के अलावा बाजार में जो भाव है, उससे भी ज्यादा दिया जा रहा है। इम्पीरियल बैंक में छह लाख पार्टली-पैड-अप शेयर हैं और ४५ हजार ईसे शेयर हैं, जो कुल्ली पैड-अप हैं। उसमें कैपिटल की शक्ति में ५,६२,५०,००० रुपया है और ६,३५,००,००० रुपए का रिजर्व फॉड है। पर इस बिल से शेयरों का मुआवजा सार्व तीन गुना रुपया दिया जा रहा है। यह क्यों दिया जा रहा है? यह कहां का इन्साफ है? जमा तो है ५०० रुपया और दिया जा रहा है १३६५ रुपया दस आना। ५,६२,५०,००० रुपया के बदले में ११,५६,००,००० रुपया मुआवजा दिया जा रहा है। समझ में नहीं आता कि यह किस तरीके का मुआवजा है। कुछ लोगों का कहा है कि ऐसा इस लिए कर रहे हैं कि बिस आदमी ने ५०० रुपये दे कर शेयर खरीदा हैं, वह उसको बेचने के लिए तेंयार नहीं है और अगर वह बेचता है, तो ज्यादा दाम मांगता है। क्योंकि उसको ज्यादा डिविडें भी मिलता है, इस लिए बाजार में उसके शेयर के दाम भी ज्यादा मिलते हैं। बाजार में लोग शेयर खरीदते हैं और बेचते हैं और जिस भाव पर बाजार में शेयर खरीदा बेचा जाता है वह बाजार भाव है। आप दीखें कि जनवरी, फरवरी, मार्च और अप्रैल के दौरान क्या भाव रहा है। स्टॉक एंक्सचेंज बम्बई के मुद्राबिक १५ अप्रैल की शाम को इम्पीरियल बैंक के कुल्ली पैड शेयर का भाव १५५० रुपए था। तो फिर उसके लिए १३६५ रुपए दैन के क्या मानी हैं? यह भी कहा जाता है कि भाव गिर गए हैं। १६४८ में जब श्री चंटीटी ने यह एलान किया कि इम्पीरियल बैंक को नैशनलाइज किया जायगा, तब सब को भालू हो गया कि वह नैशनलाइज हो जायगा—लैंकिन वह नहीं हुआ। अब आ कर २० दिसम्बर, १६५४, को हमारे काइनेंस मिनिस्टर साहब ने कहा कि हम लान करने वाले हैं कि हम इस बैंक को ले लेंगे। उन्होंने एशोरेंस भी दे दिया कि मार्केट रेट पर लेंगे। परन्तु उन्होंने यह भी कहा कि भाव एक निश्चित समय का तिथ्य जायगा—उन्होंने यह इस लिये कहा कि कही

[श्री आर० डॉ० मिश्र]

स्टॉट्कार्ज और स्टॉक्लेटर्ज भाव न बढ़ा दूं—५०० रुपये के शेअर के तीन चाहे हजार रुपए तक दाम न बढ़ा दूं। जब लोगों को मालूम हो गया कि गवर्नरमेंट शेवर्ड को स्टरीट रही है, तो उन्होंने शेवर्ड बैचने शुरू कर दिए। उन्होंने क्यों बैचे? जब उन्होंने मामली आइमियां को १५२७ रुपए, १५३६ रुपए और १५५० रुपए पर जनवरी, फरवरी, मार्च और अप्रैल ५५ में शेवर्ड बैचे, तो जब सरकार भी उसी भाव पर खरीद सकती है जो बाजार भाव १५ अप्रैल १६५५ को था। इसी लिए मैं ने उन्हांने अमेलेंट पंक्ति किया है कि बिस तारीख को फाइनेंस बिनेस्टर साहब ने यह बिल पंक्ति किया था, उस तारीख को बाजार स्कूलर समय जो रेट था, उसी रेट से मुआवजा दिया जावानी कहली पेंड-अप शेवर के लिए १५५० रुपए और पार्टली पेंड-अप शेवर के लिए २१० रुपए दिए जायें। और अगर नामंत वैल्यू ही लगानी है, तो जब से बैंक कायम छुआ है, तब से ही नामंत वैल्यू लगानी चाहिए। अगर ईमानदारी से दखल जाय, तो उनको सिर्फ ५०० रुपए ही मिलने चाहिए। मैं तो समझता हूं कि इसके जलावा उनको और कुछ नहीं मिलना चाहिए था। यह बात भी समझ में नहीं आती कि बिनका नाम १६ दिसम्बर को रजिस्टर्ड था, उनको मुआवजा दिया जायगा और बाकी को नहीं दिया जायगा। यह बात कुछ साफ नहीं की गई है। भर कहने का मतलब यह है कि इन्हांने कम्पनेशन दिए के लिए आप रुपया कहां से लायेंगे? २९ दिसम्बर को कोई बैलेंस-शीट इस बैंक की हमको नहीं दी गई, जिससे हम बन्धावा लगा सकें। मैं ने १६५२ की बैलेंस-शीट देखी है। उसके मुताबिक ५,६२,५०,००० रुपए का कॉपिटल है, ६,३५,००,००० रुपए का रिजर्व-फंड है और शेहर सा रुपया असेट्स में है। बाकी जमा पैंडी हिपारिटर्ज की है। उसका कम्पनेशन क्या दिया जाय? अगर ईम्पीरिअल बैंक की पैंडी शेअर होलडर्स की ही माने तो रिजर्व फंड ने लीजिए और असेट्स और कॉपिटल को ले लीजिए। लैंडल कर के वह संरह करोड़

संघर से ज्यादा नहीं बैठता। आप यह तेरह करोड़ रुपए की पैंडी बांट दीजिए। लैंकन आप उन्नीस करोड़ रुपए क्यों दे रहे हैं? मंत्री समझ में नहीं आता कि आप विस तरीके से कम्पनेशन दे रहे हैं। फिर कोई शेअर होलडर्स की बड़ी भारी ताकाद भी नहीं है। अभी मालूम पड़ा कि ६१६ विदेशी शेवर्स होल्डर हैं। इंग्लैंड बैंकिंग एन्डवायरी कमटी १५३० में मुकर्रर हुई थी। उसकी रिपोर्ट में हमने देखा कि ईम्पीरियल बैंक में विदेशीयों का २,५४,००,००० रुपया था और देशीयों का २,७५,००,००० रुपया था। अब विदेशीयों का सिर्फ ५६ लाख रुपया है। उनके शेवर्ड सिर्फ १०.६ फीसदी हैं। अब उनका कोई लम्बा चाँड़ा हिसाब नहीं है। १०३४२ शेवर्ड होल्डर में से सिर्फ ६१६ विदेशी हैं। १०५४८ देशी शेअर होल्डर हैं जिनके पास ६९.७ प्रतिशत शेअर हैं और शेवर्ड ३४२ शेअर होल्डर ट्रस्ट और कम्पनियां हैं जिनके पास २७.७ प्रतिशत शेअर हैं। इस लिए उन के बारं में कोई कठिनाई न होगी। मैं आपके समझ में यह सर्वमिट कर रहा हूं कि हम को इतना ज्यादा मुनाफा नहीं देना चाहिए—इतना ज्यादा कम्पनेशन नहीं देना चाहिए जो इस बिल में रखा गया है। आखिर वह कम्पनेशन किसी डंग से होना चाहिए।

दूसरी बात यह है कि आज तक बैंक की तीन शास्ताएं बम्बई, मद्रास और कलकत्ता में हैं। इसकी एक बैंक दिल्ली में जल्ला होनी चाहिए। तीसरी बात यह है कि हम इस बैंक को पार्टली स्टॉट-जोन्ड करने जा रहे हैं और अपने देश में सोसाइलिस्टिक पैटर्न आए सोसायटी कायम करने जा रहे हैं। आज तक यह आम शिकायत ही है कि मैनेजर्ज को बड़ी बड़ी तन्त्रजाहें दी जाती हैं। अब जब कि एक नया मैनेजिंग बोर्ड बनाया जा रहा है, हमें इस बात का स्थाल रखना चाहिए कि चेवरमैन और बाइस-चेवरमैन की तन्त्रजाहें कुछ ठीक डंग से रखी जायें। मैं यह चाहता हूं कि इस बिल में यह हिस्सा दिया जाय कि किसी भी हालत में बैंक के चेवरमैन को बाईं हजार से ज्यादा

तन्त्रावाह न दी जाय । इस बारे में एक लिमिटेड बैंक दी जाय । कम से कम बैंक के खेतरमें न को प्राइम मिनिस्टर और मिनिस्टरों से ज्यादा तन्त्रावाह नहीं मिलनी चाहीए । मैं चाहता हूँ कि गवर्नरमैट इन बारों पर ठीक तरह से विचार कर ले और दस्ते कि हम किस तरीके से इस कानून को कर रहे हैं । मेरा निवेदन है कि मिनिस्टर साहब और हाजर भी इस बात को सोचें कि जब हम जमींदारों और काशकारों को मालदारी मकान और जमीन के बदले पूरा कम्पनेसेशन नहीं दें रहे हैं और जब कि हमारा प्राइम मिनिस्टर ने भी कहा है कि जहां समाज स्थापन के लिये सम्पूर्ण ली जायगी वहां पूरा कम्पनेसेशन नहीं देंगे, तो पांच करोड़ रुपए के बदले उन्नीस करोड़ रुपए क्यों दिए जा रहे हैं । पीढ़त जी नै कहा था कि पूरा मुआवजा दिने से तो "हैव्ज़", "हैव्ज़" रह जायेंगे और "हैवनाट्स", "हैवनाट्स" रह जायेंगे—गरीब गरीब रहेंगे और मालदार मालदार रहेंगे । इस तरीके से तो मालदारों के पास और भी पंजी हो जायगी ।

इन शब्दों के साथ मैं इस बिल का स्वागत करते हुए मिनिस्टर साहब से दरस्वास्त करता हूँ कि वह इन बारों का स्थाल रखते हुए इस बिल में तरभीम कर दे ।

3 P.M.

**Shri C. R. Narasimhan** (Krishnagiri): This Bill is a natural corollary of the Avadi resolution and the resolution of this House which we passed a little before that period while discussing the Five Year Plan. The Congress, the chief political organisation of the country, has given the lead to the Government in power and naturally the Government will have to go ahead. It is but proper that they have taken the question of banking which is a key industry and which is in the nature of an essential service in the country. We have more or less completed the First Five Year Plan and we are on the eve of the Second Five Year Plan, and a great increase in agricultural production is contemplated. How can we increase agricultural production? The contri-

bution from new cultivable areas is not likely to be much. If at all agricultural production has to be increased, it has to be increased practically in the existing cultivable areas. Therefore, the method is more or less intensive cultivation. Intensive cultivation means more money to be put in the hands of those who are now interested in the agricultural enterprise, to buy seeds, manure, etc. The question of the supply of money to the agriculturists has become an important one now that we have decided upon intensive cultivation for the present and succeeding Five Year Plans. Somehow or other, we must see that the rural and semi urban worker and others get the money they need. The Government have, quite properly and at the proper time, come with this Bill and I am sure this experiment will succeed and bring about what we all desire.

It is well known and here is an authority which says about the problem of banking:

"There is urgent need for the expansion of banking to semi-urban and semi-rural areas, as there is one banking office per 90,000 persons in India as against 10,000 in Japan."

That is the position. The Rural Credit survey also shows that the Governmental and co-operative effort practically is insignificant: that is only 3 per cent. in either case. Therefore, necessary steps have to be taken to enable this credit money to reach the agriculturists. The All India Rural Credit Survey, a summary of which has been circulated to us says in the last para, entitled Urgency of action, that the Committee also emphasise that these principal recommendations are vitally related to one another and together form a unit of policy from which no main component part can be removed without imperilling the whole. The report says, take the whole report as it is, do not change it. I do not know whether I have understood the Bill correctly or not. I do not see any where provision

[**Shri C. R. Narasimhan]**

for the amalgamation of the major State associated banks as desired by this report, along with the taking over of the Imperial Bank of India. I do not see any indication of it in the Bill or in the Statement of Objects and Reasons of the Bill. I would like the Government to explain why it is so.

**Shri A. C. Guha:** See clause 35 of the present Bill.

**Shri C. R. Narasimhan** Thank you. One serious difficulty with our governmental institutions is that they are full of red tape. The other day I went to see the new Village industries Emporium started near the Regal Theatre. Of course, the Board is managed by well meaning people, very experienced people and people imbued with.....

**The Parliamentary Secretary to the Minister of Production (Shri R. G. Dubey):** It is an autonomous body.

**Shri C. R. Narasimhan:** A lot of governmental inspection is there. When Government grants are given, the relationship between the Government and the so-called autonomous bodies is simply through red tape. They ask for information; information is supplied. It is all reduced to columns, reports, and so on. I was disappointed to see that the salesmen had no idea as to the sale price of the things that they wanted to sell. I pitched upon one or two articles, hand-made paper, etc; They simply told me, please don't buy today, we do not know the prices, just wait and come after a day or two, we will be able to sell. This is the way that the institutions tied to red tape will function. Whether it is autonomous or a governmental institution, red tape is the enemy of quick progress.

**Mr. Chairman:** The shop is in the process of being arranged anew.

**Shri C. R. Narasimhan:** Still, when it is decided to open a shop and bring things, —the things are not newly

made, they are old, —the prices have to be fixed. If it were an ordinary institution, the owner would have thought about it. He would have said, take at this price, later if it is found that it is in excess, I shall return and if there is anything still due, I shall collect it from you. He would have taken my address and disposed of me. In a governmental institution, they have to look to their superiors and all that. You are creating all India organisations, centralising many things, including colleges. My only appeal is, let them not get tied up to red tape too much. Field work is one thing; direction is another thing.

Our esteemed colleague Shri B. Das referred to the omission of the Comptroller and Auditor General in regard to Audit and other matters. I would like the Government to explain why the constitutional right of the Auditor General has not been incorporated and embodied in this Bill also. That would have added to public confidence.

**Shri A. C. Guha:** If the Auditor's report will be laid on the Table of the House, no commercial bank can function.

**Shri C. R. Narasimhan:** Shri B. Das was saying that in the Reserve Bank Act there was some provision.

**Shri A. C. Guha:** It is not a commercial Bank. There also I do not think that the Auditor General does the audit.

**Shri C. R. Narasimhan:** Well, it is a suggestion. Since I suppose these funds are to come out of the Consolidated Fund of India and I think it is good for the Auditor General's supervision to be provided in some form or other instead of his going about asking permission from certain quarters for examining the accounts.

Some of the Members were saying that the very expression 'Imperial' was out of date and an anachronism

and obnoxious. If for nothing else, at least for the bad name that the institution has been having all along, it could not survive the new Free India set up. This augurs well for the future of this country and I wish the hon. Minister and the Government every success in this measure.

**Shri K. P. Tripathi (Darrang):** I think I must congratulate the Government on this step which I consider as a right step in the right direction. But, I think that if we regard this step as a complete step, it would be a mistake. The hon. Minister himself quoted figures to show that nearly one-third of the peasantry is landless and so, agricultural labour. In the Bill, it is said that this bank will be run as a commercial concern, with all the commercial practices. One of the main practices of commerce is the creditworthiness of the loanee. What is creditworthiness? So far as I understand, agricultural land was not regarded as credit-worthy, by most of the banks. It is quite likely that the same consideration may be brought to bear upon the working of this bank and if that happens, obviously, many of the rural people who have lands will not be entitled to credit. So also, those who have no land and the people who have very little land will not be entitled to any credit from this bank. Therefore, it may be that more than one-third of the rural sector—may be one-half of the rural sector—will not be benefited by this bank at all. I am not criticising the view that Government have taken, namely, that creditworthiness must be taken into consideration. But I am merely pointing out that this is the inevitable consequence of the functioning of this bank with regard to the rural sector. The result is that although we think that this bank will benefit the rural sector, it will not benefit the entire rural sector. This is the point which I want to make. If this is realised, then it will be admitted that something more has to be done before things can be mended.

Now, I will point out how in the American economy this thing was

applied. It will be remembered that after the 1929 crisis, Roosevelt came forward with his New Deal, and certain steps were taken. One of them was with regard to rural credit. Two types of credit were given. One was that rural credit was given through commercial banks and the other was from the Government through the national extension service. Through that service, individuals who did not get credit from the Commercial Banks had the right to formulate a scheme and approach government and say: 'Here is my scheme. I want to work it'. The Government would examine the scheme and then loan it. The result would be that when the crop was ready, Government would take out of it their share. So even in the American economy, which is a capitalist economy, this was thought necessary. In this country where really more than one-third or one-half of the agricultural population are uncredit-worthy according to banking principles, I think the hon. Minister will agree that if we really want to rehabilitate our rural economy, it will be absolutely necessary to take some such step. We have already undertaken rural extension service and Community Projects and so on. I understand that within a few years, the whole country will be covered by these schemes. I think if the Government think of starting these credit schemes alongside these Community Projects and National Extension Service, it may be possible to provide credit even to those people who are not regarded as creditworthy according to banking principles.

The second point is this. It will be realised that this bank is being created, but this bank is an offer. It does not directly reach the rural masses. In between, it is expected that there will be two institutions. One of them is the Co-operative in the village which will take loans from this bank for the purpose of funding the rural agriculturists. Secondly, it is expected that there would be grain societies who will also take loans from this bank and fund marketing of the stocks. When will these two come

[Shri K. P. Tripathi]

into existence? The hon. Minister himself pointed out that Madras and Bombay have gone forward but other States have not gone forward so much in respect of co-operatives. If that be true, then it will take a very long time. There are deep-seated causes why co-operatives have not made headway in India. To expect that suddenly they will make headway is, I think, wrong. I will again point out the example of America. There a great banker decided in his mind that America must have co-operative banks and he carried on a campaign from State to State for nearly ten years trying to convince State legislature about the necessity of establishing co-operative banks. Then only it was possible for him to get a law passed by the States that co-operatives may be floated. So it is not so easy to expect co-operatives to be floated, and even if floated, to function rightly. So the Government will have to do something more so that these co-operatives may function. After all, your best intentions, as embodied in this legislation, will not fructify until the money really goes to the man who needs it. In between the man who needs the money and the bank, you are postulating two hypotheses, which do not exist. One is the Co-operative and the other is the grain society. So for this purpose, I think the Government will have to mobilise their resources and find out how best these can be activated and the whole country can be covered by the co-operative societies. As regards grain societies, they should be there, not only for the reasons which the hon. Minister himself has mentioned, but also for other reasons. Unless there are grain societies, it will not be possible for the Government to have any price support programme. One of the pillars of the American economy is the price support programme. Without the price support programme, their economy would not be what it is today. Even this year pressure was put on

our Government to have the price support programme, and the Government came forward with a programme in the case of three crops. If this is not floated in the right way with a network all over the country, the Government will not be able to have any price support programme effectively. How has that to be done? The great question has been raised as to whether it is a State subject or a Central subject. It has been said that the Centre cannot manage it; only the States can do it. This question is there. I personally think that in such a case when huge credit facilities are necessary,—it has been said that Rs. 800 crores worth of goods are annually marketed in the agricultural sector to expect that the State Governments will be in a position to handle the thing is not correct. I do not believe in it. I still believe that it will be necessary for the Government, as it has been necessary in the case of America, to have a central credit organisation which should be centrally financed and formed; otherwise, it will not be possible to work the scheme. After all, it will be realised that 50 per cent. of our national production takes place in the rural sector. Out of Rs. 10,000 crores worth of production, nearly half occurs in the rural sector. Therefore, it is the biggest industry, far bigger than other big industries which account for only 6 per cent. of the production. How shall it be done? You will have to come to the inevitable conclusion that it is only the resources of the Central Government, the prestige of the Central Government that can bring forward this organisation. After all, price control is a matter for the Central Government. Price in any country is not a State phenomenon; it is a national phenomenon. Therefore, when you are going to undertake marketing operations in the rural sector, you are also going to control the price. If that be so, you come to the inevitable conclusion that it has to be done from the Centre and not from the States. Recently employees have been in the newspapers and saying in their speeches that it is necessary to expand the purchasing power in the country.

side. Even Birla has said that. Now, one of the ways in which the capitalist economy has expanded this purchasing power is through the price support programme and rural credit. This action of the Government is not merely socialist in character; it is also capitalist in character, because here the intentions of socialism and capitalism coincide. The idea is to expand the purchasing power in the rural sector, so that based on this industrial production might be expanded for marketing and consumption. It is for this reason that every sector in the society has welcomed this. But still prejudice dies hard and there was an attempt made to delay the nationalisation of the bank. There was a last-minute attempt made to postpone it by at least six months. Luckily that has not happened, and I really thank the Government for having taken a firm stand that it shall not be delayed any longer. After all, in the whole country there is an expectation that with this Bill becoming law, Government are coming forward with the assurance to rehabilitate rural economy. Therefore, I think Government have taken the right stand; it will be admired and welcomed in the country.

With regard to compensation, Shri R. D. Misra was saying very cogently that the principle of compensation, as adumbrated in this Bill, has not been what the socialistic pattern of society declaration, demanded. Unfortunately this is the first case, and it is going to be a test case, before the country as to how the Government intent to proceed in future nationalisation plans to compensate the non-agricultural sector. It has been rightly pointed out that in the case of zamindari abolition, Government made a discrimination in the case of compensation as between large holders and small holders. That was welcomed by the country. But it seems in the industrial and commercial sectors, if the Government takes over anything it is not going to make that distinction. Is it proper? After all, this question has been asked and the Government shall have to an-

swer this. Having accepted the principle that the demand from the more well-to-do should be given less compensation and from the less well-to-do full compensation, it is proper for the Government to come out in this way in the case of the commercial and industrial sector and say that this principle is not to be applied here? Whenever arguments are advanced here, they say that obviously the middle-class man must be fully compensated. But if the principle had been followed here also as it has been followed in the case of large-holders and small-holders of land, I would have been happy. So, I think that if the Government does not deserve the discriminatory compensation principle, which is fundamental for a social way of looking at things, then it will find itself in a very tight corner with regard to all future nationalisation schemes in this sector. I urge the Government consider this.

With regard to the representation of workers, there is some logic why the Government should consider that workers, in this first step, should also be represented on the board of management, but no such scheme seems to have been formulated. I think the Government are seriously considering in the Second Five Year Plan the question of representation of the working class on the board of management. Here is a capital opportunity for them to consider how it can be done. I think if they do it, it will be proper.

With regard to service conditions, Government should consider the maintenance of existing service conditions. With regard to the fact that, they have decided to eliminate the management being so top-heavy and costly, as on this point serious criticisms were made some time back in this House and in the other House, it will be welcomed by the country.

Government will give due consideration, I hope to those people who are serving in a certain industry, and it

## [Shri K. P. Tripathi]

is for them to maintain stable service conditions. They should not be revised against them. If a revision has to be done, it should be in their favour and no revision should be against the employees. The Government are not immediately thinking in terms of service conditions being revised in their favour. Therefore, I think that the Government will not think in terms of revising those conditions against them.

Although there are many points more, there is no time, I will stop.

**Shri Tulsidas (Mehsana West):** I thank you for giving me an opportunity to speak on this important Bill.

I heard the hon. Minister this morning. He put forward the case for nationalising the Imperial Bank in the best possible manner. I see that most of the Members here have supported this measure. I also find that most of this support is more on the basis of a symbolic importance than coming to the real basic factor of this measure. I for one feel that there is at least not enough appreciation, particularly with regard to the work which this institution has been doing so far and it is merely on the basis that nationalisation of a banking institution would give this country a rural credit structure and thereby have all the problems solved of rural credit.

I would, first of all, like to inform the House that as far as the Imperial Bank was concerned,—at least as far as I know and can say—the function of the Bank was primarily that of a commercial bank and not for rural credit. If that is so, I do not understand how by nationalising an institution, which was primarily a commercial institution, it is going to function in the interest of rural credit. As the House knows fully well, I am always the supporter of any measure which will give our rural area the benefit which they require,

and if this measure was going to help in that direction, I would be the first person to support it. But when I see the Bill and when I hear the hon. Minister, I find that that object, which is primarily for rural credit, will not be served by nationalising this institution. The reason is very obvious. As my friend, Shri Tripathi just now said—and I fully agree with him—we know how rural credit is being given in different countries. I would like you to realise that this institution has been functioning as a commercial institution and it was primarily doing that work, except in 1950 when the Reserve Bank was nationalised, it was given some extra work as an agent of the Reserve Bank. It was functioning as the agent of the Reserve Bank in areas where the Reserve Bank had no branches. Then it was also supposed to do a certain amount of currency chest work and so on, but there was no question of this Bank entering into rural credit. There was no reason mentioned anywhere before that this Bank was supposed to do the work of rural credit as it is envisaged now to do. I would also like to bring to the notice of the hon. Minister that if this Bank is now to function as merely a banker to the co-operative banking institutions, then I do not understand why up till now the Reserve Bank has not been able to do that function when the Reserve Bank had all their attention and advice and everyone in the country was clamouring that the Reserve Bank must give all possible assistance to foster rural credit in the country. I for one do not understand how this institution is going to function in the manner we wish.

When I was reading the Bill and about the way this Bank is going to function, I still have my great apprehension as to whether this institution is going to function for the benefit of the rural credit system, because they are not going to handle any rural credit themselves. As I just

now pointed out, they are only going to be the bankers of the co-operative credit banks. Besides, the constitution has become so rigid that it will function just as it functions today in the case of the Reserve Bank, as a department of the Ministry. The Reserve Bank, after it has been nationalised, to my mind, functions more as a department of the Ministry of Finance than as an independent institution, and if this institution is going to function on the same lines—that is, more or less on the basis of the Reserve Bank constitution—I at least do not understand how it will function in the manner in which we all desire it to do. I will give you an instance. Take the Reserve Bank, for example. When I say that the Reserve Bank functions more as a department of the Ministry of Finance, I have definite reasons for saying so. Take the example of rural credit survey. This Committee on rural credit survey was appointed by the Reserve Bank and they were supposed to submit their report to the Reserve Bank. The Committee functioned, but they submitted their report directly to the Government of India. Even the Reserve Bank did not know anything about that report, and they even did not know what decisions have been taken by the Government of India on their recommendations. This has amply proved that the Reserve Bank is more a department of the Ministry of Finance rather than an independent institution.

In my opinion, this will also function in exactly the same manner. You have a provision here that the chairman and the vice-chairman will be appointed by the Government of India. But the Rural Credit Survey Committee says that we must have an independent chairman coming not from the usual channels but from the outside channels. Out of the 20 directors, 14 will be nominees of the Government of India, and only six will be elected members. In other words, the 14 directors will be more or less nominees of the Government of India.

With all our intention to see that these institutions should try and help rural credit or develop rural credit I fear one fail to understand how the system is going to function. We have for example a number of institutions which are today functioning in our country, such as the Industrial Finance Corporation and the State Finance Corporations. How do they function? We have already seen the reports about their working.

This institution has to work in a flexible manner, but I am afraid the constitution is such that it will not have any flexibility whatsoever. It will have as much rigidity as the Reserve Bank of India and other institutions, and the Finance Ministry's policies will be followed by this institution also. The result will be that the commercial side in which the institution normally functions today will suffer. Out of the Rs. 220 crores of deposits, about Rs. 125 crores are lent every year to the different institutions of commerce and industry. I am afraid even that aspect will suffer. On the one hand, we are trying to develop something, but on the other hand, my own fears are that instead of developing anything we may make even whatever we have got suffer.

**Shri R. K. Chaudhuri:** How!

**Shri Tulsi das:** For, as I said earlier, the composition of the board will be such that it will consist more or less of the nominees of Government. There will be no election whatsoever, and thus the institution will have a certain amount of rigidity.

That is my fear. In spite of all the enthusiasm that the other Members have shown over this measure, I personally have no enthusiasm whatsoever. The question that arises is whether this institution is going to serve the purpose for which it is being formed. I only wish that it will be able to serve the cause for which it is being formed. And I wish that my fears are belied, and in fact I will be the

[Shri R. K. Chaudhuri]

first person who will be very happy to see that that particular object is achieved.

My hon. friend Shri K. P. Tripathi has pointed out that in other countries rural credit is given in a different manner, and that the institutions for giving rural credit should be separated from those that deal with the commercial side. Let us take the case of the Imperial Bank which we are going to hand over to the State Bank of India. Most of the staff that are working in the Imperial Bank are not quite conversant with the working of rural credit systems. I know most of the staff in the commercial banks are accustomed—and have been trained in that way—to do work on the commercial credit side only. If the members of this very staff are going to take over the functions in respect of rural credit also I for one fail to understand how they will be able to do a work for which they are not trained. I feel that we should have an entirely different type of staff for this purpose, staff who have been trained in a different manner and who will function in a different manner and be fully conversant with the several aspects of rural credit. My hon. friend Shri K. P. Tripathi has rightly said that in the case of commercial credit, the first thing that you see is the credit-worthiness of the party to whom you give money, while in the case of rural credit that will not be the main consideration. There the main consideration will be the removal of the indebtedness in the rural areas. If that is to be the main consideration in respect of rural credit, then I am afraid that the staff that are at present working on the commercial side will not be able to do that work. This is another reason why I feel that this institution is not going to function in the way in which we all desire it to function.

With regard to the constitution of the board, I have already stated that

the majority of the directors will be nominees of the Government of India, including the chairman and the vice-chairman. I would have liked that at least the appointment of the chairman should have been left to the discretion of the board; of course, the approval of Government would naturally be there. But my point is that the board must be empowered to appoint the chairman, for normally in any institution, the chairman comes from the rank and file of the Board. If that were the position, then things would have been different, and it would only have been a question of obtaining the approval of the Central Government as to whether a particular person was fit to be the chairman or not. But here what is happening? The chairman will not be elected, but he will be appointed or nominated by the Government of India. And he will not be a whole-time officer also, but he will be paid a certain sum by way of salaries etc. and function in the same manner as if he is a glorified manager. That is going to be the position now.

**Shri A. M. Thomas:** Even in commodity committees they are having Government-appointed chairmen.

**Shri Tukidas:** Two wrongs do not make one right. I personally think that the other one is also wrong. Similarly, this is also wrong. When it is the case of a credit institution, there should be persons on whom the people can have confidence. But what is to happen here? We know very well that in the Reserve Bank also, when it was nationalised, there was the intention that out of the three Governors, the two Deputy Governors and one Governor, at least one will be from the non-official ranks. But what is the position now? For the last several years, almost all the three have been from the official ranks. You cannot expect Government to appoint someone from outside the official ranks. I am sorry to say that they are not qualified or trained to do this sort

of work. The work of rural credit is of an entirely different type, and these persons are not trained to do that work. You cannot blame them for they have not had enough of training in that work. And how do you expect these people to work in this field without the necessary training? In the State Bank of India also the same is going to be the position. I would have liked very much that the chairman should have been appointed by the board, or at least elected by the board subject to the approval of Government instead of being appointed by Government. I feel that this had been the position both with regard to the chairman as well as with regard to the vice-chairman.

Now I would like to say something about the compensation, about which so much has been said already. The point at issue is that this does not stand on the same category as the other cases that have been mentioned. This is not the case of an industrial institution. If the shareholder of a bank who has invested a certain amount of capital in that bank is to be treated in the same way as any industrial concern or a zamindar, then I am afraid we do not know where we are going to end. I do not understand what the difference is between a shareholder and any other common man in the country. If a labourer can become a shareholder of the institution, why should a shareholder of a bank be deprived of that right? Why should a shareholder be deprived of his dues, when particularly the shareholder in a bank is a small man like any other small man in the country? So, you cannot make a distinction between the shareholder in a bank and anybody else. If we take this aspect into account when any institution like the present one is being nationalised, it is but fair that we should treat the shareholder in exactly the same manner as anybody else. When we abolished the zamindaris, we gave the zamindars a certain amount of compensation. Likewise the share-

holders also are entitled to compensation. But there is one fundamental difference in the case of the shareholder of a bank. The bank is a commercial institution, and it has built up a vast amount of reserves all these years. And if this Bank or any other institution would have been put on what I may call "written-down value", then it would remain at a very high level. Even this rate is not going to give them adequate compensation. Therefore there is no question of adequate compensation. The compensation is not at all adequate and therefore, it should have been on a more better basis.

**Shri V. P. Nayar:** What does the hon. Member suggest as compensation?

**Shri Tulsidas:** I say what I feel and the Government should look into this point as well.

**Mr. Chairman:** Shri T. S. A. Chettiar.

**Pandit D. N. Tiwary (Saran South):** Sir, I rise on a point of order. This morning we received a circular or something like a bulletin saying that nobody should be allowed to speak although he has sent his slip or his name has been given by the Party Whip, unless he stands up and catches the eye of the Speaker. Is that rule going to be followed or is that to be given up?

**Mr. Chairman:** I fail to see the point of order. In the bulletin it was mentioned that persons who desire to speak can adopt any one of the three ways; they may send chits themselves or through the Whip or they can stand up and catch the eye of the Speaker. Those Members who have sent slips and who stand up are entitled to be called. I do not see the point of order at all.

**Sardar Hukam Singh (Kapurthala—Bhatinda):** In the bulletin it was said that even if that name has been sent through the Whip or separately, the Members shall have to stand

[Sardar Hukam Singh]

up and catch the eye of the Speaker. This was certainly said there.

**Mr. Chairman:** There are two ways in which this can be done. If the Chairman knows that a certain person is anxious to speak, and he has sent his slip not only once but more than once, then is the Chairman not entitled to call him? The Chairman knows fully well that the Member is anxious to speak. Every time it is bound to happen that at least 15 to 20 persons shall stand up. If the House likes it I have no objection to adopt that course. It means that—I have got about 20 slips with me—every time 20 Members will stand up out of which one can be called. The hon. Members can choose any method. If they like this I have no objection to accept this as a rule in future.

**Pandit D. N. Tiwary:** What is given in the bulletin is binding on everybody and the Chair also. That is why I raised this question.

**Shri N. Rachiah (Mysore—Reserve—Sch. Castes):** Sir, ever since the Bill was introduced we have been rising in our seats. But, some Members come in and they are immediately given a chance. Some Members do not send in any slips but they are given a chance. Therefore, by giving discretion to the Chairman I am afraid privileges of the Members will be curtailed because the Chairman will be in a position to call according to his choice and not according to priority.

**Mr. Chairman:** Again I do not see any point of order. So far as the Chairman is concerned he has got absolute discretion to call any Member provided he knows that the Member concerned is anxious to speak. If a person sends in a chit I certainly have to conclude that he is anxious to speak. If he stands up without sending a chit even then I always know that he is anxious to speak when he stands up. I do not understand what the hon. Member is

referring to. There are many Members who are not present here, but have sent in their chits. They have sent in their chits and yet they are absent. Many of them are absent. I ordinarily do not call them because I do not want it to be put in writing that they were absent while they were called. If hon. Members like I can observe this rule also. They lose their right of being called subsequently. I will call any Member who has sent his chit. If he is not in the House he will be recorded as 'absent'. Do hon. Members like that? I do not think they would like this to be adopted. Therefore, I take this precaution that if a Member is in the House and has risen to speak it is only then that I call him to speak. It is in the interest of the Members themselves.

**Shri R. K. Chaudhuri:** Since this point has been raised may I ask one question?

**Mr. Chairman:** This is not Question Hour. No question can be put to the Chair in that manner.

**Shri R. K. Chaudhuri:** But. . . .

**Mr. Chairman:** Order, order. The first point of order is that the hon. Member should sit down when the Chair is on its legs. The hon. Member is still standing. What I am submitting is that so far as the point of order is concerned I was called upon to give a reply and I have submitted a reply to the House. Unless there is another point of order the hon. Member cannot question the Chair in this manner. This is not the time for questions that every Member who wants to put some questions can stand and put the questions.

**Shri R. K. Chaudhuri:** Since you are discussing this question I only wanted to suggest, why not abolish the system of slips altogether? Let the hon. Members who are anxious to speak stand up and catch the eye of the Chair.

**Mr. Chairman:** Order, order. The suggestion should be made so that a

change may be effected in the rules. If the hon. Member wants to do that, he knows that there is the Rules Committee and the suggestion may be made to them. So far as the Chairman is concerned he is one of the Members. The Chairman has got no more rights than any other Member has got. I am anxious that I do nothing which may displease the Members of the House. I am here to call Members without any partiality. If they have got any grouse in that respect they may say so. I have to see to the interest of the debate and also that all sides are represented. I take good care to see that I call each one whom I think is necessary in the interest of the debate.

**Shri T. S. A. Chettiar:** Sir, for the first time in the country in the last so many centuries, a concerted attempt is being made to provide rural finance in a measure which is necessary and this Bill I consider is one of the most important Bills that were ever brought before the Parliament. I would have wished that such an important Bill like this had been referred to a Select Committee, but for reasons best known to Government and because of the circumstances in which we are situated it seems we are unable to refer it to a Select Committee. But, I do hope that this will not be a precedent for important Bills hereafter coming to be taken through the House without their being referred to a Select Committee.

Now, let me go through some of the provisions in this Bill. Today we want to double all our production within a reasonable time. One of the ideals of the National Extension Service is that agricultural production should be doubled, our raw material should be doubled and our food production must be doubled within a reasonable time, say, within about ten years, so that not only will it keep pace with our increasing population but will in a good measure supply raw materials for production

of goods to the country. If this is to be done, one of the earliest and best things to be done will be to provide the credit, that is necessary for farmers to invest money in fertilisers and in such other things that are necessary for the increase of production.

Secondly, as I pointed out on an earlier occasion, land reforms are being resorted to in a large measure in many of the States. In fact *firman*s have issued that land reforms should not be delayed. But with the experience that I have of distribution of lands to Harijans we have found to our cost that mere distribution of land does not result in increase of production. In certain cases it has decreased production and the result has been that distribution of land to people who cannot invest money for producing food in it has resulted in no production. So, for both these reasons, in the interest of larger production as well as furtherance of land reforms it is absolutely necessary that we should provide rural credit in a measure which is necessary for these two purposes. We find, Sir, it has been pointed out by the All India Rural Credit Survey that in the credit provided in rural areas Government today provides only 3.3 per cent and co-operatives provide only 3.1 per cent of the credit. Commercial banks have provided 1 per cent and the whole balance of about 93 per cent of the rural credit is being provided today by the landlords, agriculturist moneylenders, professional moneylenders, traders and commission agents. They provide the credit at a very high rate of about 30 per cent interest. Therefore, the first essential for this country is to provide rural credit, not in any small measure, but in a large measure and in a measure sufficient for it to develop itself. And so, I think, this Bill which has been brought out with the main idea of providing this credit is welcome. We hope that with the passing of this Bill and with the taking over of the Imperial Bank of India and with the

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establishment of 400 branches contemplated in the Bill, we will have a large network of rural credit institutions provided throughout the country so that it may give credit to everybody who seeks it. In the matter of giving rural credit we ought to observe that the co-operative societies in this country have failed. Admittedly, in many parts of the country, committees have been set up to look into the working of the co-operative movement. The Minister of Finance was pleased to observe that except in Bombay and Madras, the co-operative system has not worked very well. Coming from a State which is supposed to have worked the system very well, my submission is that even in our State Madras, we are not satisfied with the working of the societies.

**Shri Bansal:** The Minister was saying that in Madras it was very satisfactory.

**Shri T. S. A. Chettiar:** It is successful relatively.

**Shri V. P. Nayar:** That Minister does not know Madras.

**Shri T. S. A. Chettiar:** We consider that there have been two deficiencies in the working of the co-operative movement. One is the human deficiency and the other, material deficiency. The material deficiency is that we have not been able to provide that amount of money that is necessary for the co-operative societies to succeed in providing the rural credit necessary. That is one of the essential reasons.

The second reason is the human deficiency and that is we have not been able to get the requisite personnel with the integrity and honesty which is necessary for banking and commercial institutions, to man these institutions. These two deficiencies have been pointed out by the Rural Credit Survey and they have sought to give advice as to how this can be improved. The way in which all

this can be improved has been suggested. There are three ways in which this rural credit may be provided to the advantage of the people. One is State partnership at different levels, full co-ordination between credit and other economic activities, especially marketing and processing, and administration through adequately trained and efficient personnel responsive to the needs of the rural population.

**Shri Bansal:** Where is all this from?

**Shri T. S. A. Chettiar:** It is from the summary of the report, page 21.

Rural co-operative societies have in a large measure confined themselves to giving only credit and that too in a very small measure. That is one of the defects. As has been pointed out, they should not only provide credit but they must cover also other economic activities of the village as are important to the cultivator and the agricultural labourer. Such activities should include farm irrigation, provision of seed and manure, transport, fisheries, milk supply, dairying, life-stock breeding and cottage industries etc. I read from the recommendations of the Committee. If we are to do all these, it will require a tremendous advance of money. What this movement, started by taking over the Imperial Bank, seeks to do is to supply this credit.

Now, let me come to a few provisions of the Bill. Before I come to the provisions of the Bill, I would like to say, I am sorry the Minister of Finance and Revenue is not here..

**Shri A. C. Guha:** No, I am here.

**Shri T. S. A. Chettiar:** I would like to question some of the figures he has given by way of income of agricultural labourers. He said that in the Punjab the income of the labourer is Rs. 121 per year, that is Rs. 10 per month.

**Shri A. C. Guha:** That is the per capita income.

**Shri T. S. A. Chettiar:** What is the income per labourer?

**Shri A. C. Guha:** Each labourer is supposed to have a family and the family is generally supposed to consist of.....

**An Hon. Member:** Five persons.

**Shri T. S. A. Chettiar:** I am coming to some of the provisions of the Bill. I would like to know whether the Minister can say what is the way in which the State partnership is proposed to be undertaken, whether the State Government will take shares in the Apex Banks, the Apex Banks will take shares in the District Banks and the District Banks will take shares in the primary co-operative societies. I do not see in this Bill any provision which makes such a thing possible. I do not know whether they intend to bring any further legislation which will make it possible.

**Shri A. C. Guha:** Further legislation by the Food and Agriculture Ministry also.

**Shri T. S. A. Chettiar:** So far as this Bill is concerned, I do not find any such provision. I do not know whether any further legislation is contemplated. Perhaps it is, as it has been suggested.

Now coming to a few clauses, I would like to refer to clause 11. It says that no person shall be registered as a shareholder in respect of any shares held by him in excess of five per cent. of the capital. The capital is supposed to be Rs. 20 crores, as mentioned in clause 4. And that means that a man is allowed to have 5 per cent. which is Rs. 1 crore. The capital of the State Bank may be increased by consolidation and amalgamation of other banks. I do not know whether any public purpose will be served by allowing any individual to possess as much as Rs. 1 crore work or 5 per cent. of the shares.

**Mr. Chairman:** It is 5 per cent. of the issued capital. Rs. 20 crores is the authorised capital, so far as I understand.

**Shri T. S. A. Chettiar:** Forty-five per cent is left to shareholders and that means that only 9 persons will be able to possess all the shares. I question whether it will be in public interest to allow any individual to possess such a large number of shares in a bank like this.

**Shri Bansal:** It will be for Government to allot the shares.

**Shri T. S. A. Chettiar:** The maximum must be much lower; that is what I mean.

Now, I refer to clause 16(5). It says:

"Notwithstanding anything contained in sub-section (4), the State Bank shall establish not less than four hundred branches in addition to the branches referred to in sub-section (3)....."

I quite see that it is the minimum that has been specified here. It is not the maximum. The minimum may be there but we require a larger number of branches if we are really to provide rural credit. It might depend upon the exigencies of the situation; but, I think, in practice it should be much more.

**Shri A. C. Guha:** Not less than 400.

**Shri T. S. A. Chettiar:** I said the minimum is fixed and not the maximum. I said the very same thing.

Now, I come to clause 18(1).

"In the discharge of its functions, the State Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may, in consultation with the Governor of the Reserve Bank and the chairman of the State Bank, give to it."

In another Bill we had occasion to consider this. What is public interest is a matter which has not been

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defined. Many times it depends upon the Finance Minister concerned to determine what is meant by public interest. It has been amply pointed out by the Rural Credit Survey that it must be run on commercial lines. As much as possible, the interference of the Government in a bank of this nature should be the minimum. I would like to put it to the House whether we should define or give an indication as to the limits within which the Government can interfere in the affairs of the Bank. Otherwise, the utility of the Bank, the independent thought and action of the Bank and even the purpose for which it is being established may be affected. I would like the House to consider that matter.

Now, I come to clauses 32 and 33. It is there that we are told what the Bank should do and should not do. I do not find any provision by which they can take shares in any company, either co-operative or otherwise. If the intention of the Minister of Finance is to be made clear that the State Bank will take shares in the Apex Bank, that should become part of the provision in this clause.

4 P.M.

**Shri A. C. Guha:** I did not say that the State Bank will take shares. I said that the State Governments will take shares.

**Shri T. S. A. Chettiar:** But what he said was—if I understood him correctly, and perhaps I may not have understood him correctly—that the State Bank will take shares; there will be State partnership in the co-operative movement and all that. That is what he said. It will mean that the State Bank will take shares in the apex banks. That is now it will become partner in the apex banks and if that is true, that must find a place in these clauses—32 and 33. As far as I see, I do not find any clauses to that effect.

I now come to the First Schedule. In the First Schedule compensation

for the transfer of shares has been provided for. One point was made out and it was pointed out that this compensation has been worked out at the average cost of the shares in the previous twelve months. That means it gives the market value of the shares. We can fairly assume that it will be the market value of the shares. A question was put very relevantly by Shri Gadgil, I think, namely, what compensation was given to the zamindars. A reply came—it was a surprising reply—that they were looted. I do not know whether I heard him correctly, but here we are giving compensation at market rates.

**Shri Bansal:** The reply was not that they were looted. The reply was that the zamindaris were being held as a result of the loot.

**Shri T. S. A. Chettiar:** I see your point now. I would like to make a suggestion. It has always been found that whenever commercial interests are concerned, they always get a better treatment. Whenever monied interests are concerned they always get a better treatment. In any Government they have an influence. Wherever landed interests, rural interests are concerned, they never get such valuation. I should like to point out that if you are going to have different classes of valuation for different items of acquired property, I think it is a very bad thing to do. I would like this House to consider seriously that if they want to nationalise things, they must nationalise on a particular pattern and give cooperation on a certain standard. If you adopt market value as is done here, it should be for this House to lay a precedent saying that such will be the value which they will follow in the future legislations, under the amended clause 31 in the Constitution. Otherwise, this thing is bound to create a lot of bad blood in the minds of the people because different treatment is given to different types of people. It is not something which we could naturally appreciate.

I do not want to take much time of the House. I do hope that though it is not sent to the Select Committee, the procedure that we adopt in this House would be such that all the effective amendments that are necessary will be moved and accepted in regard to this Bill.

**Shri Matthen:** In spite of the fears expressed by my friend Shri Tulsi-das who unfortunately is not here now, I welcome this Bill wholeheartedly. It has not come, as my friend Shri N. C. Chatterjee said, one day too soon. The very name 'Imperial' is to the minds of several of us repugnant and out of place in the new independent Republic of India. Some of us who had something to do with the Bank from the very early year of 1920, I may tell you, have no recollection which we would like to refresh our minds with. It was a purely imperialistic bank, a bank which was anti-national and worked against the national interests of many institutions at that time. I am not talking of the post-Independence Imperial Bank. At that time, I was also a small banker and my bank was the third biggest in the whole of India at that time with 86 branches all over India and Ceylon. But when the Hitler of our State started destroying my bank, the handmaid of that Hitler was the Imperial Bank and their manager appeared as prosecution witness No. 1 to prosecute me, and I was convicted of rigorous imprisonment for a period of 8½ years. Of course, I got released after three years, but that is a different matter. I am only telling you that my bank was a common man's bank and it was appreciated by everybody. I am told that an important executive of the Imperial Bank held a cocktail party at the premises of the Bank when we had to close our bank. I am not at all sorry that this Bank is to be nationalised in the interests of service to the country.

**Shri A. M. Thomas:** Now nemesis is working.

**Shri Matthen:** I do not say that

**Shri T. B. Vittal Rao:** Where is that Hitler now?

**Shri Matthen:** I may tell you that my bank paid almost 16 annas in the rupee in spite of the expenditure on liquidation.

Well, I entirely agree with the hon. Minister in the objects of the Bill and to all that he proposes to do to revitalise the co-operative banking system and industrial and agricultural credit. I am entirely with him, and it is a move in the right direction.

But this Bill and another Bill—the Reserve Bank of India (Amendment) Bill—are based on the report of the All-India Rural Credit Survey Committee. The report is contained in three volumes. I saw one volume in the library. I do not know about the two other volumes. What I say is, the Bill has come when the volumes have not come. A friend of mine—another Member—was telling me that when he wrote for a copy of Volume I, he was told that it was confidential and that it cannot be given. I do not know how far it is true. But I am not talking about Volume 2, which is now available in the library. Actually when you ask for a copy it is denied. I am only telling you that the hon. Minister might say that there was no time and that time is an important factor. He may say that we want to rush this Bill through and we cannot help it. But then he could have thought of bringing in this Bill a couple of days earlier. After all, the Heavens are not going to fall because this Bill is delayed by two days more. I am really sorry for this unholy hurry evinced by the hon. Finance Minister. This, to say the least, should not be repeated.

As my good friend Shri Avanaralingam Chettiar has said, this Bill should have been referred to a Select Committee. There again, the Minister's reply was that "I have no objection to the Select Committee going into this Bill but I want to pass it immediately." After all, I even

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gave a schedule so that the Select Committee stage may be gone through just in three or four days and the Bill can be rushed through even afterwards and before the session ends. But who is there to listen? They say: "We have decided and therefore Members of Parliament will take it up." This is not a totalitarian Government. I need hardly tell you that that this is a democratic Government. If it is a democratic Government, an important Bill of this nature, about a subject that has captured the imagination of the people of India, should not have been rushed through in this way.

**Shri A. M. Thomas:** It is all the more reason why it should be rushed through.

**Shri Matthen:** Well, it is a matter of difference of opinion. I respect your views; you may respect my views if you care.

In any case, I am sorry to tell you that it has not enhanced the reputation of the House or of the party to which I have the honour to belong, to rush through this Bill in this unholy manner. Of course, people outside will say that the Government are conscious of their strength and they can pass anything. Rightly or wrongly, that is what I feel.

About the contents of the Bill, I would like to say one or two matters. In the first place, my hon. friend Shri Tulsidas said that this bank which shall be meant for revitalising the co-operative institutions and co-operative banks and rural credit, and enhancing agricultural development, should have been in the hands of people who know something about that kind of banking. The Imperial Bank started on the tradition of English banks. English banking, unlike banking in other countries, unlike the banking in Germany or America, started from a different background. They had practically the industrial monopoly of the world, at the time they started banking business. They started banking on the principles of

so called approved credit and security, quite different from a country under-developed as India is and quite different from an under-developed country like Germany when they started banking, or even America. They said, gilt-edged security, and this and that. How many people have got these things? Even in this Bill they have excluded immoveable property as primary security. I shall come to that later. I say that this background of the Imperial Bank, the background of English banking is alien to our economy. When the great Kaiser of Germany started industrialisation, they did not follow the English banking principles. They thought of personal credit, immoveable property as approved security. They wanted to help industry and gave money not only for agriculture, but they gave much more to industry and trade. How many people can give the security that the Imperial Bank insists on? I do not know what the policy is. I am only an ex-banker; I am not an up-to-date banker. I think for an under-developed country like India, the old conservative English banking method is no good.

My hon. friend Shri Tulsidas feared that this State Bank will become another department of the Ministry of Finance. The Imperial Bank was the Government's bank. Now, it is the Reserve Bank. The Imperial Bank was the agent of the Reserve Bank. That tradition is still present in the veins of the senior staff of the Imperial Bank. The Reserve Bank of India, I am sorry to say, is a bank managed by a team of executives whose knowledge of banking is only book knowledge. They are arm-chair bankers, if I may so call them. That has been evinced in several actions of theirs. They do not know much of practical banking. The theoretical banking that they have learnt is the English banking through books on English banking. My suggestion to minimise the danger pointed out by my hon. friend Shri Tulsidas is to divide this State

Bank into two compartments, one for rural agricultural credit, co-operative banking and the other for commercial and industrial banking; one virtually for rural banking and another for urban banking, but with one capital. I mean the liability must be owned by the bank. There must be two different departments, managed by two different personnel, two classes of personnel. If the Imperial Bank with their present top salaried staff are to be kept in charge of rural banking, they would be misfits. The cost also would be enormous. It would not be worthwhile for any institution to have such a high salaried staff, particularly when 399 out of 400 new rural branches may be losing for years to come. They must get the funds which the credit of the Imperial Bank or the new State Bank will attract. They must get the benefit of the profits to make up for the loss which is bound to occur in rural banking for some years to come. I would request the hon. Minister to consider seriously having two departments; even the salary of the staff is to be on different scales; a rural section and the other a different one.

I have no tear to shed for the managing director and the deputy managing director, who are left out of this, as my hon. friend Shri N. C. Chatterjee said, their fat salaries cannot stand in our present economy and the ideal which we have announced and accepted. These high salaried men should disappear. They are not their money's worth; I do not propose to make any personal remarks. But, the salary was unconscionable. But, I say this. I am perfectly aware of the salaries drawn by the chief executives of other banks which are not meant to be controlled or nationalised and of other companies. I was told this morning that for equipping their manager's office, one company spent Rs. 5 lakhs.

**An Hon. Member:** Which bank?

**Shri Matthen:** One company working in India; I am not inclined to

give the name. The rent that another firm says for No. 1's residence is Rs. 2000 per month and the curtains which they have got down from England to furnish his house, costs Rs. 100 a yard. There are several cases like that. I believe the Government must have an eye on that also whenever they think of reducing the salary of these people.

There is one other point. We should read the speech of the Chairman of the Imperial Bank, with a certain amount of sympathy. From his standpoint, he has exercised a lot of restraint in expressing his regret. There is one point in which I agree with him. You have cut out the managing director and the deputy managing director. The salaries and emoluments of the other staff, will, it is said, continue for some time, and then the Board will have the right to revise or change them completely. That would be unfair. On account of the nationalisation our Indian staff should not lose anything from their present salary or pension. I would suggest that, as they stood before the announcement of nationalisation, all their contracts must be respected by the State Bank.

Just one word about compensation. I do not agree with my hon. friend Shri H. N. Mukerjee in saying that share-holders ought to be paid at the rate they paid for the purchase of the shares. I do not agree with him. Most of the share-holders are from the super-capitalist class, not one from the average middle-class so we are not to be very liberal in the disposal of this compensation.

As regards immovable property, in places like my State, for example, where land is scarce, immovable property is first-class security. After all, in banking or co-operative banking business, it is the creditworthiness of the party and the character of the party that is an important asset, and the executive must have the capacity and the character to judge and appraise it properly and advance the loan. That is a very important matter. Therefore, immovable

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property ought to be taken into consideration as primary security of course consistent with the character and creditworthiness of the party.

A couple of years ago I visited Denmark and had occasion to study the co-operative movement there. I happened to see some of the chief executives. In fact, the genesis of it was almost like a religious inspiration. The ideal of service was more important than the ideal of profit in the co-operative movement of Denmark. But I am sorry to notice that, character is not getting that premium in our business—in business either controlled by Government or controlled by private banks. This is most essential if we are to develop our rural credit. If you want really to help the development of the agricultural credit of India, which is the most important thing, what is most important is the development of character on the part of both the executive as well as others. With these words, I conclude.

**Shri N. Rachiah:** I think this Bill deserves my support and great appreciation because it seeks to help the rural people, particularly the farmers and landless people. The Reserve Bank of India appointed in August 1951 a committee of Direction for conducting an all-India rural credit survey. According to one of the recommendations of its report, an integrated solution of the rural credit problem was expected by the setting up of a State Bank of India as one strong integrated State-partnership commercial banking institution with an effective machinery of branches spread over the whole country for stimulating banking development and for providing vastly extended credit facilities by co-operative and other banks to the rural people. This is the intention of the Government.

At the same time, I think the passage of this Bill will be the first step, and the right step, taken by Government to achieve the object of a so-

cialistic pattern of society in the country. Sir, of all the things in this country, primarily the agricultural industry is the most important industry. Seventy to seventy five per cent of the rural population, directly or indirectly, depend upon agriculture. Now, what has happened at present is that the farmers and labourers, particularly the landless agricultural labourers, have been disregarded or neglected both by the landlords and the Government. So our primary need is to see that encouragement and credit facilities are given to the rural farmers, and while doing so, I think the bank should divide farmers into three groups, landlords, farmers of small holdings and landless tillers of soil. All these years the Government of India and the State Governments have given a lot of financial assistance both in the form of grants and also loans to farmers. Those grants and financial assistance have been given only to certain banks. These banks always catered all these years to the needs of the landlords, but the common man, particularly the rural farmer, with a small holding of land, and the landless labourer who depends upon agriculture, have not been able to get credit facilities. With the result that farmers and labourers who form the real backbone of the country have been neglected due to lack of credit facilities which has actually undermined our Indian economy. So it is very essential that the State Bank, which is going to be created by the passage of this Bill, should function in the best interests of the country, particularly in catering to the needs of the agricultural poor peasants.

The declaration of the socialistic pattern of society and the passage of the fourth amendment of the Constitution have created great hopes and optimism in the minds of the masses, and this Bill is going to fulfil the objective or desire of the masses in India. So the branches must, as far as possible, be started in the rural areas and they should not be located solely in the

urban areas. Particularly in areas where there is a large rural population, branches of the State Bank should be opened. While giving credit facilities, I think the Government should see that the rate of interest should be high in the case of landlords. In the case of the farmers, who only own small holdings, to the extent of 1 to 10 acres, the rate of interest must be very moderate. In the case of landless agricultural workers who get lands under land reforms, who require loan or credit facilities no interest should be charged. Now, the passage of the fourth amendment of the Constitution, has really eased or strengthened the hands of the Government in introducing land reform in the country. Without solving the land problem, I think we cannot achieve the socialistic pattern of society. While introducing land reform, there are some people in the country, particularly, the vested interests who say: 'Supposing we introduce land reform, we distribute land to the tillers of the soil, where is money, where is equipment etc.' That feeling is there today. The passage of this Bill creating a State Bank of India which will cater to the needs of the landless people, is therefore really in right time.

In the Mysore State, there is a policy laid down by the Government that no man who owns 2 acres of wet land and 5 acres of dry land should get land, and in that case generally, the landless people, irrespective of their caste or creed are getting land. The Government has reserved 20 per cent of the land to the landless Scheduled Caste members. They are getting land. But there is no loan or credit facility for them. With the creation of the State Bank, I am sure that those people who have been granted land recently and who are going to be granted lands in future under land reforms will be able to take advantage of this facility, and the apprehension or doubts of those who are having a vested interest and who are actually working against the land reform will, I think, be done away with. So the creation of the State Bank will

really relieve the grievances of the rural people, particularly farmers and landless workers who may get lands.

Before we come to the question of better living, there is no living at all for many people. It is a question of unemployment not only of the educated people but illiterates also. If you go to the rural areas, you will see that most of illiterate masses who depend upon agriculture are, for at least eight months in a year, unemployed and for these people there is no living at all. And the agricultural workers in rural areas are subject to all sorts of exploitation, indebtedness and forced labour (*Jeetha system*). So, the land reform should be introduced and simultaneously the Bank should give credit facilities to the people who are going to get land according to the land reform policy. Loans must be given to poor peasants to redeem the mortgages of their lands. The landless workers cry that they do not get any facilities, do not get any employment or land. But when they get land, at least 20 per cent of the amount given to this Bank by Government should be reserved for the Scheduled Caste members of the country, because in the rural areas, the social inequality is so much that the officers will not go and cater to the needs of the Scheduled Caste people living in a separate locality. At the same time, the Scheduled Caste members of the rural area do not know what is happening in the country. To see that these things are popularised, there must be a taluka level Committee, a district level committee, or even a State level Committee, to see that the programmes or the propagation of these things are made known to the rural people.

[SHRIMATI SUSHAMA SEN IN THE CHAIR]

With regard to the grant of these facilities to the landless Scheduled Caste people, I urge upon the Government not to charge any interest, because they have been suffering all these years. Co-operative movement is a very important movement

[Shri N. Rachiah]

in the life of any country and without the success of the co-operative movement, I think our country cannot achieve the socialistic pattern of society. When I visited Germany. I found in the rural area there, there was a big co-operative society where everything is done and carried out on co-operative movement basis. This is a country with so much of social inequality, so much of exploitation and so much of rural indebtedness. Without the co-operative movement, I am afraid we cannot achieve our objectives or the desires or intentions of the Constitution. More encouragement should be given to the co-operative movement. At the same time, you should remember that a certain percentage of appointments has been reserved for the Scheduled Caste people. No Minister is particular about observing the Government orders in this connection and orders are not being implemented. While recruitment is made to the State and the branches of the Bank, Government must see that the Government orders which seek to reserve 20 per cent of the appointments to Scheduled Castes and Tribes, both gazetted and non-gazetted, are given effect to. Whoever may be the person that is recruited, he must be a man of integrity, honesty and of sympathy towards the poor people. A man who is generally orthodox and who wants to exhibit or demonstrate efficiency should not be engaged for this purpose. A co-operative movement or a bank movement will be successful only if the staff have confidence in the public and similarly the people repose confidence in the banks and in the staff of the banks. While recruiting the people for these banks, care must be taken by Government to see that people with honesty, sympathy and integrity are appointed. I was the President of an Industrial Co-operative Society and there was an inspector there. When I went for my law studies, I found that the co-operative inspector had cheated the members of the society

and without their knowledge, swallowed half the amount and spoiled the Society. I know the reason for the failure of co-operative movement. It is the small officials of co-operative Department, who are responsible for the failure of the co-operative movement in our country. Therefore, severe action and summary dismissal or prosecution should be taken against those officials who are responsible for irregularities and failure of such banks.

With regard to industries, the Bill seeks to give credit facilities even to cottage and small-scale industries. Even with regard to industries, there must be easy disposal of credit facilities. For instance, in my constituency, on the 3rd of this month, two people came to me crying "we have applied for a loan from the bank, particularly the mortgage bank which is monopolised by the landlords, and they do not cater to the needs of small holders. They always take advantage of the Government and look to the interests of the landlords." If these poor people want a loan; they have to go to the bank at least 40 times and the time that is taken is 2 or 3 years, and sometimes ultimately they do not get the loan also. This is this condition of banking and co-operative movements in this country.

I would, therefore, urge that care should be taken to see that people with honesty and integrity and sympathy for the poor people are taken as staff of the State Bank and its branches.

**Shri S. C. Samanta (Tamluk):** I whole-heartedly support the Bill that is before us. It is useful, urgent and long expected. We are also glad that the Bill has been moved in the House by the Minister who, before becoming a Minister, was so anxious may, so impatient, about the liquidation of banks in the country. So, the right man has taken the thing under his charge.

My hon. friend, Shri Tulsidas, was saying that the Imperial Bank was not designed for rural credit. That is a fault, major fault I should say. Why did they not design it? They did not design it so because the major portion of the profit that accrued was devoured by them as dividends and they did not think about anything more than taking the money and pocketing it in the form of dividends. That was the position and those people now will get compensation according to the Bill that is before us. Government have settled that Rs. 1762 per share will be given. I do not know what is the basis on which this has been calculated. But at this juncture of our national life, we must move very cautiously. Very recently we had abolished zamindaris and we had paid them compensation according to some standard or formula. Now we are going to nationalise the banks in India. Why should we not follow the same formula here also? Where is the difficulty? I do not understand. The people who are rich may of course take more shares but those who are not so rich cannot take more shares. So the formula we have taken in the case of zamindari abolition should surely be taken in this case also, or else when we come to nationalise other things, we will be put to difficulties.

**Shri T. T. Krishnamachari:** But you have got no assets in the zamindaris.

**Shri S. C. Samanta:** The zamindaris have got this much asset that after nationalisation we have been able to give land to those people that should really have it. That is the real asset. Now they think that they are the masters of the land that they cultivate. And that is not a small asset.

This Bank after it is nationalised is going to give relief to the rural people, especially the agriculturists. Our rural society has at present been ruined so to say due to the British rule and the other tyrannies by ourselves. That society should be regularised now, and for that purpose the good traditions that form the basis of a socialistic

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pattern of society should be taken. In order to do that we must have money, and that money should be given to these people. Shankaracharya, has said: “**भर्यमनर्यम् भाव्य नित्यम्**”

But in order to live in a society a man should have money, and that money will raise the status of society. We are pledged to the establishment of a socialistic pattern of society. Now Government are moving in the right direction by trying to supply money to those who really form the backbone of society. To whom are we going to give the money? To the poor villagers, who work from day to night with their wives and children. We know:

“**दुर्भूक्षिनः किं न करोति पापम् ।**”

Those people cannot keep the right thing in the society. They have gone astray. Now we have chosen the real and proper path.

Government should not merely think of extending some help through this Bank to the agricultural credit societies, but they should also have good supervision. My hon. friend Shri C. R. Narasimhan was referring to Red-tapism, but he could not make it clear. Red-tapism is there. Before we nationalise the banks, let us nationalise ourselves. That is the first thing to do. That human approach should flow amongst the persons who will be dealing at various stages with this process of giving money to the poor agriculturists or the poor villagers. These villagers are not educated. So it is very necessary that these banks and credit societies should make it a point not only to give them money on loan but should also have a human approach to the problem; they should not only give financial help but also moral help. For that reason, nationalisation of ourselves is necessary. We must not forget that nationalist view which made us free, that nationalist and patriotic feeling which grows in the mind of every child in an independent country. That country alone is really independent whose boys can all talk about these things and say, this is mine, and

[Shri S. C. Samanta]

I must be a man who will be able to take up the responsibilities as one of its members.

Co-operative societies in villages, both at the apex and at the Centre will be formed. Crop loans will be given, and medium-term loans will also be given. But there is one difficulty. In order to become a member of the society, a man has to give some money in the first instance. But, there are people who cannot afford to pay any money to become a member of the society in order that they will get the benefit of getting loans from that society. In such cases, the matter should be looked into as in the case of labour, and if possible the shares that the agricultural credit societies are proposing to give should be in the form of labour and very small denominations. If that is done that will be very good. If money can flow to the villagers from these credit societies, then the cottage industries, the handicrafts and also the small-scale industries will be able to grow. Many of the agricultural products are now lost. I know in the interior part of Orissa thousands of maunds of mangoes cannot be taken out from that area and they are rotting. A good food that can save lives is lying there rotten. Therefore, by this Bill the farmers and peasants will get marketing facilities for their agricultural products, warehousing facilities and other things. In this respect the Bill will help to a great extent. Therefore, though it will not be sufficient as we desire it to be, let us accept it as it is and hope that further amendments and other things will be brought in.

Shri Seshagiri Rao (Nandyal): Sir, I welcome this Bill as not only a timely and necessary measure, but as a step in advance of the reorganisation of the system of institutional credit. The Committee that was appointed in 1951 for the Rural Credit Survey had to face a very big problem, and that was that the people, the poor common

people are not able to get any credit and there are no institutions. The co-operative societies were a miserable failure. So, as a solution for this problem they have suggested the setting up of the State Bank and in pursuance of that recommendation this Bill is before us.

What is the problem that the Committee had to face is the first question that we have to consider. Of course, there are ever so many banks and every bank is itself a commercial concern. Commercial concerns do not interest the people. 70 per cent. of the population in India are those who mainly or partly derive income from agriculture. India, after all, means 'rural India' and 'rural India' means the cultivators. From the word 'cultivator' we have not only to understand the big and small landlords, but also the village artisan and the agricultural labour. If this Bill merely contents itself by starting the State Bank and does not serve the very purpose for which it is intended, I am afraid we are not doing our duty properly. I want to know whether there is this functional guarantee in the State Bank. My friend Shri Tulsidas has suggested administrative and structural difficulties. All that is meant for these who know the technicalities of the question. What I want to know is whether the State Bank can with certainty meet the very needs. Intentions, Sir, are very relevant in courts, but the law and the politicians will not be judged by intentions. They will be judged only by the effects. So many times before, we have seen that the Government has been giving loans to the agriculturists concerned. What has been happening is that the people had to go to the nearest taluk or taluk station a number of times, say about 50 times and yet return home without getting any loans. They had to go through a very long and laborious programme and the petty officers were harrassing them so much that after spending some amount they had to go saying that they never wanted to prosecute

their loan applications. If this State Bank is going to be another replica of the old order of red-tapism, absolutely no purpose will be served.

There is another thing. For instance, to construct wells about Rs. 400 to Rs. 500 was being granted to the villagers. So many applications were considered and loans granted, but no wells have been constructed. Therefore, what is it that we find? We find that the money was not utilised for the purpose for which the loans were granted. Then there are the intermediaries, persons who pose themselves as friends of the agriculturists. It is they who take away the amount and the money does not actually reach the farmers. Therefore, I want to know whether there is enough of personnel who can look after the safety of the farmers. If that is not looked into I am afraid the very purpose of the State Bank for which this Bill is brought will not be served. I would like the Minister to see page 3 of this Rural Survey Report wherein certain requirements are made fundamental. It says:

"The reorganisation system should fulfil the following requirements: It should have the strength and adequate resources of well trained personnel as distinguished from the weakness which is the present characteristic of the co-operative credit, whether in finance, administration or supervision."

May I know whether the Finance Minister has already got the trained personnel or does he want to train the personnel after setting up the Bank?

**Shri A. C. Guha:** We are arranging for training of personnel. We have already got one institution for training and other institutions for training are being set up.

**Shri Seshagiri Rao:** What I would like to know from the Finance Minister is whether the training is according to the system that is already prevailing or whether it is meant to give

the people real help and to meet the needs for which the State Bank is being set up.

Furthermore, this Bank, as I understand from the speech of the hon. Minister, is a commercial concern. In clause (e) of the requirements given in this Report it is said: "In other words it should lend not merely on the security of land and other usual forms of security, but also on the security of anticipated crop." When the immovable property is not taken into consideration as creditworthy how can they consider anticipated crop? People who have absolutely no crop and even the tenants who till the land also should be given the loans. That is what the Rural Credit Survey Committee has recommended. I only request the Finance Minister to take into consideration these suggestions as given by the Committee itself.

I also request that the loans should be given not only to individuals but also to certain groups. I would like to make myself clear. In certain villages there are very poor people and not even one middle class family lives there. They have got nearby a tank or a kund and if the land is cultivated well it will yield very good crops of paddy and other things. If the village taken as a unit wants to have loans I request the Finance Minister to see that not only individuals get loans but groups or communities of that type also get loans.

Then, if the interest on the loans for the agricultural labourers is to be the same as that of the landlords the very purpose for which this Bank will be set up will not be met properly. The interest also should be different or as my friend Shri S. C. Samanta has suggested, labour may be taken into consideration as capital and loans be granted for that purpose.

**Shri Sadhan Gupta:** Madam Chairman, I am extremely grateful to you for giving me this opportunity of speaking on this Bill. It has been said that this Bill marks the obsequies of a great institution. It is possible

[Shri Sadhan Gupta]

Madam, for big business to forget the treatment which they themselves had from this Bank at one time and not so very long ago, and because they have now been admitted to its portels, they have now been admitted to the benefits which they were at one time denied. But for the common people it is not possible to forget the way in which this Bank has been hindering the economic development of this country and so we find from the trend of the debates in this House that there is no lamentation for the passing away of this institution.

**Mr. Chairman:** The hon. Member may continue on Monday.

5 P.M.

#### BUSINESS OF THE HOUSE

**Mr. Chairman:** I have an announcement to make. The consideration of the State Bank of India Bill, 1955, will continue for four hours and will be put down on Monday the 25th April, and the Insurance (Amendment) Bill, 1955, and the Reserve Bank of India (Amendment) Bill, 1955 will take one hour.

The House will now stand adjourned to 11 o'clock on Monday the 25th April, 1955.

*The Lok Sabha then adjourned till Eleven of the Clock on Monday, the 25th April, 1955.*