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Title: Consideration of the Regional Rural Banks (Amendment) Bill, 2004. (Amendment of section 2, etc.). Contd-Negatived.

15.34 hrs.

REGIONAL RURAL BANKS (AMENDMENT) BILL, 2005â€™ contd.

(Amendment of section 2, etc.)

MR. DEPUTY-SPEAKER: Now, we will take up Item No.47, further consideration of Regional Rural Banks (Amendment) Bill.

Now, Shri Suravaram Sudhakar Reddy to speak – Not present

Dr. Karan Singh Yadav

DR. KARAN SINGH YADAV (ALWAR): Hon. Deputy-Speaker, Sir, I rise to support the Bill moved by hon. Shri Basu Deb Acharia who emphasized the need to reorganize the Regional Rural Banks. As it has been well-elaborated, these Regional Rural Banks were designed to help the poorest of the poor in this country and they were established during the Emergency in 1975.

15.35 hrs. (Shri Varkala Radhakrishnan *in the Chair*)

They have now become a sort of inseparable part of the rural credit structure and one can call them as a small man's banks. Now, these banks are operating in 580 districts with the network of 14,446 branches and over 70,000 staff. We have 196 Regional Rural Banks. All these banks, which have been implementing the rural credit system, are the banks of the common man. But it has been noticed in the last few years that a large deposits, which come from the rural areas, from the rural farmers, from the rural artisans and from the rural peasants, are being invested in big investment in the towns, cities and in large industries. The poor farmers in the rural areas are deprived of their deposits. This is being done because of the inherent structure.

The sponsor banks are their master banks. These rural banks have rather become a sort of slave banks in the hands of those master banks. That is why, it is reported that out of Rs.62,000 crore of the RRB deposits, around Rs.37,000 crore has been taken away from the villages in the form of investment, in the form of bonds, security and term deposit accounts of sponsor banks. These rural banks suffer from many in-built constraints. They have limited area of operation. The autonomy of the RRBs are twisted under the overbearing attitude of sponsor banks and officers deputed by these sponsor banks. They have lack of space for achieving benefits of cross-subsidisation. These anomalies have been noticed in this House time and again.

The Parliamentary Standing Committee on Finance has outlined and recommended proposals for consolidation of these rural banks. These kinds of proposals came in 1993. Again, they came in the year 2003. The Government had appointed Vyas Committee to go into the entire gamut of this banking system. But what the Government is proposing or possibly what the Government has in mind is to amalgamate the rural banks of that particular area under the same sponsor banks. What our hon. mover of the Bill, Shri Basu Deb Acharia has suggested is that all these rural banks should be de-linked from the sponsor banks and they should be amalgamated into 25 area specific or zonal rural banks[m46] .

There [e47] is a suggestion that there should be an apex body like a National Rural Bank Commission or a bank like the NABARD could be a part of the apex committee of these banking institutions. It has been brought before this House that as a catalyst in the rural credit movement of the country, the NABARD could take the leadership and this infrastructure, which is already existing in the form of Regional Rural Banks, could become a part of it. Every State or every zone could have one unit and there would be a lot of integration into the system. The Regional Rural Banks would be freed from the clutches of the sponsor banks which are not serving the purpose of the farmers.

Our Government is now committed to increase rural credit. The hon. Minister of Finance has said that they have reached the target of distributing Rs. 1,000 crore last year and they are increasing the target by 30 per cent this year. I think, if we have to implement these policies of the UPA Government and if we have to cater to the needs of the farmers, peasants and rural artisans, the Bill piloted by Shri Basu Deb Acharia has to be brought before this House in the form of a Bill by the Government so that a national rural banking apex body could be formed and the zonal structure could also be formed.

With these words, I support the motion moved by Shri Basu Deb Acharia.

SHRI SUNIL KHAN (DURGAPUR): Thank you, Mr. Chairman.

I rise to support the Bill brought by Shri Basu Deb Acharia, the Regional Rural Banks (Amendment) Bill, 2004.

As we all know more than 70 per cent of people in India are living in rural areas and the maximum of their savings are made through bank deposits. So, we have to have a thrust on re-organisation of the rural banks.

Just as in the case of SAIL and Coal India, we could have an apex body for the Regional Rural Banks and NABARD could play this role. We have been demanding over the last one-and-a-half decade the consolidation of 196 RRBs into 21 State and zonal rural banks under an apex institution.

We have to increase rural deposits, agricultural production and employment generation in villages to put a halt to the rapid migration of rural resources to urban and non-productive sectors. We have to de-link sponsor commercial banks from RRBs and replace them by an institution like the NABARD. The commercial banks are sponsor banks of more than 14,000 branches of rural banks.

In the last year, the rural banks have made a profit of Rs. 623 crore; and in the last five years, they have been posting an average profit of more than Rs. 500 crore. In spite of that, the employees of the rural banks are not getting the same type of salaries and allowances as the employees of the commercial banks are getting. This is in spite of the fact that they are disbursing more credit in the villages. This is why I want that there should be a proposal for restructuring the rural banks of India^[e48].

To help RRBs get rid of the present constraints, it has been proposed by us that 196 RRBs of the country be amalgamated into 19 State Level Banks and one Zonal Bank for the North-Eastern States. A notional view of the reorganised structure with the business position as on 31.3.2004 may be seen from the list already given. Simultaneously, a lean and thin corporate body at the apex level, that is, the National Rural Bank of India or the National Rural Banking Corporation in the pattern of the SAIL, the GIC, or the Coal India Limited be constituted to look after the 20 reorganised Rural Banks.

Since these Banks will go on discharging greater social responsibilities towards the largest segments of rural people, the Government of India (50 per cent) and the State Government (15 per cent) should continue with their ownership-stake in RRBs while the remaining 35 per cent now held by 28 Sponsor Banks may be taken over by the proposed apex body (NRBI) or the NABARD which has already acquired the mantle of leadership in rural lending, rural planning and development. Incidentally, the existing provision of the NABARD Act. (Section 26) permit such purchase and holding of shares of rural financial institutions. The new structure would not require any additional manpower. The massive infrastructure is already there and only the small superstructure at the corporate level has to be developed with only around 100 experts and experienced bankers to be drawn from the banking industry on deputation into a panel to be maintained by the apex body or the NABARD as the case may be. Totally delinked from the Sponsor Banks and the uneven competition flowing from those masters, these reorganised banks are likely to go a long way in meeting the challenges of the emerging situation.

In the end, I would appeal to the Government that they should think about the rural banks, as to what they are doing in the rural sector, especially in the villages. As you know, most of the unemployment scenario is coming from the agriculture sector, especially the agricultural workers. We have no infrastructure for the rural development.

So, for the development of rural people, for the development of unemployed people and for the development of our unorganised sectors, the Bill moved by Shri Basu Deb Acharia should be considered and passed.

SHRI C.K. CHANDRAPPAN (TRICHUR): Sir, the Regional Rural Banks (Amendment) Bill, 2004 has been introduced in this House by Shri Basu Deb Acharia. It gives us a big opportunity to discuss the problem of rural credit. ...*(Interruptions)*

MR. CHAIRMAN : Shri Chandrappan, please wait for a moment.

Now, the time allotted for discussion of this Bill is over. If the House agrees, the time on this Bill may be extended by half-an-hour.

SEVERAL HON. MEMBERS: Yes, Sir.

MR. CHAIRMAN: Then, Shri Chandrappan, you can continue^[R49].

SHRI C.K. CHANDRAPPAN : This provides us an opportunity to discuss the problem of rural credit and the need for stronger institutional arrangement for providing rural credit. The regional rural banks were established in 1976. Thereafter the experience in all these nearly 30 years is that these RRBs have improved and gained experience, they enhanced themselves into various parts of our country and attracted more rural deposit and helped providing credit to large number of people. But the problem now faced and for which several suggestions are offered, is that though these rural credit institutions are attracting a lot of investment from the rural areas, the sponsoring banks are trying to divert these funds from the rural areas and invest them in big cities. If that kind of attitude of the sponsoring banks be allowed to continue, that will adversely affect the purpose for which these banks were established.

MR. CHAIRMAN : Shri Chandrappan, time extended for this is only half-an-hour. Please bear this in mind when you are speaking. Please continue.

SHRIC.K. CHANDRAPPAN : Yes, sir.

These banks were established actually to help the rural people. Now that purpose is being defeated. In that context several proposals were made by various people. Shri Basu Deb Acharia has supported one proposal in his amendment, that is setting up of an all-India establishment integrating all these rural banks into one body and strengthening it. But there is another suggestion made that these rural banks could be merged with the sponsoring banks and in that way these sponsoring banks could have their own branches in the rural areas and help the people.

Then, there are many suggestions made in this regard. Now, the point is that the rural peasants, artisans, the people depending on rural industries, agriculture operations etc. all these should get credit facilities. The Government, in the last Budget and in this Budget also, has announced its intention to enhance the rural credit. One of the most important policies of the UPA Government was to enhance rural credit so that the agrarian sector gets more strengthened. This year, while announcing the Budget, the hon. Minister of Finance said that they have succeeded in their mission. Nobody will question the importance of rural credit and the importance of having such institutions. India is an agrarian country and our national economy is so much dependent on agriculture. The target for the Tenth Plan is to achieve four per cent or even more than four per cent growth in the agrarian field. The contribution to the GDP from this sector should be more than four per cent. But then, for achieving that, the rural credit institutions should be strengthened. There are other institutions also. But the point is to see how we will be able to utilise the huge deposits that are there in these RRBs [\[krr50\]](#) .

Sir, what is happening? The mover of the Bill has pointed out that a large portion of the deposits in RRBs is not being used for rural development. He has said that mainly the sponsoring banks are responsible for it. That is what he was telling. In that context, how the Government will be able to achieve the goal for which these banks are set up should be more seriously discussed. One of the suggestions, which can be seriously considered, is proposed by the mover of the Bill. So, we broadly support the ideas advanced by the mover of the Bill, Shri Basu Deb Acharia. We extend our support to the Bill.

SHRI PRABODH PANDA (MIDNAPORE): Sir, I rise to support the Bill moved by hon. Member, Shri Basu Deb Acharia. It is said that India lives in villages. It is already said by hon. Members that RRBs have come up as an important and inseparable part of the credit system in rural India.

There are 196 RRB branches that are operating all over India. RRBs alone have organised 45 per cent of the total self-help groups, roughly 12 lakh self-help groups, of the country. RRBs have also issued over 40 lakh of Kisan Credit Cards to the farmers and organised over 5,000, out of 11,000, farmers' clubs under NABARD scheme. The Government of India had advised the RRBs to increase their agricultural credit by 40 per cent during 2004-2005, but the RRBs exceeded the target by September, 2004. Their recovery position is satisfactory at around 74 per cent and NPAs stand at 12.6 per cent only.

The Standing Committee of Finance, headed by Shri N. Janardhana Reddy - he is present here - had recommended that an apex body of the rural banks should be set up and the RRBs should be delinked from sponsoring banks. So, I support this proposal and this Bill. It may be noted that out of Rs. 62,000 crore of RRBs' deposits, around Rs. 37,000 crore have been taken away from the villages in the form of investment in bonds, securities and term deposit accounts of sponsor banks. So, I would submit that this is to be taken as an important programme and these RRBs should be delinked from the sponsor banks. I think, they are under ten to twelve sponsor banks of our country.

Not only that, as they are discharging their magnificent responsibilities and the main task of lending credits - the credit flows also increase through RRBs - the RRBs should be independent and should not be guided by the programme or guidelines of the sponsor banks. That is why, I rise here, I stand here to support this Bill. It was expected that this Bill would come to this House from the Government, but it is quite unfortunate that this did not happen. I must thank hon.

Shri Basu Deb Acharia that he has brought this Bill before this House. I think, this House should consider this and approve it. I hope, the hon. Finance Minister will consider it positively.

16.00 hrs.

SHRI KINJARAPU YERRANNAIDU (SRIKAKULAM): Sir, I have given a notice to raise an issue of public importance. This is an important issue that I wish to raise in the House. Firing took place in Andhra Pradesh, and six party workers were killed in this incident.

MR. CHAIRMAN: Mr. Yerrannaidu, I am told that your matter is under consideration.

...(Interruptions)

SHRI KINJARAPU YERRANNAIDU : Sir, I just want to raise this issue because it is a very important issue.

MR. CHAIRMAN: Mr. Yerrannaidu, I am informed that your issue is still under the active consideration of the hon. Speaker.

Now, it is the turn of the hon. Finance Minister.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, the Bill moved by Shri Basu Deb Acharia points out that there are a number of limitations in the functioning of the Regional Rural Banks (RRBs). It is his view that by amending the existing law we can improve the working of the RRBs. The point is well taken that we need to improve the working of the RRBs. But let us look at why these RRBs were first set up. The objective of an RRB is to focus on the development of agriculture, trade, commerce and other productive

activities, particularly, for the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in the rural areas. Therefore, an RRB would be able to carry banking to these neglected sections of the people only if its focus is limited to an area, and its focus should not be completely diffused and it begins to function like a universal bank.

Today, RRBs are being sponsored largely by the public sector banks, and some RRBs are sponsored by private sector banks such as the Bank of Rajasthan, the J&K Bank, and in one case, by the Uttar Pradesh State Cooperative Bank. If we accept the suggestion made by Shri Basu Deb Acharia that for an RRB established in a Group of Union Territories or Union Territory, the Government will be the Central Government and in a State Government it will be the State Government concerned, and if it is in a group of States, it will be the group of State Governments concerned, then, I think, it will create complete confusion over the control over these banks. Today, the line of control is clear. Either the nationalised banks sponsor the RRB or it is a private bank that sponsors the RRB, and the licence is given by the Reserve Bank of India. If we alter the system of control, then I am afraid, the whole system would have to be built from scratch, and it is not possible to build it from scratch anymore because the rural banks today have taken deep roots.

On the other hand, if NABARD is to take over these RRBs, then there will be a conflict of interest between NABARD -- as a supervisory and regulatory agency -- and as the owner of the banks. In fact, one reason why the ownership of bank vests in the Central Government, and regulation vests in the Reserve Bank is that the regulatory functions and the ownership functions must be separate. NABARD is the supervisory-cum-regulatory body for all agriculture-credit related banks, and I do not think that the regulator and the supervisor should also become the owner of the banks[\[ak51\]](#).

Sir, the RRBs today have improved their functioning. RRBs today are one of the most important arms of our agricultural credit operations along with public sector banks and cooperative banks. RRBs lend to farmers, and in the year 2004-05, RRBs have done very well, as far as agriculture credit is concerned. In fact, they have done much better than we expected.

Now, let us look at the credit growth rate of RRBs. It was Rs. 6,960 crore in the year 2000; now, in 2004, it was Rs. 15,579 crore. In these five years, the compounded average growth rate is over 20 per cent. Out of Rs. 62,000 crore of RRBs' deposits, Rs. 37,000 crore were mobilised from villagers. Sponsor Banks have invested money in RRBs. For example, Sponsor Banks, as on 31st of March, 2004, have given Rs. 356.40 crore; NABARD has given, both short-term and long-term, Rs. 4,288.75 crore. In fact, I am very happy with the performance of RRBs, especially in the year 2004-05. The agriculture sector has received agricultural loans from RRBs in a very large proportion, as much as Rs. 11,718 crore. Therefore, I think, the present system has stabilised and is working well.

Let us look at some other performance indicators of RRBs. The number of Kisan Credit Cards issued by RRBs at the end of 4th February, 2005 is 14,47,585; the number of Farmers' Clubs promoted by RRBs is 6,185. What have we done in the last year? We have made the Sponsor Banks squarely responsible for the functioning of RRBs. So, accountability has been fixed. We have asked every Sponsor Bank to nominate a senior officer at the level of General Manager to supervise the functioning of RRBs. Therefore, there is a clear line of authority: It flows from RRB Chairman to the General Manager of the Sponsor Bank and to the Board, and the Chairman and Managing Director of the Sponsor Bank.

Sponsor Bank today takes the responsibility of training officers in RRBs. In fact, the pay-scales are now equal. Senior officers are deputed from Sponsor Bank to the RRBs. RRBs are also becoming as good in terms of knowledge and competence as the Sponsor Bank except that their functioning is at a much decentralised level, and they cater to a very different clientele than the clientele of Sponsor Banks.

Sir, perhaps, there was a reason when Shri Basu Deb Acharia introduced this Bill, but that reason is no longer valid. After seeing the working of RRBs in 2004-05, I think, we must warmly compliment the functioning of RRBs, and allow them to continue to do the good work in 2005-06. If we encounter any practical difficulties, we will certainly address those practical difficulties. However, I respectfully submit that this is not the time to bring about any radical change either in the law or in the manner in which RRBs are structured or are working. There is also, I respectfully submit, no case for a national rural bank. That has not been recommended by many committees, including the latest committee. That will only mean that we create a monolith and we dilute the focus of RRBs, which is, local bank for a local area focusing on the needs of the local population[\[R52\]](#).

We are now encouraging a Sponsor Bank to horizontally integrate all RRBs sponsored by it and functioning in one State. That is the first step towards consolidation within the State. I think all State Governments, leaving maybe one or two, have agreed to this idea. So, if a Sponsor Bank has more than one RRB in one State, those RRBs are being consolidated and brought under one name and one umbrella. I think, that effort must be allowed to succeed. I think, most of it will happen in the current year. I am confident that by the end of the year, I will be able to report that RRBs have done better in 2005-06 and have improved upon their performance in 2004-05.

Therefore, I would respectfully request Shri Basu Deb Acharia to withdraw his Bill. He has made a point. He has made a valid point. I have taken note of the point that he has made. But I think this is not the time to press this.

MR. CHAIRMAN : I call upon the Mover of the Bill, Shri Basu Deb Acharia to have his say.

SHRI BASU DEB ACHARIA (BANKURA): Mr. Chairman, Sir, why did I move this Bill to amend the RRBs Act? RRBs have been in existence for the last about three decades. RRBs were created in 1976 with a definite purpose - to concentrate on rural credit, to provide assistance to the farmers, agricultural labourers, rural artisans, small traders, etc.

I have not suggested in my Bill that some States should be clubbed together. My specific amendment is in Section 24B which says:

"The Central Government in consultation with the Reserve bank and the National Bank may by a notification in the Official Gazette or by a separate Act of the Parliament constitute a National Rural bank of India or by such other name as specified in the notification or Act, with a Chairman and such other number of members â€¦"

My amendment in Section 3(1) says:

"The Central Government may, if considered necessary and expedient in the interest of the people of a particular area or State or Union Territory or a group of States, by notification in the Official Gazette, establish in the concerned area or State or Union Territory or a group of States one Regional Rural bank with such a name as may be specified in the notification, or may by the said or any subsequent notification, specify the limits within which the Regional Rural bank shall operate."

A group of States here indicates the smaller States. There are smaller State in the North-Eastern region. These smaller States cannot have separate Regional Rural Banks. That is why I have suggested in my Bill that a group of smaller States can have one Regional Rural Bank.

My suggestion is not that one State will have only one RRB. Bigger States may have two RRBs. The hon. Finance Minister saying that I suggested having RRBs for groups of States is not a fact. With regard to my suggestion of having a National Rural Bank, the Minister has stated that it will become a monolithic structure. My suggestion does not necessarily mean that a separate body should be set up. NABARD also can play the role of coordination [\[KMR53\]](#).

These Banks will only coordinate among the Regional Rural Banks. NABARD or the National Rural Bank will play the role of coordinators. I do not know as to what regulatory function is being done by NABARD. My suggestion is, NABARD will not be the owner of the Bank. Rather, NABARD will coordinate among the different Regional Rural Banks.

Sir, the hon. Minister had admitted last year that the Regional Rural Banks had performed excellently in regard to extending credit to the farmers and the rural people. The growth was 20 per cent. Those Regional Rural Banks, which were incurring losses, had come out of red. During these three decades, these banks have gathered experience. What is the role being played by the Sponsor Banks today? What are their contributions? I am grateful to all those who have participated in this debate. All the hon. Members have extended their support. All those who have participated, have demanded that Sponsor Banks should be delinked from the Regional Rural Banks. The Regional Rural Banks have gathered experience. They are now standing on their feet. Regional Rural Banks were formed in 1976. After three decades, they have gathered experience. Sponsor Banks do not play the role for which they were conceived initially. In that case, why should we continue with this system? If the same system were to continue, then why so many Committees were constituted, starting from Kelkar Committee, Dass Committee, the Reserve Bank of India also gave recommendations, and the Standing Committee, under the chairmanship of Shri Janardhana Reddy, also recommended on the same lines that there is a need for restructuring and reorganisation of Regional Rural Banks.

In my Statement of Objects and Reasons, I have stated five reasons for bring this amendment Bill. Firstly, to enhance the spatial coverage of Regional Rural Banks and to extend the areas of coverage. Coverage means, for the purpose for which the Regional Rural Banks were created. I am not talking that outside that area, Regional Rural Banks will also be allowed to function. Secondly, to strengthen the resource-base of the banks by infusion of funds from different agencies. Thirdly, to delink the Sponsor Bank to the maximum extent possible from the affairs of the Regional Rural Banks in order to provide recognised banks a level playing field in the current competitive scenario [\[R54\]](#). Fourth, to ensure unity of approach, unity of command and accountability of the functionary at different levels; and fifth, to allow employees' participation in the management and decision-making and to have the negotiating forum of their own. There is no negotiating forum today. Whatever wage revision is decided for the nationalised banks, the same is extended to the Regional Rural Banks, that too after a prolonged struggle. Initially, for more than 20 years, the pay scales of the employees of the Regional Rural Banks were much lower than that of the employees of commercial banks.

None of the Committees have recommended for an apex body. The concept of apex body is that there will be one organization, the National Rural Bank of India. I have already said that its function will be of coordination. It will coordinate among different Regional Rural Banks. One Advisory Committee was appointed by the Reserve Bank of India on the flow of credit in agriculture and related activities. That Committee have recommended and I quote, " Considering the magnitude of projected flow of agricultural credit, the Committee feels that RRBs have an important role to play particularly because of their strong rural branch infrastructure, rural orientation of their staff and current flow of share of RRBs in agricultural credit, notwithstanding. The Committee, therefore, feels that the mandate of RRBs has to continue. Even, they need to be restructured into a viable financial institution and simultaneously, their regional character and rural focus need to be restructured." This Committee has also suggested that there is need for restructure. The mandate will continue. This will depend on the regional character and rural focus. If the amendment is accepted, if the Minister does not agree to have one Regional Rural Bank for each State, he can think over it. Today, in West Bengal, there are six to seven RRBs. They can be merged into two RRBs. There could be one for smaller States and two or three for bigger States. After 30 years, in 1976, the situation was something different. A new concept of rural banks was adopted in the initial stage [\[p55\]](#). We can see the functioning of the RRBs in other countries like Bangladesh. The Bangladesh Grameen Bank is a success. He has said that there is no need for restructure or change in the structure of the RRBs; this will continue because they have performed well in the last year. He is expecting that this year also, their performance will be better. So, if performance is better, in order to function more efficiently, if there is a need for restructuring or reorganisation, may I know whether the Government will consider it or not?

This Committee has also suggested this in para 7.17 and I quote:

"The Committee recommends a two-step reorganisation of RRBs for the rest of the country. As a first step, all RRBs and the sponsored banks in a State would be amalgamated into a single unit in that State. There could be more than one amalgamated RRBs at the State level, depending upon the number of sponsored banks in the State. For this purpose, each sponsored bank may establish one holding company. "

This is almost like a holding company. There are two holding companies under the Ministry of Heavy Industries. Under these holding companies, there are a number of units – 6-7 units under one holding company. The function of a holding company is to coordinate and to oversee; the holding company is not the owner of all the units. The concept of a holding company can also be adopted in the case of the RRBs.

"For this purpose, each sponsored bank may establish one holding company under the Companies Act, to serve as a Special Purpose Vehicle in the State. NABARD will contribute to the equity of the holding company in the ratio of 74-26 per cent. The holding company, in turn, will contribute to the equity of the various State level RRBs of the sponsored banks; it will also return the share capital and additional share capital deposit contributed by the Central and State Governments at a price based on the book value. The loss making RRBs, if any, may be given reasonable time-frame to turn over with a clear understanding that they may not be allowed to continue the business thereafter. The first stage of reorganisation will reduce the number of RRBs to 74 from 196. "

This is not a fact that none of the Committees have recommended for restructuring. They may not have recommended it for the nationalised banks. I have also not suggested for monolithic organisation. My suggestion is to have it like a holding company, like a coordinating body. NABARD can also play that role or you can have a National Rural Bank to supervise, regulate and assist the RRBs. There are recommendations in favour of such amalgamations. He is for amalgamation of all the nationalised banks, but here, he is not agreeing to amalgamate the RRBs. Why is he objecting to it here? He is for merger and amalgamation of nationalised banks, but here, he is not in favour of amalgamation or merger of RRBs[R56]. Two different standards are being adopted here. So, I cannot subscribe to it.

SHRI P. CHIDAMBARAM: If the hon. Member may yield for a minute, he seems to be misinterpreting or misapprehending what we have said. In the case of public sector banks we have said that we are not forcing or requiring any public sector bank to consolidate with any other public sector bank. If two public sector banks wish to consolidate, we will look upon that favourably. The idea is that India needs public sector banks of a certain size and scale in order to be able to complete. As far as Regional Rural Banks are concerned, as I said, we are actively encouraging a Sponsor Bank to consolidate more than one Regional Rural Bank of that Sponsor Bank in every State. We are encouraging consolidation within the State.

SHRI BASU DEB ACHARIA : What is the role played by the Sponsor Banks? What is their contribution? The Minister has stated that their contribution is only Rs.356 crore whereas our contribution is Rs.4,268 crore. Why is the Minister entrusting this role to the Sponsor Bank when it is not playing its role? Once it was conceded, the concept of Sponsor Bank was adopted 30 years ago, will they not review it? We gather experience with time but after 30 years of experience we are still continuing with the same system. Of course, there are difficulties and problems. Indeed, there is a growth but whether there is further scope of growth or not has to be taken into consideration. In rural India, till today, as per the official figure, 26 per cent of the population is below poverty line. These 26 per cent of the people should have been brought above the poverty line and the Regional Rural Banks will have to play a vital role in that regard. We know the cooperative banks are in a very bad shape.

The Minister has brought a Bill today. The Vaidyanathan Committee has recommended for strengthening, reorganisation, regulatory mechanism and such other things. How many cooperative banks have so far been closed? Cooperative Banks are also playing a vital role. The Regional Rural Banks have to play a very vital role for the people who are still below poverty line. But the Minister says that he will not review it. There is no doubt that we have achieved, but whether there is scope for further achievement and if so; what are the hurdles or difficulties will have to be seen.

Sir, you have seen the sense of the House. Of course, NDA is boycotting the House. But had they been in the House, they would have also extended their support to it. Yerrannaidu Garu is also supporting it.

SHRI KINJARAPU YERRANNAIDU: I am always for the Regional Rural Banks.

MR. CHAIRMAN : Your time is over. You cannot go on like this.

...(Interruptions)

SHRI BASU DEB ACHARIA : When the entire House is in favour of delinking from the Sponsor Bank, the Finance Minister is not agreeing to that proposal. He has not given any assurance that he will review, or discuss it and that there is a need for restructuring, strengthening the Regional Rural Banks so that they can play the role entrusted to RRBs in 1976[R57].

[r58]

Today, in the changed situation, there is a need for restructuring and strengthening. There is a need for merging some of the rural banks. There is also a need for a coordinating body.

I appeal to the Finance Minister to please agree to this proposal. I would request him to assure the House that he will definitely consider not only the suggestions contained in the Bill but also the suggestions made by the hon. Members. I would also request him to assure that he will take a positive decision in regard to restructuring and de-linking of the Regional Rural Banks so that they can function more efficiently, stand on their own feet and discharge the responsibility entrusted to the RRBs of India.

MR. CHAIRMAN : Are you withdrawing?

SHRI BASU DEB ACHARIA : Sir, unless the Minister gives an assurance, how can I withdraw?

SHRI P. CHIDAMBARAM: You will recall that in the course of my reply I said that the banks are doing well and they are expected to do better this year. Some consolidation is taking place at the State level and accountability is now fixed on the Sponsor Banks. So, there is no reason to disturb the structure now. But as I said, if it becomes necessary and if we find any practical difficulty, we will certainly re-visit the matter. There is a proverb which says: 'If it ain't broke, don't fix it'. At the moment, nothing is broke. So, let us not fix something which is not broke. But if we encounter practical problems, we will certainly re-visit the matter. That is what I told my hon.

friend.

SHRI BASU DEB ACHARIA : We had the problem in the past. but for the last one year it has functioned well. Therefore, he will not consider re-structuring and re-organisation in future. So, unless he gives an assurance, how can I withdraw?

MR. CHAIRMAN: The intention and the purpose of the Bill are good. But let us now close it.

The question is:

"That the Bill further to amend the Regional Rural Banks Act, 1976, be taken into consideration."

The motion was negatived.
