

the hon. Minister that if they reconstruct them, it will be better.

The immediate problem before Orissa today is drinking water. Though the Central Government has sanctioned thousands of tubewells for providing drinking water in the villages, yet it so happens that perhaps the tubewells were not dug to the depth that was required or the water level has gone down to such an extent that almost 40 per cent of the tubewells are defunct because the water resources have gone down, though the Central Government has spent crores of rupees for providing drinking water. I hope immediately some solution will be found for meeting the drinking water crisis in Orissa. Added to this, there is shortage of power and it has so happened that perhaps 75 per cent power-cut is there in industries, villages and towns. So, a very serious situation is developing in our State. I would like to submit to the hon. Minister that there was thinking on the part of the Central Government to have some long-term measures to assist the State Government in facing the natural calamities. Every year they are spending Rs. 500 to Rs. 600 crores. I hope the Central Government is seriously thinking to have a kind of permanent measures to avoid this kind of natural calamities every year, for which the Central Government is spending about Rs. 500 to Rs. 600 crores.

I request the hon. Minister that permanent assets should be created for the programmes like NREP and RLECP that the Central Government is funding because crores of rupees have been spent by the Central Government. We create permanent productive assets so that these natural calamities like drought and floods are prevented.

MR. CHAIRMAN : You will continue next time. Shri Janardhana Poojary to make a statement.

17.41 hrs.

STATEMENT RE. D. A. OF
CENTRAL GOVERNMENT
EMPLOYEES FOR PURPOSES
OF RETIREMENT BENEFITS

THE MINISTER OF STATE IN
THE MINISTRY OF FINANCE
(SHRI JANARDHANA POOJARY) :
While presenting the Budget for 1985-86 I had stated that the entire dearness allowance sanctioned upto the average consumer price index level of 568 would be treated as pay for the purpose of retirement benefit for employees retiring on or after 31st March 1985. Certain doubts have been raised regarding the operation of this concession in terms of the orders that have been issued. Before the announcement of this concession in the Budget speech, dearness allowance upto the average consumer price index level of 320 was taken into account as pay for purposes of retirement benefit. Clarifications are being issued to enable the dearness allowance sanctioned upto consumer price index level of 568 to be taken into account for the purpose of retirement benefit for all employees retiring on or after 31st March 1985 with effect from the dates on which they have drawn such dearness allowance. This will be a one-time concession given to the retiring employees and no past cases of employees who had retired prior to 31st March 1985 will be reopened on the basis of this decision.

17.43 hrs.

HALF-AN-HOUR DISCUSSION

[English]

Streamlining of Gramin Banks

PROF. NARAIN CHAND PARASHAR (Hamirpu.) : Sir, in answer to the Started Question No. 509 on 19th April, 1985 the hon. Minister of State for Finance Shri Poojary gave some information regarding the functioning of rural banks and stated therein

that it has been decided by the Government to transfer the supervision and control etc. of the RRBs to the NABARD.

To one of my Supplementaries as to whether the granting of licences for opening of the Branches or RRBs had also been transferred to the NABARD, the information was given that it had not been done and that continued to be with the Reserve Bank of India.

Basically, now there will be two banks controlling RRBs. First is the Reserve Bank of India which will determine at which place to open a Branch of the Rural Bank and secondly, the NABARD which will control the functioning or which will supervise the functioning. This is adding quality to the control aspect.

Secondly, what is most defective about these rural banks is the aspect of their functioning. The resource base of these banks is very poor with the result that the loans they have to advance on differential rate of interest are either nil or very much limited.

I will give you the figures as to what is the resource base of these RRBs. 35% of the funds of the RRBs come from the Government and 20% from NABARD. 15% come from the commercial banks which sponsor them and 30% are raised by the RRBs. This means they have to depend upon these four important agencies, the Government, the NABARD, the commercial bank and ultimately on themselves and the functioning has not been satisfactory. There has been a very stiff competition with the commercial banks. The former Finance Minister, Shri Pranab Mukherjee, had said in Calcutta that no branch of the Regional Rural Bank would be allowed to be converted into a branch of a commercial bank though there might be a demand for this. So far so good. But what is the condition of the RRBs? Their condition is so unsatisfactory that Government have appointed a Working Group with Mr. B. K. Dhar as Chairman to look into the various

aspects. Giving loans is only one aspect of the situation. They are not able to satisfy all the persons who want loans under the DRI because the resources are limited. The sponsoring banks would not like their lead banks to remain behind and the RRBs to shoot up. There is unfair competition. Secondly, the deposits are very poor. According to one study, the average per account in the RRBs is Rs. 691. Then, the persons who are appointed there are supposed to be local persons, from the same State. This is a very good idea that persons from the same State will be appointed in these RRBs. But what about their training? What about their future prospects? There is deep resentment among the employees working in the RRBs because, compared to their counterparts in the commercial banks, they have very poor chances of promotion. Since the chances of promotion are very poor, the functioning of these Banks has remained poor. People have become dissatisfied.

Now I am quoting from the editorial of the *Economic Times* dated the 11th October, 1984, in which it has been stated that in seven years these banks have lost Rs. 5.61 crores and the accumulation of losses in the case of 15 Regional Rural Banks has wiped out their entire share capital. This is one of the observations.

But the most disquieting aspect of the functioning of the RRBs is their poor coverage. In my own State Himachal Pradesh, only three districts are covered by the RRBs, and the total number of districts there is 12. In our country we have more than 400 districts and I think, not more than 288 or 300 districts have been covered. And whichever districts have been covered there has been an unfair competition with the commercial banks. So, it is high time that the Government came in with an amendment to the Regional Rural Banks Act, so that the balloon that is floating for the public good does not ultimately fall down and get crashed, so that the people do not lose whatever hope they have in the function-

ing of these banks. Even some of the commercial banks are attracting a bad light. You know that happen in some of the banks ; the Government have declared a moratorium on them on issuing loans, etc. ; three banks, I think, have come under this moratorium.

So, what I want to know is what is the effective restructuring contemplated by the Government in order to make these RRBs self-supporting. Why should they look to the sponsoring banks ? Sponsoring banks help them only to some extent. I would like to know what is the total advance in the sector of DRI given by the RRBs in the country to the people who are eligible for it. Secondly, what is the ratio of the loans under DIR to those given by the commercial banks ? I would also like to know what is the Government going to do over the question of competition because in the districts you have the RRBs and you have also the commercial banks ; and any person who wants to have an account would prefer to a commercial bank than to go to a Regional Rural Bank because the RRB does not have even the facility of issuing drafts, it does not have so many other facilities, it lacks in the service facilities. The commercial banks are more advanced. The personnel and the employees working there are well trained. They have better knowledge. They have better chances of promotion and all this is resulting in frustration and the Government is sitting tight over the report. Every time where the report is coming. A Working Group has been set-up. Similarly there are various amendments under consideration of the Government for improving the functioning of the RRBs. It is high time that a clearcut policy regarding the functioning and scope of the RRBs vis-a-vis the commercial banks is laid down so that there is no unfair competition between them and these RRBs which were floated by the Government in order to help the rural poor are actually able to help the rural poor. What I want to stress in this argument is that the rural sector requires more facilities for banking and you should have given more facilities

to the RRBs than to the commercial banks. What is happening now is just the reverse RRBs are functioning at places where there are no metalled roads and where perhaps there would be no telephone facility and commercial banks are coming up fast. So in case you are going to transfer the control and supervision of its functioning to the NABARD, is it fair that you should continue also the policy of getting licence from the Reserve Bank of India ? The Reserve Bank of India has its own wise ways of dealing with these problems. If you look at some of the answers given by the Minister himself, a large number of surveys were conducted by the banks in the districts and the Reserve Bank of India is very stingy in the grant of licences. So the result is that the poor people continue to clamour for more branches. But whether you give an RRB or a commercial bank, the Government should be clear as to what are their functions, how to avoid the adverse competition developing between them, and how to do away with the frustration that is creeping up among the employees and lastly how to benefit the persons who are meant to be benefited, that is the weaker sections of the society, who are eligible for loans under the differential Rate of Interest scheme.

These are some of the points for elucidation and clarification and effective intervention by the Government if you are to save the future of these banks. Otherwise, they will collapse one day and you will find that the commercial banks will be able to swallow them and the Rural Banks will disappear.

THE MINISTER OF STATE IN THE
MINISTRY OF FINANCE (SHRI
JANARDHANA POOJARY) : I am
grateful to the Member for giving me
an opportunity to remove the doubts
about the functioning of the RRBs.

The Renional Rural Banks have been set up in the country to ameliorate the conditions of the people residing in rural areas. The persons who are getting benefits from rural banks are

people whose income does not exceed Rs. 6500/- per year. This is a low cost structure bank. Here I want to make it very clear that while we compare them with the commercial banks, the commercial banks are looking after the trade and industry and other commercial dealings in the country. The need was felt that when it was found that the scheduled commercial banks are not in a position to cater to the needs of the weaker sections and the Government has come forward with the RRBs in the country. During the Sixth Plan it was the intention of the Government to set up 170 Regional Rural Banks in the country covering 270 districts. Here the involvement of the State Government is also there. In the share capital 50% is coming from the Central Government, 35% is coming from the sponsoring bank and 15% from the State Government. Sir, what was the performance during the Sixth Five Year Plan? The target was to set up 170 Regional Rural Banks in the country covering 270 districts. The performance at the end of March 1985 is like this. We were able to set up 183 regional rural banks as against the target fixed at 170. We could cover 323 districts as against 270 districts to be covered as per the target. Now, what is the cash deposit ratio? If the deposit is Rs. 100, the regional rural banks are giving more than the deposit amount. Now, in some cases, for example in Karnataka, the credit deposit ratio is 190%. If the deposit received is Rs. 100, the loan advanced by the regional rural bank is Rs. 190. So, this is meant for the weaker sections and in order to develop their economic conditions, these banks have been set up. At the time of the appointment of the staff, so far as the service conditions of the employees are concerned, it was clearly made known that the operation of these banks is confined to the people whose income does not exceed Rs. 6500 and small operations are taking place. The operation of these banks is in the districts and in rural areas. Even at the time of the passing of the Act, when the regional rural bank was being set up, it was made very clear to the employees that it was a low cost

structure and their salary would be on par with the State Government employees as also their service conditions. Now, he says that there is frustration among those people. We have to consider the plight of the people who are residing there in the State, in the rural areas.

The hon. Member has mentioned about the percentage of funds deployed for the purpose of giving advances. He has mentioned the ratio as 35%, 26% and 15%. He has said that 30% of the fund is coming from the R R B. The ratio figure given by him is not correct. The amount that is coming from the NABARD is 50% and the sponsored bank is 35%. The balance is coming from the RRB. The hon. Member says that the power to open the branch should be given to NABARD. So far as the regional rural banks are concerned, he says that the NABARD should be given the powers to open regional rural banks and not the Reserve Bank of India. As the hon. Member is aware, there is a Bank dealing with the licensing policy for the entire country. For this purpose, there could be only one agency. The Reserve Bank of India, on the basis of the recommendations from the State Government, grants the licences. The identification of the branches to be opened as also the place is done by the District Consultative Committee. It is the machinery that has been set up by the State Government. In that Committee the representatives of the banks are also there. They recommend the places where the branches should be established and it is routed through the statement Government. On the basis of the recommendation of the State Government, the R.B.I. gives the licence. Now, for branch licensing, during the period from March 1982 to March 1985, the target was set that there should be one branch for 17,000 population in rural and semi-urban areas.

18.00 hrs.

So, the Reserve Bank of India will find out how many branches are to be given to how many banks. Cooperative

Banks, private banks and commercial banks are functioning in the area. While giving branches to the particular areas, the Reserve Bank of India will take into consideration all the factors as to whether branches are required in that area, whether the branches which are functioning are adequate for the region, whether there is one bank for 17 thousand population or whether it has exceeded or whether there are more branches and so on. There is one agency for taking into consideration all these factors and this one agency after taking all the factors into consideration is granting the licences. For example, so far as the Regional Rural Bank is concerned, if this power is given to the NABARD, there will be conflicting views and where no bank is required in the region, a regional rural bank could be opened by NABARD. In order to avoid this duplication, in order to avoid these distortions, the power is given to the Reserve Bank of India. The Reserve Bank of India is taking all these factors into consideration and then only it is giving the licences. That is why last time also I have submitted that there is no such proposal so far as this aspect is concerned and the Reserve Bank of India alone is the central agency which is going to look after the branch licensing policy. That is what I have said. So, there was no ambiguity so far as that position is concerned. The hon. member has given some of the points last time also and I had told him that we would take all these suggestions made by him into consideration. There will be a comprehensive Bill, which has been suggested by NABARD. It is under the consideration of the Government and definitely, the suggestions of the hon. member will also be taken into consideration at that time and the Bill will also be introduced in the Parliament.

PROF. N.G. RANGA (Guntur) : They say there is a loss of Rs. 400 crores. Is it so ?

SHRI JANARDHANA POOJARY : Sir, some Regional Rural Banks are incurring losses, but the fact of the

matter is this. We have to see the objective for which it has been set up. As I stated earlier, we are giving more loans, even if the deposit is Rs. 100. All these factors are there. In addition to that, the hon. member was pleased to make a point stating that something more should be given to the employees. Then there will be a more difficult position and ultimately, it may lead to the closure of the banks also. We should not go for that. The hon. member also should cooperate with us because it is meant for the weaker sections. We have to keep in mind for which purpose we are doing this. We are creating employment in the rural areas and if more and more services should be provided for the rural folk, it will be better. I appeal to the hon. member to advise the rural bank employees also to come forward with dedication and commitment to serve the rural folk. They are mostly marginal and small farmers and they belong to the weaker classes as they work as agricultural labourers.

MR. CHAIRMAN : There should be the same pay for the same work.

SHRI JANARDHANA POOJARY : The State Government gives the same salary and other service conditions. Sir, you know the commitment we are having.

PROF. NARAIN CHAND PARASHAR (Hamirpur) : The Minister has not answered my basic point. I asked him for the figures about the advances given by the Gramin Bank vis-a-vis the other banks under DRI. That is very important.

SHRI JANARDHANA POOJARY : Under differential rate of interest, we have so far given Rs. 444 crores from commercial banks and regional rural banks. To how many people; and how many accounts are there ? The number of persons is 42.95 lakhs. Out of these, 49% goes to Scheduled Castes and Scheduled Tribes. The amount that is given by this regional rural bank is coming from the sponsoring Bank. They

are routing it through the regional rural bank, and the sponsoring banks are giving to the regional rural bank at the rate of 2%. The regional rural banks are giving it at the rate of 4%. We have to take into consideration not only the regional rural banks in the district. We have in the district all the commercial banks, including private and public sector banks. The amount that is given is Rs. 444 crores, as I have already stated.

Regarding the percentage to be given, the target is 1%. We have already given 1.17%. So, in respect of the amount that is given by the RRBs., I will place before the House the figure that is available. Rs. 35.207 crores have been given to 36,44,344 persons.

MR. CHAIRMAN : You can supply the figures to the hon. Member.

SHRI JANARDHANA POOJARY : Subject to correction, when I reply to another Member, I will give the correct figure.

[*Translation*]

SHRI VIRDHI CHANDER JAIN (Barmer) : Mr. Chairman, Sir, the rural banks have done a very commendable work in our country. If regional rural banks had not been set up, then commercial banks or nationalised banks would not have been set up in the desert areas. The setting up of regional rural banks in areas which are hardly accessible has benefited those areas much. The area of Jaisalmer District is about 17,000 sq. miles and according to the norms fixed by you there must be one bank each for a population of 17,000. The population of our district is two and a half lakhs whereas its area is 17,000 sq. miles. In other words its area is 38,000 sq. km I would like to know whether keeping in view the circumstances prevailing in our area, Government propose to relax the norms fixed for the whole country in respect of our area. I do not want to say about my area alone. Do you propose to set up more branches by re-

laxing the norms fixed on an all India basis for all those places where the population is less but the area is more ?

Secondly, I would like to submit that the regional rural banks have been set up for providing help to the poor people and the poor farmers. When I met the Hon. Speaker to elicit further information on this point, he put the question to me whether they were meant for the poor people and or the rich people. He is also right. But in his reply the hon. Minister has said that only those persons will be provided with help whose income will be upto Rs. 6,500. The rich persons can make alternate arrangements. Other wise the marginal and small farmers may not be able to take advantage of them. The arrangements made are perfectly all right. The Land Development Banks are not encouraging loans for works under I.R.D.P. I have seen that they hesitate to sanction even one loan for any work under I.R.D.P.

Thirdly, I would like to say something about the differential rates of interest. These banks are authorised to give a differential rate to extent of 1 per cent only where as the nationalised bank can give upto 1.7 per cent. I would like to know. Why one per cent has been fixed ? The poor people live in the rural areas. They must be authorised to give 3 per cent what to speak of one per cent.

SHRI HARISH RAWAT (Almora) : Sir, I would like to know from the hon. Minister whether it is proposed to sponsor rural regional banks through the lead bank in the district. Our experience is that where there is a lead bank, they say, the Bank of Baroda, the work of sponsoring R.R.B. there is headed over to the State Bank instead of that bank, which leads to lack of coordination in sanctioning and distributing advances under R.L.D.P. and other types of advances in the district. Under this system, certain areas get benefit whereas others are deprived of that benefit. I would like to know whether it is proposed to sponsor R.R.B. in future through the rural lead bank ?

Secondly, I do not plead that the pay of R.R.B. employees may be increased but I do plead that their promotional avenues should be made better. They have got no other means of promotion at present. So, I would like to know what steps are proposed to be taken by you to increase their promotional avenues as it is not a temporary issue. It relates to their whole career.

Thirdly, Sir, I would like to point out that the employees appointed in R.R.B. are given inadequate banking training. I would like to know the duration for which they are being given training at present. After training they are posted in different branches. I demand that their training period may be increased so that after getting training they may be able to perform the job of disbursing loan etc. in various branches.

The setting up of rural banks should be purpose oriented. It seems that wherever these banks have been entrusted with the responsibility of sponsoring R.R.B., they have become security-oriented instead of purpose oriented. Since you propose to formulate the licensing policy for the future, I would like to point out that the existing norms are very rigid due to which the far off places, particularly the hilly areas, where road and other facilities have not yet been made available, are not getting any benefit from R.R.B. I would like to know whether you propose to relax the norms for the hilly areas while formulating the new policy.

[English]

SHRI CHINTAMANI JENA (Balasore): I would like to ask the hon. Minister only one or two question. While replying to Prof. Parashar on the 19th April, 1985, the hon. Minister had mentioned that the beneficiaries in order to get loan from the RRB or other facilities, should have an income of not more than Rs. 6,500 per year. In this connection the Hon. Speaker also, on that day, while Prof. Parashar was putting the supplementary, had observed one thing. That also was replied partly by the hon.

Minister. I want to ask one question. Suppose one person, Mr. X has landed property of 40 acres. If he has got three or four sons, in the name of family partition by mutual understanding they will divide the property into four or five shares and by that their income, individually, will be less than Rs. 6,000 per year or so. So by one transaction four persons will be eligible for the loan. So, to avoid it what is the action taken by the Ministry or the Government to prevent such division into four shares?

Secondly, another hon Member also said that the scope for promotion is less. I want to know about that also. The hon. Minister has already mentioned that the transfer and promotion of the staff of the RRB will be in that particular district. But we have noticed in the field that some managers or other staff member of RRB are continuing in one place for more than five, seven or ten years, because they are local people. They have got some vested interests to continue. Apart from that there is some similarity between the bank employees and other commercial banks and RRB. The local people are mostly illiterate people, or they have no knowledge about banking business. With their help these people are continuing in one place. May I know from the hon. Minister why their transfer and promotion are not made thought out the State instead of staying in the lead bank in a particular district. Their transfer and promotion etc. may be considered from that point of view.

Thirdly, while replying to the question, the hon. Minister had cited the example of Karnataka where the investment is 190 against a deposit of 100 I fully agree with the Minister but when we are only accommodating the beneficiaries who are small marginal farmers landless labours we have to do something for them, as they have no scope to make deposits. May I know from the hon. Minister whether such incidents are brought to his notice or his Ministry? Also there are some RRBs which are insisting on deposits. That is, unless certain amount of deposits

are there they are not going to disperse the loans. Is it a fact? If is a fact? that what is the remedy of it?

We are accommodating rural artisans as beneficiaries under IRDP and ERRP in Orissa. But they cannot take the benefit of this scheme because they have no landed property to stand as surety. Some of the rural banks insist on deposit as well as surety. In case somebody does not have landed property, he has to produce another person, who has landed property, to stand as surety on his behalf. Is it a fact? If so, how can the poor artisans who are landless labourers, be accommodated and benefited under IRDP?

SHRI JANARDHANA POOJARY :

The hon. Member, Shri Parashar, asked for the figures of DRI loan given by the RRB. In the year 1984 an amount of Rs. 5.26 crores was given by RRB to 41157 accounts.

The hon. Member, Shri Jain has said that the rules for opening of branches in hilly, tribal and desert areas should be relaxed. Already there is such a rule. While considering opening of branches in such areas, Reserve Bank relaxes its rules. They consider the plight of the people, economic condition of that area and also the developmental activity. After considering them, they grant licence for opening of branches. He has made some suggestions. Definitely those suggestions will be conveyed to them. For the information of the hon. Member I have asked the Reserve Bank people to listen to this discussion. They are nothing all your suggestions. Definitely I am going to give directions to take up all your points and suggestions.

The RRB's share in IRDP is 33 per cent. The hon. Members, Shri Rawat and Shri Jena, also made certain suggestions. They have said that the people at the RRB are taking securities and also that they are not giving loans to the weaker sections. Here I want to make it very clear to the RRB and also to the commercial banks that they

dering loan applications from the weaker sections. If they demand, action will be taken against those people. I request hon. Member, Shri Parashar, to advise the employees to help the poor people when they come forward for assistance from banks whether it is RRB or commercial bank.

18.24 hrs.

[SHRI SHARED DIGHI in the Chair]

Under IRDP or even under Differential Rate of Interest, whether it is for the priority sector or for the weaker section, no bank officer can demand any deposit from these classes for giving loan. Under the Differential Rate of Interest and also under the IRDP we are touching the poorest among the poor people, those people who do not have clothes to wear, who do not have two meals per day, who do not have shelter. In order to lift them above the poverty line, we are giving something to them and asking them to generate income out of it and then to pay back. Commitment and education is required among the employees, whether it is Regional Rural Bank or whether it is a commercial bank. When these people come to bank for assistance, these bank people should work with commitment and education. The poor people in this country hesitate to go to the bank and get the assistance. The atmosphere is not satisfactory inside the banks. When the poor people come to the bank, the bank employees think that they are the beggars and most of the bank employees do not have the mind to talk to them also. What is required today is guidance to that class. They are illiterate people. They do not know anything about bank. They do not know even how to fill up the forms. They do not know what are the norms. They do not know whether the security is required. Now the commitment is required from the bank employees to guide them properly, to love them. The bank employees should love these weaker sections and they must tell them that no security is required up to Rs. 5,000 for productive purposes. Unless this message is given to the weaker sections, I do

the Government can effectively implement this programme. I request hon. Member Shri Indrajit Gupta also that when he went to Bangalore to attend the bank employees conference, he should have made this point when there was criticism against me for going to the banks and telling the employees about all these things. I always give respect to the hon. Member Shri Indrajit Gupta. If he would have given advice to the bank employees to help the weaker sections with commitment, that would have served some purpose.

I think, Sir, I have touched some of the points.

MR. CHAIRMAN : We will go to the next item now, discussion under rule 193. Shri K. P. Unnikrishnan.

18.29 hrs.

DISCUSSION RE: ALLEGED
FRAUDS IN NATIONALISED
BANKS IN THEIR BRANCHES IN
INDIA AND ABROAD LEADING
TO LOSS OF HUNDREDS OF
CRORES OF RUPEES

[English]

SHRI K. P. UNNIKRISHNAN (Badagara) : Mr. Chairman, Sir, as one who had ardently advocated and fought for the nationalisation of banking industry in 60's, after sixteen long years I must confess to a feeling of deep pain and anguish and disappointment at the dismal state of the nationalised banking industry today. Although there have been many achievement like considerable branch expansion and deposit mobilisation and also a perceptible shift away from earlier urban bias and new lending priorities in sectors like agriculture, small-scale industry, and weaker sections in general, but I have honestly to admit today that the social goals of nationalisation still remain a distant goal. Management norms in nationalised bank have almost collapsed,

ministerial and bureaucratic interference has increased and a permissive environment deliberately allowed to grow, and training and discipline neglected. Frauds are ever on the increase with disastrous consequences. It is a frightening scenario today. It is as though wanting to subvert and discredit the goals of nationalisation and nationalised banking system and its larger social goals. They have almost succeeded at least in a large measure. The truth is that these banks have been taken over by cliques who have climbed up to the top most through the game of sycophancy while the honest and competent executives have been reduced to irrelevance in the nationalised sector. When social goals and purpose of nationalisation are lost and side-tracked this is what happens.

We know the story of ENI in Italy which was nurtured and nourished by Senor Mathe. The moment he disappeared, it was taken over by cliques of officers with disastrous consequences. This is not the first occasion when nationalisation has done this trick, but we want to avoid it here.

There are over 45,000 branches as you know of the nationalised banks with deposits around Rs. 55,000 crores as against the well entrenched money-lenders, who—the Reserve Bank will shyly admit—are around 30,000 while the real number is much more. Their lending is about Rs. 45,000 crores on exorbitant rates fleecing the poor and the needy.

With the Banking (Amendment) Act which we passed in 1984, this sector will now go underground and will continue to fleece the poor. The private banks, as they are also in fraud, following the example of the nationalised banks and the cooperative sector with few exceptions in some States—whatever the Minister might say,—are in a total mess. This is the outline of our banking system today, the pivot of our national economy. It is as though a mafia has taken over mafia of these banks for