

Government accordingly. A moratorium has been declared in the general interest of the depositors of the transferer banks. The RBI is also actively considering the question of amalgamation of these banks.

The grant of the moratorium, apart from safeguarding the interests of the depositors, would also facilitate the reconstruction and amalgamation of the transferer banks. During the period of the moratorium, the banks have been permitted to make certain payments as specified in the notification of moratorium, including the payment to the extent of Rs. 2,500/- to the depositors other than those who are indebted to the banks. This has been authorised to minimise the inconvenience to the constituents and the public while the schemes in relation to the banks are under consideration. Deposits with the transferer banks are guaranteed payments upto Rs. 30,000/- per account by the Deposit Insurance and Credit Guarantee Corporation. The deposits with other banks are also similarly protected by the Deposit Insurance, in addition to the assistance available from the Reserve Bank to all the banks.

12.20 hrs,

[MR. DEPUTY SPEAKER
in the chair]

SHRI GEORGE JOSEPH MUNDACKAL (Muvattupuzha) : Mr. Deputy-Speaker, Sir, I am mentioning the case of Bank of Cochin because I have given notice in respect of that Bank only. The condition of this bank was very poor about three years ago. At that time, the Reserve Bank had intervened and appointed a new Chairman and some Directors were also nominated by it and the condition of the Bank had improved considerably during the recent past. Only a few weeks ago, some two new branches were opened by the Bank of Cochin after getting sanction from the Reserve Bank.

Now, the declaration of moratorium in respect of this Bank has created a lot of difficulties particularly for the minority institutions, who had deposited

all their money with this Bank. Minority institutions like missionary hospitals and others had deposited all their money with this Bank and now they are facing difficulties in drawing money from the bank even to pay salaries to their staff. One would have understood moratorium, amalgamation or liquidation some three years back, when the condition of the bank was poor. but now for the last three years, the Reserve Bank has been controlling its affairs and the deposits had also increased. Suddenly granting a moratorium in respect of this bank has put these institutions to a lot of difficulties. A sum of Rs. 2500/- is not enough to give salary even to a doctor. I therefore, request the Finance Minister to immediately withdraw the moratorium, and give immediate relief to the depositors. Please consult the Chief Minister of Kerala also. He must have contacted the Finance Minister earlier. If so, what has been the result of that ?

If this moratorium continues for three-four months, all these institutions would suffer. They have got a lot of staff. Thousands of patients are also suffering, because the doctors are not being paid in time. The hospitals would close down if this continues. In the name of public, I request the hon. Minister to withdraw the moratorium immediately, let it be amalgamated with some other bank. You must take action against the defaulting persons; you must dismiss the former Chairman. I am not defending the Chairman or the Directors; they may be prosecuted according to the rules. I am only requesting to give immediate relief to depositors like the hospital authorities. They are suffering; Rs. 2500/- are not sufficient to pay salaries to the staff. At least allow them to withdraw one month's salary for all the staff on the basis of last one or two years. As they had been withdrawing money for paying salaries all these years, they may be allowed to withdraw that money in order to pay salaries to their staff. I request this to be considered sympathetically.

SHRI JANARDHANA POOJARY :
I share the concern of the hon. Member.
We have to protect the interest of the

[Shri Janardhana Poojary]

depositors. If we had kept quiet or the Reserve Bank had kept quiet, the depositors' interest would have suffered and their interest would not have been protected. For the information of the hon. Member and the information of the depositors through this House, I would bring out some facts about the Bank of Cochin. As on the date of recent inspection, that is 30th June, 1983, the bank deposits had been effected to the extent of 4.70 crores, or 6.4 per cent of its total deposits; the advances of the bank aggregated to 23.61 crores; percentage wise, it constituted 52.20 per cent of the total advances. Besides, there has been excessive abuse of loaning power and large scale unauthorised advances by the bank; The former Chairman of the Bank was removed by the Reserve Bank in April, 1983 for his acts of commission and omission. Afterwards, a retired officer of the Reserve Bank of India was appointed and in spite of that he could not make any improvement. According to the Reserve Bank, the Bank had defaulted in the maintenance of bank cash reserves and the statutory equity ratio. Its Board was not working in a cohesive manner and had not bestowed adequate attention to the various important aspects of the banking functions. So, keeping all these things in view and taking into consideration all these factors, in order to safeguard the interest of the depositors, this step has been taken. You have been kind enough to make another point regarding the amount that is being given to the depositors, that is about Rs. 2500/. Here you have made a point stating that it should be increased as some of the depositors are affected and they are not in a position to pay their salaries. I will definitely advise the Reserve Bank of India to take these factors into consideration and they may do whatever that is possible. In the morning also I advised the Reserve Bank officials to take this point seriously. It is under active consideration.

So far as the period of moratorium is concerned, so many steps are to be taken. The Reserve Bank of India is going into it in detail I will definitely

advise the Reserve Bank of India to take action as early as possible either to amalgamate or to take some other action. I will take into consideration the suggestions made by you. The officials of Reserve Bank are here and I will again ask them to take action as early as possible.

SHRI GEORGE JOSEPH MUNDACKAL : I want to know the latest position of the bank. The Minister has not mentioned anything about it. Near about 1983, the condition was bad actually, but now the condition has improved. Only a few weeks back, two new branches have been opened by the Bank. If the Bank's position has not improved, why the Reserve Bank of India allowed new branches? The deposits have gone up and the bankers are in a comfortable position. If it were two years back, I would have agreed hundred per cent with the hon. Minister. The position had improved now. At this stage moratorium is unnecessary and my argument is to immediately withdraw the moratorium and allow the depositors, especially the hospitals to draw money so that the people can be paid their salaries. I request you to immediately consider the payment of one month's salary to the total staff, about 500 people. If they are not paid, the hospitals may be forced to close and patients will suffer.

Regarding the question of amalgamation, it is better to have a Kerala Bank because most of the employees are from Kerala and they may be put to much trouble if it is amalgamated with some other outside State Bank. So, please consult with our Chief Minister before taking any action in regard to amalgamation.

SHRI JANARDHANA POOJARY : Sir, the balance sheet has not been completed. If the balance sheet is going to be completed and is to be published, there will be loss. They have not made any improvement. That is why this moratorium has been imposed. Otherwise the depositors interests would have been further affected. This step has been taken by the Reserve Bank of India to

safeguard the depositors' interests. So, if at all we are interested in the depositors' interest, definitely these are the steps that we have to take and that is why the Reserve Bank of India has come forward with this proposal and the moratorium has been imposed.

About your other suggestion, I already brought to your notice that your suggestions have been taken into consideration, I already advised the Reserve Bank of India also to take them into consideration, because earlier also a representation was given on the lines suggested by you. That is why we have already taken some action to see that there is no panic among the depositors.

MR. DEPUTY SPEAKER: Now Dr. Adiyodi

SHRI GEORGE JOSEPH MUNDACKAL *rose*—

MR. DEPUTY SPEAKER: No, Mr. Mundackal. Twice I have allowed you. That is enough.

DR. K.G. ADIYODI (Calicut): From the statement of the Finance Minister, I understand that the full facts regarding the Cochin Bank have not been received from the Reserve Bank. From some of the facts regarding Cochin Bank which are available, we see that the new Chairman, the old Chairman and the Board of Directors were all negligent of the working of the institution. There were a lot of things which needed to be probed.

Within three months of the appointment of the previous Chairman, the Board of Directors delegated all its powers to him, to give loans according to his whims and fancies—in all the branches. The Bank's branches are scattered all over the South, and in West Bengal, Maharashtra and in the metropolitan city of Delhi. Over telephone and through oral instructions, all the Branch Managers were asked to give loans and advances. The Bank failed, as the hon. Minister stated, to follow the minimum requirements stipulated by the Reserve Bank, i.e. to furnish details and reports to the Reserve Bank.

In 1981, some officers were asked to conduct an enquiry into the affairs of the Bank. The Chairman was asked to report to the Board. But they took more than 1-1/2 years to place the report before the Board. The Board of Directors, including the nominated Directors of the Reserve Bank, were mere, silent spectators of the dealings of the dealings by the Bank. So, this is a matter which requires a lot of probing and deterrent action should be taken against those who are engaged in fraud—whether they are Directors, Managers or officers, including the Chairman.

Even yesterday, the hon. Finance Minister declared in the House that public sector undertakings are given powers to float loans to mobilize resources, to make them sound. In the nationalised banks and other commercial banks suppose an ordinary man goes with a few grams of gold, he will not get any advance, because loans are meant to be given to the affluent people. On telephone, the Chairman asks the Manager to give loans or advances. So, this kind of a thing should be curbed, and deterrent action should be taken. All the actions taken by the Government are good, e.g. their sacking the three Chairmen. Looting and other malpractices in many of the branches were not noticed, even though they were so common. Unless there is stability in our economy, and the entire depositors and the public are assured that their deposits will be safe, with the supervision of the Reserve Bank and the Government unless it is done, the whole system will fail. Thereby, it creates a lot of confusion and that will only add to the inflation and mismanagement. I would like to know about the steps which were already taken. If there is a necessity for amalgamation, I request him to do it on the Kerala based system. I request him to give an assurance also on this.

SHRI JANARDHANA POOJARY: The hon. member was pleased to bring to the notice of the House the irregularities, lapses and deficiencies that were found in this bank. Precisely, that is why this step has been taken after taking into consideration the irregularities,

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mismanagement and also lapses that have been founded out, identified by the Reserve Bank of India. The Reserve Bank has taken a decision; they have made a recommendation also that it is a fit case for moratorium; and that is why the moratorium has been imposed. Here the interest of the hon. members and the public is that we, the Government of India, have to protect the interests of the depositors. It is the duty of the Reserve Bank of India and also the Government of India to see or ensure that their interests are not jeopardised; that is why this steps has been taken even though it is not palatable to the management or to some of the Directors. The hon. member has made another point saying that there should be a deterrent punishment and there should be a probe and nobody should be spared. I give an assurance to the House that nobody will be spared if he is found guilty; and definitely the probe will be there. The Reserve Bank of India has been advised to go into all these aspects.

[Translation]

AN HON. MEMBER : Mr. Deputy Speaker, Sir, I am on a point of order. When they have been removed on charges of mismanagement, it means *p ima facie* there have been some lapses on their part. Hence some sort of action should be initiated right now.

[English]

MR. DEUPTY SPEAKER : This is not a point/You are giving a suggestion.

SHRI JANARDHANA POOJARY : The action is that it is also going to protect the interests of the depositors. Not only that, so many other things have to be done. We are probing and the Reserve Bank of India is going into all these aspects. Definitely, as I stated, nobody will be spared if anybody is found quilty; and all the persons who are responsible for this state of affairs, definitely, they will not be spared. This is the assurance I am giving. So far as as the suggestion that it should be ama-

lgnated with a South based bank is concerned-particularly a suggestion has come that it should be amalgamated with the State Bank of Travancore-all these things will be considered; and definitely I will also tell the Reserve Bank of India to take into consideration this aspect keeping in view the feelings that have been expressed here and outside the Parliament House.

[Translation]

SHRI VIRDHI CHANDER JAIN (Bakmer) : Mr. Deputy Speaker, Sir, the questions raised by two hon. Members just now relate to the Bank of Cochin while the Calling Attention Motion is about the Miraj State Bank and the Lakshmi Commercial Bank. I would like to know whether the Miraj State Bank and the Lakshmi Commercial Bank are passing through the same financial difficulties and whether moratorium has been imposed on them due to their poor financial condition and if so, the factors that have led them to such position and what steps have been taken by the Reserve Bank of India to safeguard the interests of their depositors and what directions have been given by Government in this regards. I would also like to know whether their accounts have been published or not. The Annual accounts of Cochin Bank have not been published because their publications will harm the interests of the depositors and we also want that these should not be published Therefore, I would request the hon. Minister to enlighten me in regard to the position of the Miraj State Bank and the Lakshmi Commercial Bank.

Secondly it is clear from your in regard to the Shivaji Nagar Branch of State Bank of India in Bangalore that the Branch was involved in a fraud of Rs. 3.5 crores. (Interruption)

[English]

SHRI JANARDHAN POOJARY : That point is not taken up now. The Calling Attention has been split. And we are taking today only the moratorium point of view of the banks.

PROF. MADHU DANDAVATE
(Rajapur) : Fraud will be in the future.

[*Translation*]

SHRI VIRDHI CHANDER JAIN :
This point arises out of the given by him. So, he should give information in this regard also. This question has been split into two parts and he has given reply to both the parts. The Calling Attention Motion also covers both these parts.

[*English*]

MR. DEPUTY-SPEAKER ; Mr. Jain, he is only replying to the moratorium aspect now. But relating to that, bank he is also referring to others.

[*Translation*]

SHRI VIRDHI CHANDER JAIN :
In the context of the moratorium imposed on the Cochin Bank, I would request the hon. Minister to tell us the position in respect of the two banks referred to by me,

[*English*]

SHRI JANARDHANA POOJARY :
Here, the hon. Member asked for information about the latest position of the bank and he has also stated that the balance sheet should not be published and it should be so in the interests of the depositors of the bank. Publishing it is not going to help the bank also. I am in full agreement with the suggestion of the hon. Member and that is why if the balance sheet is published definitely the interests of the depositors will be further affected and the latest position regarding the Lakshmi Commercial Bank is, according to the latest inspection of the bank, the deposit of the bank had suffered and erosion to the extent of Rs. 16.86 crores, that is, 6.7 per cent of the deposits. The bank's working results for the year 1984 were estimated to be negative and the estimate of loss is placed at Rs. 5.86 crores. Even in the past two years that is in the year 1982-83 the bank had incurred operating losses. These were converted into profits by way of revaluation of properties

crediting back appreciation, earlier provided on Government security, to the profit and loss account. That means they have added the market value of the profit and thereby they assured the profit earlier 1982-83 which is not expected from them. And this type of accounting adjustment is neither in conformity with the normal banking practice; nor is it in accordance with the prudent banking management. In respect of the accounts of the bank for the year 1984, the scope for even such adjustment may not be available and bank might have shown losses in the published accounts for the year 1984. The sticky advance of the bank as on the date of latest inspection was Rs. 46.16 crores constituting 41.7 per cent of the total advances. This is the position so far as Lakshmi Commercial Bank is concerned.

The hon. Member has also asked the position of Miraj State Bank Ltd. The position of sticky advance as on 31st March is Rs. 2.62 crores constituting 39.1 per cent of the total advances. The management of the advances portfolio of the bank was highly unsatisfactory. The profits have also shown deteriorating trend. The estimated loss for the year 1984 would be approximately Rs. 6.14 lakhs against the profit of Rs. 1 lakh in the previous year. How did they show profit of Rs. 1 lakh? They have shown it by re-evaluating the property and thereby showing the profit in the balance sheet. Because of these various lapses and also irregularities going against the norms and guidelines issued by the Reserve Bank, the Government of India has taken this action of moratorium and it is going to be amalgamated with some other bank. Either it will be amalgamated or some other course will be available. But at present, it is under the active consideration of the Government of India and the Reserve Bank to amalgamate it with some other bank.

PROF. P. J. KURIEN (Idukki) : It is not important as to who governs a bank. It can be Reserve Bank or any other agency. What is more important is that the governance should be in

(Prof. J.P. Kurien)

accordance with the rules and regulations guidelines issued by the Reserve Bank of India and also be in conformity with the healthy banking traditions. In this case I find that the Cochin Bank was mismanaged by the Chairman, whose name the hon. Minister has mentioned. So, I do not want to repeat it. In early 1983 the Chairman was removed. The fraud was found out and then an officer of the Reserve Bank was appointed to take care of the functioning of the bank. Hence since 1983 the bank has been functioning under the control of the Reserve Bank of India. I again find that in 1984 the Reserve Bank conducted a thorough scrutiny of the functioning of the bank. An enquiry was made and after that through inspection, they have permitted the bank to open two new branches. Again, I understand that it is after the same inspection that the Reserve Bank of India decided that there should be a moratorium on these banks including the Cochin Bank. So, one would logically conclude that after the date of sanctioning the two branches and before the date of moratorium some other fraud must have taken place in the bank when the bank was under RBI control. Otherwise, I developed fail to understand what new situation has between the date of sanctioning two branches and the date of moratorium, because for sanctioning a new branch it is an essential condition that the Reserve Bank of India should be convinced that sanctioning of such branches is in the interest of the depositors and the bank is complying with the condition of Banking Regulations Act regarding equity ratio, deposit ratio, etc.

So, they must have been satisfied in 1984 and after that Reserve Bank of India decided to impose moratorium. I would like to know what has happened in between to arrive at such a decision. I welcome the step taken by the Reserve Bank of India only if their finding is based on the latest situation in the bank, but this has been done when the Reserve Bank itself was controlling

the bank. That is the point I would like to mention and I would like the Minister to answer. Anyhow, on Reserve Bank of India's decision, Government of India recommended moratorium and the moratorium has been declared. The Minister has said that the Government of India and the RBI are interested in safeguarding the interests of the depositors. I am very happy because that is all my concern. I have already said that whether the Reserve Bank of India is governing or whether the Board is directly governing—I would prefer Reserve Bank of India to govern—the interest of the depositors should be safeguarded. He has already promised but what are the steps that they are taking to safeguard the interests of the depositors? Here I would like to mention two or three points. I may be allowed to quote an example. The Lisie Hospital in Ernakulam is one of the best hospitals in the State of Kerala, rather I will say in South India. Their daily collections are being deposited in this bank and at the end of the month they are withdrawing this money for giving salaries to the doctors, and to the medical and para-medical staff and to others. So, at the end of the month they have to withdraw money and then only they can disburse the salaries. Similarly, as mentioned by Shri Mundackal, Carithas also has the same problem. What I am trying to say is that some of the institutions which are serving the cause of public, are having their deposits in these banks and they have to withdraw amounts every month to meet their requirements. Their deposits are not to be considered at par with the deposits made by individuals which can be withdrawn at any time. There will not be much harm if they get their money after six months or one year, but in these cases where the deposits have to be withdrawn on monthly basis for meeting the salary requirements, I want some special consideration from the Minister and special instructions should be issued by him so that the functioning of these institutions is not hampered there should be no impediments in the proper functioning of these institutions. I want to know from the hon. Minister whether

he will take special care of these institutions which are catering to the public needs.

I would also like to know whether actually there was any demand, other than from the Members, that this bank should be amalgamated with a particular bank. There are three banks in question. Actually I have not studied well about the other banks but my point is that all these banks should be amalgamated with suitable banks so that not only the interests of the depositors but also the functioning of these banks, is not hampered. Government should take special care and issue special directive so that either in one form or the other, either under their own management or under the management of RBI or of some other bank, these banks should be allowed to function in order to safeguard the interests of the depositors. The Government should see to it that these banking facilities are not closed to the public. This was done earlier also. About ten years back there was a moratorium declared on some banks in Kerala. Then also, I remember, all these branches were retained by amalgamating them with the State Bank of Travancore. Likewise, this Cochin Bank can also be amalgamated with the State Bank of Travancore which is a Government bank itself.

Similarly the other banks—the Lakshmi Commercial Bank and the Meerut Bank—should also be amalgamated with the proper banks so that the entire banking facilities which are available to the people at present are continued and the banking facilities should not be allowed to declare.

I would like to have an assurance on this point also from the hon. Minister.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY): The hon. Member was pleased to question whether something wrong had been done in between the appointment of the existing Chief Executive and the date of the moratorium. I may kindly bring to

your notice that on 17-6-1983 the Reserve Bank of India had appointed a retired Officer of the Reserve Bank of India to take over as the Chief Executive and the Chairman of that Bank. Unfortunately the earlier Chairman went to the court with the result his taking over of the charge had been delayed. He was able to take the charge in the month of September, 1984.

The hon. Member wanted to know whether there was a fraud and whether because of this these steps have been taken. I may inform him that earlier also several steps had been taken because certain deficiencies, lapses and irregularities were noticed. This step also had been taken to remove such things. Even after his appointment, during this short span, he was not able to show any improvement. When the Reserve Bank found that the depositors and public interests are going to be affected, there is a mismanagement and that cannot be improved, they have taken this step. The Reserve Bank is going into all aspects of the question to find out whether there was a fraud or whether there was some other thing. If they find out anything regarding the fraud or any other lapses, as I stated earlier, the Government of India and the Reserve Bank will not spare anybody and will definitely take stern action.

So far as the suggestion made by the hon. Member as regards the depositors' plight, about his getting the amount from the Bank and the payment of the salaries and also payments to some of the institutions is concerned, I may inform him that whenever such moratorium was ordered, the amount that was admissible in other cases was Rs. 250. This time it has been increased to Rs. 2,500.

As I said earlier all suggestions of the earlier speakers also have been taken note of and the Reserve Bank will take them into consideration while dealing with the situation. At the cost of repetition I would like to assure once again to the hon. Members that they are under the active consideration of

(Shri Janardhana Poojary)

the Reserve Bank of India, as to how far they can go and it is the duty of all of us to keep that in mind. But for this action the depositors' interests would have been further affected as I said earlier. That is why this step has been taken. Otherwise, including those institutions which have been today seeking relaxation, they would not have got anything from the Bank. That was the position of the Bank. That is why we have taken this step.

I am glad to know that the hon. Members have welcomed this moratorium and amalgamation. They are requesting that it should be lifted and that it should be amalgamated as early as possible, with some of the South-based Banks. This is also under consideration.

As I have stated earlier the feelings of the hon. Members will definitely be taken into consideration. We will see how far we can give the justice and how far we can go. All these factors will definitely be taken into consideration by the Reserve Bank of India. I will also take personal interest in this matter and will see that the depositors' interests are not affected. After all, whether it is the Reserve Bank or any other Bank, the banking sector as a whole is the custodian of the public funds.

13.00 hrs

They are the custodians of the public fund and it is kept there with the trust and faith and confidence. We have to look after the trust and faith and confidence of the people, particularly the depositors.

SHRI INDRAJIT GUPTA : (Basirhat) : Sir, the prime concern of everybody is that the interests of depositors, the interests of the banking public, should be protected. As far as the declaration of this moratorium is concerned, we welcome it because I do not think there is any other alternative left, but I am concerned more with what happened before the moratorium and what is going to happen after the moratorium. Maybe the hon. Minister

will again repeat what he has said, but then I think some assurances by the Government on the floor or Parliament bear repetition because thousands and thousands of depositors are affected and I am sure they are very anxiously awaiting to know the outcome of this discussion and what the Government proposes to do.

Sir, although we, in the wisdom of the House, decided today that we would separate the question of bank frauds from the moratorium, that is, I think, because we want to have a wider discussion on the question of bank frauds, but there is a thin dividing line between the moratorium and frauds. What led to this moratorium? From the knowledge at least I have of the Bank of Cochin and the Lakshmi Commercial Bank, I think it was fraudulent practices which brought these two banks to this sorry state of affairs. Subsequently, the Government had to declare a moratorium. So, I want to know what is the action which the Government was taking while these fraudulent practices were continuing. My information is — later on he will correct me if I am wrong — that these practices have been continuing for quite a considerable length of time. One thing which the hon Member mentioned earlier is, even in these banks which are private banks, the usual case is that it is the bigger parties, the more affluent parties, the richer people who are able to get the cream of all the benefits from these banks. It is not the small man, it is not the poor man or the man of humble means who has been able to get the advances, loans and other benefits which he requires. In the case of the Bank of Cochin, which I am told has got 108 branches in the different parts of the country, the bank had advanced to different parties up to March 1984 an amount of 23,61 crores, I mean, advances to those parties which later on were defaulting. This means, it can be considered to be bad debts or doubtful debts, they amount to Rs. 23,61 crores and these bad debts amount to 52.2 per cent of the total advances and loans given by

these banks. So, over half the loans given, half the advances made, have turned into doubtful and bad debts. Who are these people? Who are these parties from whom big amounts are owing to the bank? In fact the total assets of the bank now have been outstripped by the total liabilities. I want to know whether it is a fact or not that the total assets of the Bank of Cochin amount to Rs. 75.19 crores while the total liabilities amount to Rs. 81.06 crores.

These defaulters are big business parties, especially in the South. Am I allowed to name them? They are not individual persons. They are companies corporate bodies.

MR. DEPUTY-SPEAKER : Companies mean...

SHRI BHAGWAT JHA AZAD : (Bhagalpur) Let him say. That would benice. Let the country know this.

PROF. MADHU DANDAVATE : (Rajapur) : It is only statement of fact. There is nothing defematory.

SHRI INDRAJIT GUPTA : It is not a statement of fact, he will correct me.

I am told that about Rs. one and a half crores is from Vishwaneriyat Company, Cochin.

SHRI GEORGE, JOSEPH MUNDACKAL : Its head office is in Delhi.

PROF. MADHU DANDAVATE : Geography does not matter.

SHRI INDRAJIT GUPTA : Anyway, I do not want to mention all of them. There are so many others :

Empire Exports Enterprises,
S L, Theatres. Trivandrum.
South India Rubber Traders,
Bangalore.
Ocean Fisheries, Earnakulam.
British Engineering Trading
and Commercial
Management, Trivandrum.
Romela Hotels, Bangalore.

Then, some Leela Menon is there.

I do not know whether it is a company or a lady.

SHRI BHAGWAT JHA AZAD : Leela Menon is a lady's name. With that name, a company will be there.

SHRI INDRAJIT GUPTA : I do not know what business this company carries on. (Interruptions.) I do not know why Mr. Azad is so amused.

SHRI BHAGWAT JHA AZAD : Everybody is laughing, not only me.

PROF. MADHU DANDAVATE : Sir, whether this is a company or capital or investment, it does not matter.

SHRI INDRAJIT GUPTA : Sir the point I want to know is, he said, the Reserve Bank keeps a very careful eye on the operation and functioning of these banks. So, these bad debts and these losses and this state of affairs in which liabilities are more than the assets could not have developed in one day. It is a process which is obviously going on for some time. So, I would like to know what is the mechanism by which the Reserve Bank really keeps a vigilance on the functioning of these banks. They have appointed some officers, it is said. I do not know what those officers were doing. Did the Bank of Cochin have any nominees of the Reserve Bank on the Board of Directors? I do not know. You tell us, please, whether there were any members of the Board who have been nominated by the Reserve Bank. If so, when were they appointed? How many of them were there—one or two or more? What were they doing during the whole period. Were they sleeping or were they talking any active interest? We do not know. But from the ultimate outcome of the whole affairs, it does not show the Reserve Bank's mechanism of inspection and vigilance in a very good light. If this kind of thing is permitted to continue, the same thing will happen in many other banks also. That is our apprehension. What is the guarantee, what is the assurance

[Shri Indrajit Gupta]

that this will not happen in future in the other private banks? It is not only private banks—we are not discussing public sector nationalised banks today within the scope of this call-attention. But the other day we have seen that even the nationalised banks have gone in for huge frauds and huge frauds are taking place. The Reserve Bank is the custodian of all the banks and the bank of all banks. Is it performing its duty properly? That is what I want to know. It does not seem to be. The confidence of the public in the banking system should not be shaken. That is the main thing. Otherwise, the economy of the country will be very seriously affected.

In the case of Lakshmi Commercial Bank, I am told that at present, there is no chairman. Is it a fact or not, I would like to know. At present, there is no chairman of this bank. The former chairman—whether he was removed or has gone away or something—has not been replaced by a new chairman. I am told. If there is a chairman, at present, I would like to know who is he. I am told that in the absence of the chairman, most influential among the remaining Directors is one gentleman whom I hesitate to name **

Shall I name him?

SHRI BHAGWAT JHA AZAD : Why not? Sir, we should know these persons.

SHRI INDRAJIT GUPTA : He belongs to your Party, Mr. Azad,

SHRI BHAGWAT JHA AZAD : It does not matter if he belongs to our Party. If he has done wrong, it must be said that he has done wrong.

SHRI INDRAJIT GUPTA : His name is ** and now, according to the RBI report of January, 1985, the bad debts of this Lakshmi Commercial Bank amount to Rs. 35 crores. This bank is a well-known bank. It has Branches in many States,

probably in all States of India. About Rs. 2 crores are owned from one group of enterprises known as Hindustan Monarch owned by the Jains. Rs. 5-6 crores are owned from another group of enterprises, Chowdhury Exports, Agra Tins and Muthari Potteries and so on owed by some Kapoor family and ** himself is also a businessman. He has got some concerns of his own which have also taken loans amounting to some Rs. 20 lakhs or so.

There is another Bank known as the Punjab and Sind Bank. It is well-known. The scrutiny of the working of this Bank shows that there was some sort of an arrangement or an understanding between the management of Punjab and Sind Bank and this management of this Lakshmi Commercial Bank and that understanding led to a state of affairs where the Chairman of the Punjab and Sind Bank and his wife and his son were given big advances by Lakshmi Commercial Bank and Lakshmi Commercial Bank people got advances from Punjab and Sind Bank and those things cannot be recovered now. They have all become bad debts, doubtful debts.

In 1983, I am told, there was a Reserve Bank nominee on the Board of Directors. He is probably not there now. He must have been removed. His name is Mr. Saxena. This report of the Reserve Bank of India has come to light in January, 1985. In 1983, the Reserve Bank's nominee was on the Board of Directors. I want to know what he was doing. All these things were taking place in that period. (*Interruptions*). I do not know whether he was removed because of his failure to do his duties or why he was removed. The hon. Minister can tell us. If my facts are wrong, he can tell us. But, was any enquiry held into his conduct while he was serving on that? I do not know. My point is, what I said earlier on, that all this throws very poor light on the functioning of the Reserve Bank of India. He is making a big virtue of the fact that the Reserve

Bank has stepped in now in order to protect the depositors. They have decided to declare moratorium and all that but, that is when we have already come to a state of affairs when like so many things in the country, they are closed down and declared sick, the factories are closed down, people are chucked out, then the Government decides to do something. This is like that. These are all sick banks. You can describe them as sick banks which have been made sick by these private owners and management and while they were falling sick, the Government was doing nothing. This I want to propagate to the nation so that in future similar situations are not allowed to be repeated and as far as what is going to happen now, I support the request made here by other Members that we should consider allowing, even during the period of moratorium, the amount which is allowed to be withdrawn, by a depositor, that ceiling, if possible, should be raised a bit, because Rs. 2,500/-nowadays is not any amount at all. If it is possible, it should be considered.

The main point is the question of amalgamation. I am told that there are very influential people behind the Bank of Cochin who are trying to pressurise the Government into seeing that amalgamation does not take place. He said that there is some other solution. What is that other solution? It may be found. I do not know. He should spell it out. What is the other possible solution? I think there is no solution. The solution is that these banks, Lakshmi Commercial Bank, Bank of Cochin etc must be amalgamated with some other Bank in the nationalised public sector. There is no justification whatsoever for them to continue now in this way and it has been stated here in the Minister's statement also, that the Reserve Bank come to a conclusion that the Banks could no longer function as viable independent units: Very good. I agree with that. It means that they must be amalgamated with some other bank in the nationalised sector. That assurance should be given by the Government here on the floor of the House. There is no other way-out. I am not suggesting which bank should be amalgamated with what and all that.

But the principle of amalgamation must be accepted. And I believe that, when this moratorium was declared, an assurance was given from the Government side that they would be amalgamated with other banks. Now I am a little alarmed when I hear him talking of some other solution. Whose demand is that 'some other solution'? It is not the demand of anybody in this House. It is the demand of the people who are interested in mismanaging these banks? Are they making such a demand? I would expect the Minister to come out forthrightly here in favour of amalgamation and tell us that, when the period of moratorium is over, amalgamation will be done and the interests of the depositors will be fully protected: and also that the Reserve Bank will be asked to be a little more wide awake and vigilant and to do its duty conscientiously and not allow the state of affairs to deteriorate upto this stage and then only come and say that they are trying to protect the depositors.

SHRI JANARDHANA POOJARY :

The hon. member has given figures regarding bad and doubtful debts. I have not stated that they are bad and doubtful debts. As you know, there is a difference between 'sticky advances' and 'bad and doubtful debts'. 'Sticky advance' means that which is locked up and which can be recovered; it is recoverable also if we file suit and there are other methods also 'Bad and doubtful' means the stage where it is declared as 'bad and doubtful'.

As per the statutory provision, as per the Banking Act, I am not in a position to disclose any information with regard to the individual constituent's accounts and other things. The hon. Member also knows. He is an experienced and well-informed Member. There is a statutory bar; this bar has been provided by the statute after it has been passed in Parliament.

The hon. Member was pleased to quote the names of some people in Bangalore or some other place and their accounts. He was also pleased to name:

[Shri Janardhana Poojary]

** He could have restrained himself because he is an experienced Member. We always value his statements. But he has gone to the extent of giving the name of ** Here also I want to say that it is not the intention of the Government to suppress anything. But unfortunately there is a bar on giving the details of any account. So, I am not in a position to give the particulars of any individual accounts.

Coming to the frauds, I was not against the discussion on frauds also which are connected with this moratorium or any other thing. But it is the decision of the House. That is why, that has been split up. I do not know whether we are going to discuss that. But definitely I am going to give the details of the frauds and also some of the factors which led to frauds.

He has stated about loan to the affluent class and also the position or the plight of the weaker sections, the small people. I am in agreement with the hon. Member. When we are giving to the weaker sections, we talk much and when we are giving to big people, there is laxity and there are lapses. There was the case of Sethia. There was a calling attention. Hundreds of crores of rupees are involved. What happened? We have brought it to the notice of the House. We should see that the weaker sections also get. But unfortunately there is this attitude and I have brought this fact to the notice of the private banks and also even outside Delhi. I have stated that a lot of complaints are coming when these branches are opened. Branches of these private banks are not meeting the requirements of the weaker sections, particularly even under IRDP scheme. Some complaints are there that they are not meeting the requirements and their performance is not upto the mark. I have even stated it and I advised the Reserve Bank not to give branches to these private banks and in such cases their performance should be evaluated in regard to their performance regarding weaker sections. Unfortunately this is what is going on this country. Parti-

cularly when a poor man comes to the bank, nobody is there to attend and when the affluent class people are coming, there are people. This is what is going on. This is what I was telling for the last 3 years that when the poor man comes also the same treatment should be given to him. I am grateful to the hon. Member, Shri Indrajit Guptaji for raising this point. I am in full agreement with him that something has to be done. Here for some rich people, affluent class people there will not be much difficulty for them and in to-day's calling attention also I am not going to refer to that. When I am going to talk about that, definitely I will touch that point also. This is one point I am going to make.

The point is : why the Reserve Bank has been doing and whether there were any people from the Reserve Bank who have been sent, Directors or others from the Reserve Bank whether they have been sent to this bank. In my reply also I have stated that it is a fact that Directors have been sent to these banks and they have also been reporting. As you know no decision could be taken in a hurry. The Reserve Bank should also know the implications. As the hon. Member has made a point to the effect that there will be pressure, the pressure, are there. Even pressures are there against amalgamation and pressures are there against this moratorium. Some people do not want moratorium but it is not at the cost of repetition but it is our conviction that we have to safeguard the interests of the depositors and the banks are the custodian. But here when they are private banks, the Reserve Bank of India cannot interfere in their day-to-day affairs. There should be control and the control should be exercised. But at the same time I also agree with the hon. Member that some thing more is expected from the Reserve Bank of India. They should strengthen and they should tone up the administration. They must go a step further in finding out or in detecting or identifying the deficiencies. I have already told the Reserve Bank of India to do something more and steps are to be taken. Unless it is taken we cannot go and we cannot

give or we cannot live upto the expectation of the people. We must show improvement. But at the same time we cannot blame them. Deficiencies are brought to the notice of the Reserve Bank and the Executive Director of the Central Bank of India was posted as Chairman of this bank.

SHRI INDRAJIT GUPTA : Which bank ?

SHRI JANARDHANA POOJARY : The Lakshmi Commercial Bank. Recently he has been taken out and appointed as the Chairman of the Bank of Baroda. A few days back he has been taken out and at present there is no Chairman. But in-between that period this moratorium order has been issued and nobody can say that the Government of India was not seized of the matter. That is why after taking serious view we have come forward with this step and definitely we are going to take action against these people who are responsible for this mis-management and other things.

SHRI BHAGWAT JHA AZAD ; Big fellows eat away the entire money and make it a bad debt. As such, the poor persons do not get it.

SHRI JANARDHANA POOJARY ; We should be very firm. In most of the cases it is happening. In some of the cases I am pained to say-even the guidelines are not followed and without sufficient sureties they are being given. If a poor man comes for a loan of Rs. 300, these people who are working in the bank send him to get no due certificate and in order to get a loan of Rs. 300 he has to go to so many banks. He is made to run from one bank to another. That is why I said there should be commitment ; there should be dedication minded bank employees. There should be dedication from the management side also. They should be practical also. These people of the Reserve Bank should be sent to the field. There they should get practical experience. I am of the opinion the Reserve Bank people should not be allowed to sit within their four walls. They should go to the villagers and colonies of the poorer sections. There they should get experience and come out

with policies. By sitting in air-conditioned rooms or going abroad if they are going to formulate policies, I donot think it is going to benefit.

PROF. MADHU DANDAVATE : Sir, we support the Leader of the opposition.

SHRI JANARDHANA POOJARY : Sir, I fully agree with the views expressed. Definitely I will take into consideration the contribution by way of suggestions made by them.

SHRI INDRAJIT GUPTA : Sir, I would like the Minister to look into the allegation that many books and records of the Lakshmi Commercial Bank are being removed to the personal residence of the gentleman whom I do not want to name again. The records are being removed and some of them are being destroyed there. Please look into it.

MR. DEPUTY SPEAKER : Now we take up next item-Matters under Rule 377.

13.30 hrs

[English]

MATTER UNDER RULE 377

- (i) Integrated development of dacoit infested areas in district Morena (M.P.) and District Agra (U.P.)

SHRI GANGA RAM (Firozabad) : River Chambal flows in between Tahsil Amba of district Morena Madhya Pradesh and Tahsil Bah of district Agra of Uttar Pradesh and its valley is well known for the ever increasing menace of heinous crimes like dacoities, kidnapping and ransom. Districts like Bind in Madhya Pradesh and Tahsil Kheragarh and Fatehabad of district Agra, which are adjacent to Morena and Bah are also adversely affected due to the above problem. The main reason for the criminality of the above nature is the backwardness of this most-neglected and forlorn area on both sides of river Chambal where civilization has yet to penetrate and convert the criminals into peace-loving and law abiding citizens. This is not possible until integrated